PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 458 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

SECOND SESSION OF THE FIFTY-FOURTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FIFTY-SIXTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 2006–2007

COMPRISING PERIOD
12 March—29 March 2007

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THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE SECOND SESSION OF THE FIFTY-FOURTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 11 MAY 2005]

FIFTY-SIXTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES VOLUME 458

SIXTH VOLUME OF SESSION 2006-2007

House of Commons

Monday 12 March 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

WORK AND PENSIONS

The Secretary of State was asked—

Freud Report

1. **John Penrose** (Weston-super-Mare) (Con): What assessment he has made of the implications for his Department's budget of the recommendations of the Freud report on welfare to work. [126359]

The Secretary of State for Work and Pensions (Mr. John Hutton): The Government have welcomed the publication of the Freud report and are giving careful consideration to its recommendations and their financial implications. We hope to respond more fully later this year.

John Penrose: I think that I thank the Minister for that reply, but could he please give us a bit more detail, particularly on his quantification of the risks that one or more of the prime contractors will fail to deliver what they are supposed to achieve? Does he agree that two substantive risks need to be both quantified and managed? First, the prime contractors may fail to engage with one or more important groups of vulnerable jobseekers in their area because they will have a regional monopoly. Secondly, as commissioning bodies, they may fail to develop the capacity of the local voluntary and third sector organisations that will deliver the services on the ground.

Mr. Hutton: I agree with the hon. Gentleman about the risks involved in proceeding along the lines that David Freud has recommended, which is why we have not yet made any final decisions. The hon. Gentleman mentioned a number of those risks, and rightly so. It is worth reminding ourselves that, although David Freud proposed a network of regional monopolies, as the hon. Gentleman suggested, he felt that there could be some circumstances in which we should not proceed along those lines. Although tremendously exciting opportunities are opened up by Freud's report to target more effective help and support on those who are hardest to reach and have proved to be the most difficult to get into employment, it is right that we look carefully at his recommendations. Obviously, we need to do some more modelling with the Treasury, but I am confident that we can find a way forward. David Freud was right also to suggest that the most sensible thing to do, if we can model the proposals and manage the risk carefully, would be to test the proposals in a number of pilots, and I think that is the right way to proceed.

Mr. Frank Field (Birkenhead) (Lab): Given the record number of new jobs under this Government and the record expenditure on welfare to work, how do the Government account for the only modest fall in inactivity rates?

Mr. Hutton: I think that 1 million people have been taken off benefits and, as my right hon. Friend would acknowledge, as others have, including the Organisation for Economic Co-operation and Development, Britain has an outstandingly good track record on welfare reform. The significance of David Freud's report is that although he has—rightly—charted the success of the new deal and other interventions that we made, his

prescription, looking forward, is right and we must now target an increasing share of our available resources on the hardest to reach and particularly those who are economically inactive, such as lone parents and people on incapacity benefit. That is very much what we want to do, and I look forward to my right hon. Friend's support when we do so.

Mr. David Laws (Yeovil) (LD): If the Government are doing so well on welfare reform, why is the male employment rate in the United Kingdom now 10 percentage points below what it was under Harold Wilson, and why must we wait another six to eight years for David Freud's proposals to be implemented?

Mr. Hutton: There you have it, Mr. Speaker: the curmudgeonly voice of the Liberal Democrats. It is worth making the obvious point: we have never claimed that every problem has been solved, and it is clear from the Freud report that that is so. However, it would be futile and rather pathetic not to acknowledge the progress that has been made. The employment rate in the United Kingdom is now among the highest of all the developed countries in the world and is the highest for nearly 30 years. That is progress. I look forward to the day when the Liberal Democrats come here and celebrate that progress with us, although I suspect from the hon. Gentleman's comments that that will be some time yet.

Roger Berry (Kingswood) (Lab): The Freud report stresses the particular challenges faced by lone parents not in paid employment who have disabled children. Can my right hon. Friend tell the House what measures the Government plan to take to ensure that there is affordable, accessible and appropriate child care for such lone parents and their children?

Mr. Hutton: I am grateful to my hon. Friend, who will be aware that we have made a significant investment in improving access to child care since we came to office 10 years ago. There is a great deal still to be done, but it is important that that investment goes in. My hon. Friend will also be aware that as part of the work on the comprehensive spending review the Treasury is leading a project to look specifically at disabled children's needs. My personal sense is that we should always look to do more to help families who are bringing up disabled children, and I very much look forward to the outcome of that piece of work.

Miss Anne Begg (Aberdeen, South) (Lab): There is no disagreement that those with multiple disadvantages need a great deal of input and help if they are to access the job market. David Freud recognises that that will cost a great deal of money. Does my right hon. Friend agree that the best people to get those with multiple disadvantages into the workplace may often be in the voluntary and third sectors, not just in the private sector? Will he ensure that the best quality of help is given to such people to make sure that they are not forced into work that is totally inappropriate for them?

Mr. Hutton: I agree strongly with what my hon. Friend says. When it comes to providing the most effective help and support, we can probably leave on one side a lot of the outdated ideology. We should look for the providers that can make the biggest impact. It is significant that virtually all the programmes in the new deal for disabled people have been delivered by the private or voluntary sector—they have been a great success. I urge hon. Members on both sides of the House to approach this with an open mind. We will look to contract with the best providers that hold out the prospect of helping the most people at the best value for money. That is the challenge that David Freud has put down to us and we intend to pick it up.

Mr. Mike Weir (Angus) (SNP): The Secretary of State will know that concern has been expressed about the adequacy of the funding of the roll-out of pathways to work under the existing welfare benefits reform. Will he assure us that he will ensure that that is working properly before he embarks on the next phase? Has he held discussions with other Departments and the devolved Administrations about the cost of the child care that will be necessary if he is to push the programme for lone parents with children of 12 and over, especially those in the difficult group of the younger teens?

Mr. Hutton: We will obviously have proper discussions with the Scottish Executive on how to take this forward because, as he knows, child care is a devolved matter. However, it is worth putting on record the progress that has been made in Scotland in the past 10 years or so. We calculate that the jobs dividend to Scotland has been 200,000 extra jobs. Most, if not all, of that progress would be put at risk if the Scottish people were daft enough to accept the hon. Gentleman's advice and move towards independence.

Mr. Tim Boswell (Daventry) (Con): Does the Secretary of State agree that as there is a common interest in sustained, long-term employment for these hard to place groups, it is absolutely essential that he does not close his mind to new and innovative organisations that might come along with something fresh to offer, or to specialist organisations that might operate either under the overall umbrella of commissioning or, in certain cases, independently, because of their specialist expertise?

Mr. Hutton: I agree with the hon. Gentleman, and I do not want to close my mind to any of those things. The hon. Member for Weston-super-Mare (John Penrose) properly identified one of the risks. If we go down the road that David Freud has recommended, we will need to ensure that we do not compromise the ability of some of the specialist providers to make a valuable contribution to the welfare to work agenda. I will do everything that I can to ensure that that does not happen.

Mr. Philip Hammond (Runnymede and Weybridge) (Con): Freud has made several radical proposals, including a progressive reduction in the age of the youngest child at which a lone parent would be expected to seek work. However, in the Secretary of State's speech to last year's Labour party conference, he went further than that and spoke with admiration for the Clinton reforms in the US, a central plank of which was the time-limiting of benefits for lone parents. Will the Secretary of State clear up the confusion about his

attitude by confirming to the House that he has specifically ruled out the time-limiting of lone-parent benefits?

Mr. Hutton: I am surprised that the hon. Gentleman asks that question, because I have been asked it at least twice during recent Work and Pensions questions. On each occasion, I made it quite clear that we were not going down the road of time-limiting benefits.

Pensions

2. **Mr. Jim Cunningham** (Coventry, South) (Lab): What recent assessment he has made of the adequacy of the basic state pension; and if he will make a statement. [126360]

The Minister for Pensions Reform (James Purnell): The Pensions Commission examined the adequacy of the state pension system and made recommendations for reform. On the basis of those recommendations, we have come forward with our proposals. The International Monetary Fund's 2006 annual assessment, which was published this month, set out its broad agreement with our proposed pensions reform, saying:

"it will help ensure both adequate saving for retirement and fiscal sustainability".

Mr. Cunningham: I thank my hon. Friend for that answer. The work that the Government have done to get pensioners out of poverty is very much appreciated. As part of the coming Budget, will he consider whether to restore the earnings link, which is very important to pensioners?

James Purnell: As my hon. Friend knows, that is slightly above my pay grade. We have made our intention to restore the earnings link very clear. We have said that our objective is to do that in 2012, subject to affordability. It is worth saying that no pensioner has to rely on the basic state pension alone. Pension credit, which we brought in, has reduced the number of pensioners in relative poverty by 1 million. Pensioners are now less likely to be poor than the rest of the population, which is a remarkable achievement at a time of economic growth. According to the Institute for Fiscal Studies, the last time that it was achieved was

"as a one-off blip ... in the depths of the recession of the early 1980s".

We have no intention of going back to that.

Mr. Mark Field (Cities of London and Westminster) (Con): What message does the Minister have for those who are just entering the workplace about the likelihood of their having an adequate state pension when the time comes to retire?

James Purnell: That is a good point; we are moving from a situation in which women get £90 a week on average from their state pensions to one in which they will get about £130 a week. That is a significant change, and it means that we can tell people who are starting work that if they work or care for most of their lives they will be lifted well above the level of the means-tested safety net, and so will have good incentives to save. That is exactly the message that we should be giving people.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): The Minister will know that when pensioners attain the age of 80, they receive a derisory increase of some 25p a week to their state pension. Does he agree that the time is right either to scrap the 25p a week or to raise it significantly?

James Purnell: I am aware of the situation, not least because pensioners have written to me saying that they spent their first increase on a stamp to send me a letter about it, but it is worth putting that increase in the context of our introducing free TV licences for over-75s and winter fuel payments of £300 for people over 80. We recognise that as people get older they need more benefits, and that is exactly what we have provided. As my hon. Friend knows, the policy to which he referred has existed since the 1970s, and neither of the past two Governments have changed it, but we recognise the needs of older pensioners, and that is why we introduced the measures that I mentioned.

Peter Viggers (Gosport) (Con): The Minister has just spoken in favour of the supplementary benefits available to pensioners, but does he realise that those benefits are means-tested, which means that many people have no incentive whatever to save for their retirement? Is he worried about that, and what will he do about it?

James Purnell: I wonder where the hon. Gentleman has been, because the Pensions Commission, which Lord Turner led, has just addressed exactly that point, and the IMF said in its findings that it will address the issue of the incentives to save. The IMF thinks that there is a good policy, and consensus has been built up on what the Pensions Commission supports. If he wants to stand outside that consensus, he is welcome to do so, but I think that we have a good set of policies for the future that will give people good incentives to save.

Jo Swinson (East Dunbartonshire) (LD): Despite the efforts of the Government and many hon. Members on both sides of the House to publicise pension credit entitlements, nearly 90,000 pensioners across Scotland are missing out on the pension credit to which they are entitled. Does the Minister think that that highlights the injustice of the complex and bureaucratic means-tested system of pensions? Surely it is high time that we moved to a system in which the Government paid a decent state pension, as of right, to everyone.

James Purnell: First, those figures are rubbish, and we told the *Daily Record* that before it published them. Secondly, the hon. Lady and her party are committed to scrapping the state second pension and the pension credit; that is what her party leader said recently. About half of pensioners get more from the state pension system than they would from the citizen's pension that her party proposes. I am looking forward to the hon. Lady telling millions of pensioners, at the next election, that the Liberal Democrats propose to reduce their pension by making those changes.

Kelvin Hopkins (Luton, North) (Lab): Following two decades of the Tories breaking the link between earnings and pensions, our pensions in Britain fell to the lowest level in Europe as a proportion of earnings. The comparisons now may not be as comfortable as we would like to think. Will my hon. Friend undertake to investigate pensions on the continent of Europe and in the European Union, to make a comparison, and to bring that comparison to the Commons with his statement?

James Purnell: There is a process under way within the European Union to do exactly that, but I am afraid that the figures do not show the whole picture. For example, they do not include all private pensions saving, which is important in our system in a way that it is not in other European systems. As a consequence of our proposals to link the state pension to earnings, the state pension will in future be worth twice as much as it would otherwise have been, so that is a big commitment. People in the Labour movement have campaigned for a commitment to a link to earnings for a long time, and I urge my hon. Friend to welcome that commitment as part of his support for our policies.

Mr. Nigel Waterson (Eastbourne) (Con): I am sure that the Secretary of State enjoys his regular cosy chats with the Chancellor, but will the Minister share with us, and with the estimated 3 million older people who will die before the link with earnings is implemented, how the Chancellor can say that the implementation may not be affordable in 2012, yet will definitely be affordable by 2015?

James Purnell: We have set out very clearly how we will finance that, but the interesting thing is the hon. Gentleman's policy. Last time we debated the issue, his colleague the shadow Secretary of State said that he thought that restoring the link was affordable now; the hon. Member for Eastbourne (Mr. Waterson) then contradicted that in Committee; and last week his hon. Friend the shadow Chancellor said that there will not be any more money for pensions. What we are finding out about the Tories is that on presentation they want to face both ways, but on policy they are all over the place.

Disability Discrimination Acts

3. **Andrew Gwynne** (Denton and Reddish) (Lab): What assessment he has made of progress by private companies in meeting their obligations under the Disability Discrimination Acts 1995 and 2005. [126362]

The Parliamentary Under-Secretary of State for Work and Pensions (Mrs. Anne McGuire): We published research on 1 March which shows that organisations in the public, private and voluntary sectors are responding very positively to their obligations under the Disability Discrimination Acts.

Andrew Gwynne: I have seen that research and note that it finds that many employers still take a narrow view of disability, focusing mainly on sensory and physical impairments. What is my hon. Friend's Department doing to ensure that all employers take on board their full obligations under the Disability Discrimination Acts to tackle all forms of discrimination against all forms of disability?

Mrs. McGuire: I thank my hon. Friend for drawing the House's attention to that part of the research, which clearly indicates that there is still a very narrow focus. Some 10.5 million people in Britain are covered by the Disability Discrimination Acts, and not all of them—indeed, a minority—have sensory or mobility impairments. We need to broaden the scope and the impression and view of disability, and we are doing that by engaging with employers and the media and ensuring that people understand that there is a whole spectrum of disability, and not just people who have sensory or motor impairment. Later this year, we will start to roll out a campaign aimed specifically at employers to ensure that that message gets across.

Mr. Bob Blizzard (Waveney) (Lab): What role does my hon. Friend envisage for local authorities in raising awareness and providing advice to small businesses on their obligations under the Acts? Does she agree that communities can make co-ordinated progress only if local authorities and her Department work with the voluntary sector, including organisations such as the disability information and advice line in my constituency, which my hon. Friend recently visited?

Mrs. McGuire: I take this opportunity to thank my hon. Friend for arranging that visit, which clearly showed that where good local voluntary organisations work in partnership with other public authorities, they can enhance the message that is conveyed to the wider community. My hon. Friend is perfectly correct: we need to ensure that we use the leverage that local authorities, in particular, can bring to a local community, not just in the dissemination of information, which is crucial, but in how they conduct their own business in delivering services and employing disabled people. The disability equality duty was placed on public authorities to ensure that they do just that.

Personal Accounts White Paper

4. **Richard Ottaway** (Croydon, South) (Con): If he will make a statement on the personal accounts White Paper. [126363]

The Secretary of State for Work and Pensions (Mr. John Hutton): The proposal to establish personal accounts has been broadly welcomed in the House and by many others. The consultation on the detailed proposals set out in the White Paper ends on 20 March, and in the light of those responses, it is our intention to bring forward legislation in the next parliamentary Session.

Richard Ottaway: Given that the public have more faith in the judgment of Lord Turner than the Secretary of State, has the right hon. Gentleman reconsidered his somewhat naive decision to cap those accounts at £5,000 a year instead of £3,000, as proposed by Lord Turner?

Mr. Hutton: Yes.

David Taylor (North-West Leicestershire) (Lab/Co-op): In the White Paper there is reference to personal accounts being delivered by a modern organisation, managed independently in the interests of its members, and within a framework set by Government. No one could dispute those criteria, but the fourth one—delivery by a private sector firm—would make many people nervous. Does the Secretary of State agree that, given the private sector's track record in that area of pensions, it is not the natural area of society or of the economy to take on a responsibility as important in our pensions policy?

Mr. Hutton: We want a value-for-money solution to implementing the proposed national pension savings scheme, and it is my view that the private sector has the appropriate expertise and experience to do that and provide a good service for the public in the process. At some point, we will obviously need to tender that work, and we will make judgments in due course. However, it is not an area in which Government have the right expertise to take the policy forward.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): Does my right hon. Friend agree that minimising costs and charges is crucial to the success of personal accounts? What steps is the Department taking to achieve that?

Mr. Hutton: My hon. Friend is right. Clearly, the lower the annual management charges and costs, the greater the return for those who are saving in the national pension saving scheme. That must be our principal objective in taking forward Lord Turner's proposals. This, however, will be a matter for detailed consideration by the proposed personal accounts delivery authority, but I can assure my hon. Friend and the House that we will work closely with the delivery authority to make sure that this important aspect of the scheme is brought to fruition.

Construction Industry Training

5. **Simon Hughes** (North Southwark and Bermondsey) (LD): What programmes for increasing skills and opportunities for work for young people wishing to enter the construction and related industries are supported by his Department. [126365]

The Parliamentary Under-Secretary of State for Work and Pensions (Mr. James Plaskitt): The responsibility for skills falls within the remit of the Department for Education and Skills. However, my Department offers training and support for young people who take up work in a wide range of occupational areas, including the construction industry, through the new deal for young people. Since the new deal started, nearly 180,000 young people have been helped by the full-time education and training option, and over 85,000 through the employment option. There are already 19,000 young people employed in construction across London, and there is no shortage of further opportunities, given that there are currently around 11,000 vacancies.

Simon Hughes: The Minister is right. The Chartered Institute of Building confirms that seven out of 10 firms are expecting more work this year, and three quarters have difficulty recruiting people with the right skills for the industry. Could he, with his colleagues in the DFES—I appreciate that it is a cross-departmental responsibility—ensure that all the young people who, in constituencies such as mine, are keen to get into the building industry, have not just the initial training, but the opportunity to go from the training into apprenticeship and the work that give them the security of employment that they need, London needs and Britain needs?

Mr. Plaskitt: Indeed, those opportunities exist. The hon. Gentleman may be aware of the on-site training and the job shop at Battersea power station, which I am sure is attractive to many of his young constituents hoping to get into the construction industry. We are working there with Lambeth college and South Thames college. There have been more than 10,000 inquiries to that job shop already, and I am pleased to tell him that as a result 640 young people have gone straight into construction work in London, 43 per cent. of them drawn from the ethnic minority communities.

Mr. Bill Olner (Nuneaton) (Lab): Will my hon. Friend speak to his colleagues to ensure that the young people who are enticed into training go on to get full-time apprenticeships—not short, modern apprenticeships—where they can learn all the skills necessary for them to be of use not only to the London area, but to the entire country?

Mr. Plaskitt: My hon. Friend is right. There are extensive opportunities for young people to find employment in the construction industry and to develop skills. He will be pleased to know that £63 million was available to support construction apprenticeships last year, as a result of which 24,000 young people came forward and began construction apprenticeships. We are grateful for the fact that there are 15,000 employers around the country offering construction partnerships.

Mr. Philip Hollobone (Kettering) (Con): In the past 10 years, the number of young people aged 16 to 18 not in education, employment or training has risen by 27 per cent. What does the Minister intend to do about that?

Mr. Plaskitt: As the hon. Gentleman will know, a number of schemes have been extremely effective already in helping young people find work. I suggest that he looks at the results of the new deal for young people. Some 700,000 young people have gone through the new deal for young people programme, and as a result we now have a very low level of youth unemployment. The programme has helped us virtually eradicate long-term youth unemployment.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Has my hon. Friend given consideration to tapping into the skills and expertise of construction workers who have had to retire through ill health or personal injury? That would be a double whammy, in the sense that it would take them away from daytime television and pass on their skills to the young people

who need them. Such a scheme would need the support of the appropriate trade unions, and should not affect their benefits.

Mr. Plaskitt: My hon. Friend is right: those who formerly worked in the construction sector have an enormous range of skills of which we can make use. In many parts of the country, learning and skills councils, when they are delivering locally, are engaged in that process, as are colleges. He will be aware that the Scottish Executive are looking at ways of developing those ties even further.

Andrew Selous (South-West Bedfordshire) (Con): David Freud has talked of a "poverty of skills" in the UK, yet only 11 per cent. of benefit claimants who lack everyday literacy and numeracy skills complete a basic skills qualification. Will the Government now assess all new claimants so that those with reading or maths needs, for example, can participate in training as soon as they make a claim, without having to wait six months for an assessment?

Mr. Plaskitt: David Freud also pointed out that the Government have a "genuinely impressive record" in helping young people to gain the skills to find work. If the hon. Gentleman cares to look at the skills base that exists for young people, the opportunities for acquiring skills, the expansion of the further education sector and the contribution made by the new deal for young people, he will accept that the opportunities now are far greater than they were 10 years ago.

Lone Parents (Employment)

6. **Mr. Rob Wilson** (Reading, East) (Con): What recent assessment his Department has made of the employment rate among lone parents. [126366]

The Secretary of State for Work and Pensions (Mr. John Hutton): The lone parent employment rate now stands at 56.5 per cent.—an increase of more than 11 percentage points since 1997—and is at the highest rate since records began.

Mr. Wilson: I thank the Secretary of State for that answer. A survey of 1,000 lone parents undertaken by One Parent Families showed that a staggering 71 per cent. of non-working lone parents cited lack of child care or of flexible working as a reason for not being in paid employment. Does not that highlight the Government's 10-year failure to offer lone parents a real choice between employment on the one hand and dependency on the other?

Mr. Hutton: No, I do not think that achieving the highest ever recorded rate of employment for lone parents can fairly or reasonably be described as a policy failure in the way that the hon. Gentleman tries to do. It is worth pointing out to him and his hon. Friends that we have made an historic investment in child care. We have introduced new legislation, for example, to allow people the right to request part-time working, which he and his hon. Friends opposed. Of all the people in the House who can lay down the law about what more needs to be done about lone parents, the hon. Gentleman is certainly not among them.

Mark Pritchard (The Wrekin) (Con): Given that child care support is a key element of getting lone parents back into the workplace, what support is being given to teachers, classroom assistants and schools to provide breakfast clubs and out-of-school clubs, which already have a huge amount of work to do? Although I applaud the Government, schools need support if those proposals are to be brought forward.

Mr. Hutton: My right hon. Friend the Secretary of State for Education and Skills speaks for those matters in this place, but it is true that the Government have made a significant investment of additional funds into that sector as well. That has been broadly welcomed. In relation to the point to which I think the hon. Gentleman was alluding about conditionality as an entitlement to benefit, we have to match that to the availability of child care locally so that we are not asking lone parents to do something unreasonable in taking more active steps to get back into the labour market, but if we continue the investment, I think that we will get to that point. We should now have that debate in the country as a whole.

Andrew Miller (Ellesmere Port and Neston) (Lab): In my constituency, the progress in the increase in employment among young people can almost be mapped against the development of the tax credit system. Is that a common feature across the country? Is there an absolute parallel? If so, is that because we have put so much into child care through that system?

Mr. Hutton: A number of factors explain the significant increase in the lone parent employment rate. Obviously, the strength of the economy generally has helped; so, too, has the new deal for lone parents. The hon. Member for Reading, East (Mr. Wilson) should know that it has helped more than 400 lone parents in his constituency to get back to work—a policy that his Front-Bench team opposes. The policy of making work pay through tax credits, the national minimum wage and now the in-work credit for lone parents who come off benefit and into work has made it possible for us to increase substantially the rate of employment for lone parents. However, we need to do more. That is obviously the case. It is what Freud highlighted and it is what we are now looking to do.

Inactive Benefits

7. **Anne Snelgrove** (South Swindon) (Lab): What his assessment is of progress in reducing the number of people on inactive benefits. [126367]

The Minister for Employment and Welfare Reform (Mr. Jim Murphy): There are more people in work in the UK than ever before. There are also 900,000 fewer people on out-of-work benefits compared with a decade ago. However, there is more we can do, which is the purpose of the Welfare Reform Bill and, of course, the Freud review.

Anne Snelgrove: What is my hon. Friend's view on the proposals in the Freud report to do more for the existing group of people on long-term incapacity benefit by extending obligations for them to participate

in work-related activities, as long as that is supported? The proposals currently cover new claimants only.

Mr. Murphy: My hon. Friend is absolutely right. David Freud has suggested an innovative and imaginative way of supporting existing incapacity benefit customers. The core point is that no one should ever be written off, which has happened for so long in our welfare system. One in six current incapacity benefit customers have dependent children, so there is a real opportunity to lift those families out of poverty.

Miss Julie Kirkbride (Bromsgrove) (Con): Will the Minister answer the question which the Secretary of State ducked when the right hon. Member for Birkenhead (Mr. Field) posed it earlier? Why is it that when the Government claim such success on employment levels and the number of people who are actually in work, the number of people who are inactive but of working age has barely changed over the past decade?

Mr. Murphy: My right hon. Friend the Secretary of State has answered that question on three separate occasions. In case the hon. Lady missed the answer on every one of those occasions, there are 900,000 fewer people on out-of-work benefits than there were when her party was in power. To break it down, that equates to 250 people on every single day for the past decade leaving benefits and entering work to provide for their families, which is real success.

Mr. Eric Illsley (Barnsley, Central) (Lab): Will my hon. Friend ensure that the quality of the medicals that incapacity benefit claimants must undergo as part of the welfare to work process is very good, because yet another case was raised with me by a constituent over the weekend? My constituent has been unable to work because of a disease so serious that I cannot pronounce it. The doctor who undertook the medical for that young lady failed to recognise any of the well documented and serious symptoms, which means that my constituent must use the appeal process in order to pursue her claim for benefit. Can the medicals that are provided to claimants be improved?

Mr. Murphy: We can improve the medical procedures to support incapacity benefit customers, particularly when we review the personal capability assessment, which is part of the architecture that supports the Welfare Reform Bill. Incapacity benefit assessments have not kept pace with the changing nature of disability in this country—for example, there has been a big increase in those who report a fluctuating mental health condition, and attitudes in society have changed towards people with a learning disability and their role in the place of work. Supporting people with learning disabilities to have a chance to play a meaningful role in the workplace can be an important part of the revision to which my hon. Friend has referred.

Child Poverty

8. **Mr. Philip Dunne** (Ludlow) (Con): What discussions he has had at the UN on the recent UNICEF report on child poverty. [126368]

The Minister for Employment and Welfare Reform (Mr. Jim Murphy): I have not had any discussions at the UN since the recent UNICEF report on child poverty. If I had, I would have confirmed that in the space of a decade the UK has gone from the worst position in the EU to the greatest improvement in child poverty levels.

Mr. Dunne: The Minister has demonstrated breathtaking complacency in relation to the UNICEF report. We were placed 21st out of 21 for childhood well-being, which is bottom among the Organisation for Economic Co-operation and Development countries. After 10 years in power, to which the Minister has referred, surely that is the legacy of the Prime Minister. The Government have attempted to concentrate on education, but we are near the bottom of the tables for educational well-being, for childhood material well-being and for two-parent relationships for children.

Mr. Murphy: I am mildly sceptical about the UNICEF report. I think that it was actually unfair to the Government. [HON. MEMBERS: "Aw!"] Those are not my comments; they are the comments of the hon. Member for Surrey Heath (Michael Gove), who is a shadow Minister. Perhaps the hon. Member for Surrey Heath knows a little more about the subject than the hon. Gentleman, given that the report interviewed children who were born between 1985 and the early 1990s. While we still have many things to do to reduce and eradicate child poverty, we cannot be held accountable for the mistakes, misgivings, errors, poor policies and increases in child poverty that happened on his party's watch.

Mr. Ben Wallace (Lancaster and Wyre) (Con): In a recent submission to the Scottish Affairs Committee, the Rowntree Foundation said that while the tax credits system was lifting lone parents and children out of poverty, it was driving couples with children into poverty. Does the Minister recognise that as having some element of truth? If so, what steps will he take to review the tax credits system to ensure that couples are not being penalised in this way?

Mr. Murphy: It is important that we support everyone who gets the opportunity to go into work to lift themselves and their entire family out of poverty. However, the same report supported the expansion of Sure Start, the national minimum wage, the introduction of tax credits, flexible working, and maternity and paternity leave, all of which have helped to lift children out of poverty and all of which were opposed in policy terms or investment terms by the hon. Gentleman and his party.

9. **Mr. David Amess** (Southend, West) (Con): What recent assessment he has made of the level of child poverty in the UK; and if he will make a statement. [126369]

The Parliamentary Under-Secretary of State for Work and Pensions (Mrs. Anne McGuire): In 2004-05—the latest period for which data are available—2.4 million children were living in relative poverty in Great Britain. That represents a fall of 700,000 since 1997. As

a result of our reforms to the tax and benefit system and the national minimum wage, by April 2007, in real terms, families with children will be an average £1,550 a year better off, while those in the poorest fifth will be an average £3,450 a year better off.

Mr. Amess: Save the Children claims that 55 per cent. of families with disabled children are living in poverty. It costs three times as much to look after disabled children as it does children who are not disabled. Will the Minister tell the House exactly how the Government are addressing that problem?

Mrs. McGuire: As my right hon. Friend the Secretary of State said earlier on in questions—I appreciate that the hon. Gentleman did not hear him—it is important to improve matters for disabled children as well as non-disabled children in poverty. Let me be clear to him. We know that disability costs extra; that is why we have a disability living allowance that supports families, including those with children, where there is a disability. Of course, we will ensure that as part of our child poverty strategy we take particular cognisance of the issues affecting disabled children.

Ms Diana R. Johnson (Kingston upon Hull, North) (Lab): Can my hon. Friend confirm that the target of eradicating child poverty by 2020 is still a firm target, not an aspiration, showing that we are still committed to dealing with deprivation in all our communities?

Mrs. McGuire: I am delighted to reconfirm our commitment that by 2020 we will have an eradication of child poverty in this country. That stands in stark contrast to the position of the Conservatives, who initially thought that they were giving a commitment, and then decided that it was not so much a commitment as an aspiration.

Mr. Philip Hammond (Runnymede and Weybridge) (Con): Unmet targets are empty rhetoric.

Mrs. McGuire: I can tell the hon. Gentleman one target that the Conservatives met when they were in power—they increased the number of children who had to live in poverty. To be frank, that should bring shame to him and to his whole party.

Mr. Jeremy Hunt (South-West Surrey) (Con): Given the link between workless households and child poverty, and the fact that the mother of a disabled child is seven times less likely to be in work than other mothers, what specific policies will the Minister's Department bring forward to attack that problem? In particular, will she talk to colleagues at the Department of Health about the problem of a lot of social services delivery happening in working hours, making it very difficult for parents with disabled children realistically to consider working?

Mrs. McGuire: The hon. Gentleman touches on a genuine problem for the parents of many disabled children: how to manage the support of their disabled child while working, as many want to do. Of course, working together is vital and I am sure that my colleagues in the Department of Health will have heard the hon. Gentleman's question, as well as Ministers in other Departments who have connections with local authorities. We need a joined-up approach to supporting disabled children and their families. We hold the Prime Minister's strategic overview, "Improving the Life Chances of Disabled People", to encourage Departments to work together to ensure that nobody falls through the gaps in our public service provision when we can, by joined-up working, improve the lot of disabled children and disabled people in general.

Mrs. Maria Miller (Basingstoke) (Con): The Government's recently released figures suggest that, when regional income is taken into account, relative child poverty in London could be more than one third higher than the current official figures based on national median income suggest. Is the Minister confident that she can tackle relative child poverty issues without examining regional variations in income? What will she do to ensure that the matter is properly considered during the current review of the Government's child poverty strategy?

Mrs. McGuire: I can give the hon. Lady a commitment that we will review the matter that she identifies as part of our child poverty strategy. As I said earlier, it is a massive challenge to any Government because, as my hon. Friend the Minister for Employment and Welfare Reform noted, we inherited a position when Britain was at the bottom of the league for child poverty. We now have the best record of any Government in the EU on lifting children out of poverty. However, we are not complacent. We know that there is still a lot to do and we are committed to our target, unlike the hon. Lady and her party, which still perceives it only as an aspiration.

Pensions

10. **Ann Winterton** (Congleton) (Con): What support his Department is giving to those who lost occupational pensions prior to the introduction of the Pension Protection Fund. [126370]

The Minister for Pensions Reform (James Purnell): The Pensions Act 2004 puts in place a range of measures to provide support, advice and protection to schemes and scheme members. In particular, the financial assistance scheme provides support to members of defined benefit occupational pension schemes that started to wind up, underfunded, between 1 January 1997 and 5 April 2005.

Ann Winterton: The High Court recently ruled that the Government were completely wrong to reject the parliamentary ombudsman's report on failed pension schemes. The Secretary of State subsequently told the House that the Government would re-examine the report. What can the Minister tell the House today about that? What can the Government devise to assist scheme members who have been so hard hit? Will he take a leaf from the book of the right hon. Member for Birkenhead (Mr. Field) and perhaps consider using unclaimed bank and building society assets for compensation?

James Purnell: We will look at suggestions from hon. Members of all parties, as my right hon. Friend the Secretary of State made clear in his statement on 22 February. He also said that we were examining the financial assistance scheme in the light of the European Court of Justice case. We have made a commitment to pay the claimants' costs in the appeal to ensure that they are not disadvantaged. We have said that we will come back to the House as soon as possible—certainly before the Pensions Bill completes its passage.

I want to correct one point that the hon. Lady made. The court did not find against the Government on all aspects. It found against the Government on the 1996 leaflet that was issued and upheld the Government's case on causality and the operation of the minimum funding requirement.

Sir George Young (North-West Hampshire) (Con): Does the Minister recall an uncomfortable debate before Christmas, when he was almost isolated in the House in rejecting the recommendations of the ombudsman and the Public Administration Committee? Will he confirm that the Government do not wish to have a confrontation with Parliament on the matter and that, against that background, he does not rule out giving financial assistance to the group of pensioners whom my hon. Friend the Member for Congleton (Ann Winterton) mentioned?

James Purnell: The question has always been one of proportionality. We introduced the financial assistance scheme and extended it to more than £2 billion. We recognise that people in these circumstances face the real personal tragedy of losing their pensions. We have always said that the financial assistance scheme is there for exactly that reason—to reflect that loss of pension. The question has always been what we can justifiably ask the taxpayer to pay. In that debate, I made the case on the issue of causality that we did not agree with the ombudsman that we were responsible for the whole of the losses and should therefore make good the whole of the losses—and the court actually upheld that part of our argument.

Department/GP Communications

12. **Rosie Cooper** (West Lancashire) (Lab): If he will make a statement on steps being taken to modernise communication methods between his Department and GP surgeries. [126373]

The Parliamentary Under-Secretary of State for Work and Pensions (Mr. James Plaskitt): We are aware of the critical importance of the role of GPs in shaping customers' perceptions about their ability to return to work, and we are piloting the use of employment advisers in GP surgeries to give patients advice about the work-related support and to offer them non-medical help to achieve their work aspirations. To assist GPs, we also have two projects testing the electronic transmission of data between GPs and our Department via a secure link. We are also developing educational and training packages in conjunction with the Royal College.

Rosie Cooper: Can the Minister tell me what else is being done to help GPs get their patients back to work and whether the Government will consider allowing those not fully fit for work to attend very short part-time training courses to enable them to get back to work more quickly?

Mr. Plaskitt: Yes, we are doing a variety of things. As I think my hon. Friend will know, we are testing the pathways advisory service—indeed, the pilot is in east Lancashire, close to her constituency. We are also piloting the electronic transfer of data to facilitate the process for GPs. As I said in my earlier answer, we are developing education and training packages. My hon. Friend makes a very helpful point in respect of the further assistance that we might offer and I would be happy to look further into it.

HOUSE OF COMMONS COMMISSION

The hon. Member for North Devon, representing the House of Commons Commission, was asked—

Recycling

17. **Jo Swinson** (East Dunbartonshire) (LD): What target he has set for the percentage of waste from the parliamentary estate to be recycled in 2007. [126350]

Nick Harvey (representing the House of Commons Commission) (LD): The House has set a target of 44 per cent. for recycling of waste in 2007-08. The current policy for waste recycling is to increase the target by 5 per cent. each year. The percentage of waste recycled during 2005-06 was 35.9 per cent. and the quantity of waste recycled was 800.72 tonnes.

Jo Swinson: I thank my hon. Friend for that reply and I am sure that all hon. Members will welcome the success in increasing recycling in the parliamentary estate. However, does the House of Commons Commission share my concern that the total waste produced by the parliamentary estate last year actually grew by 17 per cent? Given the priorities of "reduce, then re-use, then recycle", what steps will be taken to reduce waste overall?

Nick Harvey: I am pleased that my hon. Friend recognised the progress made on recycling, but if her point is that the actual volume of waste overall should be the greater focus of our efforts, I am sure that the current awareness campaign could broaden its scope to take that into consideration. I reassure her that the issue of paper waste from early-day motions and parliamentary questions is an issue of concern and that the Procedure Committee is currently looking further into policies on that matter.

David Taylor (North-West Leicestershire) (Lab/Co-op): While it is in the House's interest to drive up rates of recycling, as the hon. Gentleman mentioned, is it not in the national interest that we drive down the recycling of waste draft policies emanating from the Opposition Front Bench, which fall apart at the first examination in the first light of day? Is it not in the national interest to minimise all that effort?

Nick Harvey: I am sure that it is indeed in the national interest to minimise the degree of waste, but whether the Procedure Committee can quite go as far in scope as the hon. Gentleman suggests, I am not too sure.

LEADER OF THE HOUSE

The Leader of the House was asked—

House of Lords Reform

18. **Mark Pritchard** (The Wrekin) (Con): When he expects to be in a position to bring forward legislation on reform of the House of Lords. [126351]

The Leader of the House of Commons (Mr. Jack Straw): Before answering this question, I would like to say a few words. As the House will be aware, the Deputy Leader of the House of Commons, my hon. Friend the Member for Edinburgh, South (Nigel Griffiths), tendered his resignation to my right hon. Friend the Prime Minister earlier today. I would like to place on record my appreciation of the excellent work that my hon. Friend undertook in this post.

To answer the question, following the debates and votes here last Tuesday and Wednesday, the House of Lords is holding its debate on the future composition of the Lords today and tomorrow, with the votes planned for Wednesday. I have said all along that we must wait until the other place has expressed its view. I then intend to reconvene the cross-party group that I chair and obviously to discuss the matter within Government. I will return to the House in due course to make a detailed statement on the way forward.

Mark Pritchard: I am grateful to the Leader of the House for that response. Notwithstanding his comment about waiting, press reports over the weekend have suggested that, on the back of those votes, he felt an obligation to press ahead with House of Lords reform. Does he believe that the right hon. Member for Kirkcaldy and Cowdenbeath (Mr. Brown) feels a similar obligation?

Mr. Straw: My right hon. Friend the Chancellor of the Exchequer voted for an 80 per cent. elected House of Lords, so I think that the answer to the hon. Gentleman's question is yes.

Mr. David Winnick (Walsall, North) (Lab): Is it not clear that the chances of reaching consensus with the House of Lords on this matter are very remote indeed? Bearing in mind the fact that the 80 per cent. vote was carried by 305 to 267, are the Government sufficiently determined to use the Parliament Act if necessary—and it looks like it will be—to ensure that the will of this House is implemented?

Mr. Straw: I do not want to anticipate the outcome of what will no doubt be vigorous discussions with the other place, but it certainly does not lie in the hands of any one Member of this Chamber to decide to abrogate the law of the land, and the Parliament Acts are the law of the land.

Peter Bottomley (Worthing, West) (Con): When the Leader of the House convenes his all-party group, would it not be wise, as well as considering the Lords, to consider cutting the number of people in the House of Commons by about a third—*[Interruption.]*

Mr. Straw: The Under-Secretary of State for Work and Pensions, my hon. Friend the Member for Warwick and Leamington (Mr. Plaskitt), asks whether the hon. Gentleman is offering. I have a lot of time for the hon. Gentleman, but I honestly think that the cross-party group on the future of the Lords will have enough work to do without doing that as well; that is for another group.

Sir Patrick Cormack (South Staffordshire) (Con): When the Leader of the House reconvenes the all-party group, will he bear in mind the fact that, last week, only 80 Conservatives voted for the party's official policy, and that 98 voted against it?

Mr. Straw: That is more a matter for the Leader of the Opposition to bear in mind than for me. That was the hon. Gentleman's party's manifesto commitment. If he is saying that the Conservatives' manifesto commitments cannot be trusted, of course I agree with that proposition.

Sir George Young (North-West Hampshire) (Con): In advance of the legislation referred to in the question, and against the background of last week's vote, would it not be sensible if the Prime Minister made no more political appointments to the upper House?

Mr. Straw: That is a matter for my right hon. Friend the Prime Minister. The present arrangements will have to continue unless and until we have a reformed Chamber; I would have thought that that was a statement of the blindingly obvious.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): May I suggest that the Leader of the House consult as widely as possible on this matter? There are divided views within parties and across the Chamber, and this is not a matter on which the Front Bench can compel its Back Benchers to vote.

Mr. Straw: What the right hon. and learned Gentleman has just said is the self-evident truth, and I agree with his suggestion of consulting as widely as possible. I do not agree, however, that convening the cross-party group is incompatible with wider consultation.

Andrew Mackinlay (Thurrock) (Lab): Did the Leader of the House interpret the vote for a 100 per cent. elected House of Lords as a mandate—indeed, an instruction—to abolish the archaic system whereby Church of England bishops have ex officio seats in the legislature?

Mr. Straw: I did not interpret the vote in any way; I simply read the words on the Order Paper. It was a vote, in the opinion of the House, for a 100 per cent. elected Chamber.

Mrs. Theresa May (Maidenhead) (Con): May I assure the Leader of the House that the Conservatives are also sorry not to see the hon. Member for Edinburgh, South (Nigel Griffiths) in his place alongside him any longer? On the reform of the upper House, the right hon. Gentleman listened to the views of this House about his proposed preferential ballot system. He also listened to the views of the House when it rejected his White Paper and voted for a more democratic upper House. As he looks towards legislation, will he now listen to the views expressed by hon. Members across the House about the list system of proportional representation that he is proposing for the elections to the upper House?

Mr. Straw: My proposal was for 50 per cent. elected, but it was made clear that that was not the Government's proposition. The right hon. Lady was consulted extensively on our White Paper, and she knows that it contains a great deal that has all-party agreement. I said last week that we will listen to proposals for altering the electoral system, and it is important that the House move on that by consensus as far as possible. Before she tries to makes a party point about the semi-open list, let me say that that proposal originated from the Wakeham royal commission on which several of her distinguished colleagues and former Conservative Cabinet Ministers sat, along with Liberal and Labour Members.

Mr. David Heath (Somerton and Frome) (LD): I also extend my best wishes to the hon. Member for Edinburgh, South (Nigel Griffiths). I hope that nothing that any of us said on Thursday precipitated his decision.

In the euphoria that followed the surge of radicalism last Wednesday, the Leader of the House said two things: first; that he would reconvene the all-party group; and secondly, that he could not pre-empt the Queen's Speech by announcing legislation. Irrespective of what another place says, will he ensure that the cross-party group is convened, and that it is convened before Easter? Will he also make it clear that legislation will follow in the next Session of Parliament?

Mr. Straw: On the hon. Gentleman's first point: would that the decision of my hon. Friend the Member for Edinburgh, South were related to something that was said in the House last Tuesday and Wednesday! On his second point, I cannot anticipate the Queen's Speech. As for a meeting of the cross-party group, we will get it together as quickly as possible, although I cannot say for sure that it will meet before Easter; if we can have a meeting, we will. My noble and learned Friend the Lord Chancellor mentioned this afternoon, as I did last Wednesday, the possibility of producing a draft Bill, but that must be discussed by the cross-party group.

Programming of Legislation

19. **Sir Nicholas Winterton** (Macclesfield) (Con): If he will undertake a review of the programming of legislation. [126352]

The Leader of the House of Commons (Mr. Jack Straw): Both the Modernisation and Procedure Committees considered that subject towards the end of the previous Parliament. Following their reports, the House approved changes to the relevant Orders—including making them into permanent Standing Orders—in October 2004. The Modernisation Committee also touched on the subject in its report last year on the legislative process. The Government have no current plans to conduct a further review of the operation of programming or to ask the Modernisation Committee to conduct such a review.

Sir Nicholas Winterton: Does the Leader of the House accept that the programming procedure is thoroughly unsatisfactory to both sides of the House? It does not allow Back Benchers on either side of the House to participate properly in many important debates. Will he consider that matter again? Can I make a plea to the usual channels—of which I have never been part—to give more authority back to the Back Benches? In that regard, will the Leader of the House please consider setting up a business committee duly representative of the Back Benches?

Mr. Straw: There is a wider issue about Back Benchers' involvement in the business of the House. As a senior member of the Modernisation Committee, the hon. Gentleman knows that it is currently considering the use of non-legislative time and ways in which the role of the Back Bencher can be strengthened. The programming arrangements are not wholly unsatisfactory; they are a great deal better than those to which he and I were used when we first came into the House, when there was no programming and a ritual of Opposition Members talking Committees into the night, then going for guillotining and not considering Bills in any detail. We were always ready to consider proposals for improving arrangements, and we did so in the summer of 2004. I am not certain that his specific proposal, made when he was Chairman of the Procedure Committee, of a 48-hour gap between Second Reading and agreement on the Sub-Programming Committee, would produce any benefits. That is the issue—nothing else—between us.

European Council

3.34 pm

The Prime Minister (Mr. Tony Blair): With permission, Mr. Speaker, I shall make a statement about the European Council summit that took place in Brussels on 8 and 9 March.

There were three main agenda items for the summit. First, the Council agreed to cut the administrative burden arising from EU legislation by 25 per cent. by 2012. This has long been a key British objective. It was a major part of the United Kingdom presidency of the EU in 2005, and it mirrors our own Government's decision made last year. This decision makes another clear break with traditional European policy on regulation, and is hugely to be welcomed. It follows up a recent Commission decision to withdraw some 78 pieces of legislation—the first time that the EU has done that. I congratulate the Commission, and especially President Barroso and Commissioner Verheugen, on their determination. The decision has full British support.

Secondly, the Council agreed on an action plan to liberalise the energy market. The centrepiece is to free up the distribution of energy across the European Union to create a genuinely competitive, interconnected and Europe-wide internal energy market. That will bring major benefits for EU consumers, improve the security of supply, and strengthen European competitiveness. The European Council decided in particular that supply and production activities should be separated from network distribution to allow competition on the networks, as already happens in the UK.

Ever since the Hampton Court summit of October 2005, energy liberalisation and security of supply have been key objectives of ours for the European market. It is true that we still need to do more in Europe, especially in respect of the vertical integration of energy companies. Nevertheless, this means that for the first time, at least at distribution level, British companies can compete on equal terms with French or German companies—in particular, in France and Germany, not just here in the UK. That will bring reduced costs to business and to customers, and again it has our full support.

Thirdly, and most importantly, the European Council committed itself for the first time to a binding Europe-wide environment target: a 20 per cent. reduction in greenhouse gas emissions by 2020, compared with 1990. Moreover, the European Union undertook to go further and achieve a 30 per cent. reduction in emissions by 2020, if this was part of a wider international agreement. Until last week, no group of countries had committed itself to such deep reductions. This is a landmark decision, which will mean changes in all member states' domestic policies.

The Council also agreed on a binding commitment that renewable energy will comprise some 20 per cent. of overall EU energy consumption by 2020. However, the agreement allows for differentiated national targets within that overall EU objective. In particular, it recognises that for some member states, nuclear energy will play a significant role in achieving overall climate change targets.

The Council agreed a 20 per cent. increase in energy efficiency, again by 2020. It also recognised the importance of clean coal technology. We welcomed the Commission's undertaking to support, by 2015, the construction and operation of up to a dozen commercial-scale clean coal demonstration plants, with a view to all new coal-fired power stations being fitted with carbon capture and storage technology by 2020. That technology must be a crucial element in the overall response to the climate change challenge, and it is important that we signal that to investors now. Clean coal can be part of the future.

All these targets impel us towards a far more ambitious European emissions trading scheme. The Commission President is currently negotiating country-by-country caps on emissions for 2008 to 2012. Britain, as he has acknowledged, has helped by setting an ambitious cap for itself. The Commission has proposed that after 2011, aviation should also be within the ETS. We want to make the scheme more transparent, and we want it extended after 2012 to 2020 and beyond. All these proposals are set out in our recent paper to our European colleagues, and we are actively building the alliances in Europe to ensure that they are implemented.

Of course, these European commitments must be part of wider international action. As the Stern review demonstrated, without concerted international action there will be disastrous consequences for global economic development. The European Council therefore reaffirmed the importance of agreeing a long-term framework to address climate change. It set out a coherent and united vision for how such a wider international agreement would work. It paves the way for further action on climate change at the G8 summit in Germany in June.

This is, in the end, the crucial prize. It is important that we take action here in Britain, as tomorrow's climate change Bill will show. It is critical for the EU then to show leadership, as it did at the summit in a remarkable and groundbreaking way. For those who doubt the relevance of the European Union to today's world, last week's Council meeting and its historic agreement on climate change is the best riposte. It shows Europe following the concerns of its people, and giving real leadership to the rest of the world.

Ultimately, only an agreement that is global and includes America, China and India will halt the damage of rising greenhouse gas emissions. Everything else is, of course, justified in its own right, but this is, most of all, a means to that end. The G8 plus 5 dialogue which was started at Gleneagles under the UK presidency in 2005, and which has all the main countries within it, is the forum in which new principles for an international framework can be agreed. The summit in Germany this June will be the time to agree those principles, including a stabilisation goal, a route to a truly global carbon market, support for new technology, adaptation measures and action on deforestation. This is the next stage of the journey to effective multilateral global action on what is the single biggest long-term threat to our world.

Let me conclude by paying tribute to the leadership of Chancellor Merkel at the European summit. The agenda was bold and she carried it superbly. Unsurprisingly, as the matters it addressed were all

fundamental British objectives, we were able to give that leadership full and active support. Once again, that shows the significance of strong, constructive and positive engagement in Europe.

Mr. David Cameron (Witney) (Con): May I thank the Prime Minister for his statement, and may I also do something that he is perhaps not always used to from the Leader of the Opposition after European statements, and congratulate him on helping to negotiate a successful outcome to the European Council?

We very much welcome the agreements on deregulation and liberalisation of the energy market. We have long shared those goals. The Prime Minister said that they had been goals of the British Government since 2005; I can well remember their being goals of the British Government in the 1980s. We welcome in particular the agreement to cut EU greenhouse gases by 20 per cent. by 2020. In our view, that is an essential step towards ensuring that there is the necessary international and domestic action to combat climate change.

The Prime Minister and I have many disagreements on European policy—no doubt we will continue to do so—but some issues go right across parties and across countries, as these negotiations show. Indeed, I have found out something over the last year, whether in talking to Nicolas Sarkozy, or the Swedish Prime Minister, or the Nordic Foreign Ministers, or the Greeks—[HON. MEMBERS: "Or the Czechs?"] Yes—or indeed the Czech Prime Minister. They all agree. There is a growing consensus on the need to take action on climate change. Indeed, the agreement negotiated in Brussels at the weekend was unanimously agreed by leaders in Europe belonging to all parties and all countries right across the political spectrum, from Spanish socialists to Dutch Christian democrats and from the Italian centre-left to Polish conservatives. It is a consensus that I know that the Prime Minister welcomes as much as I do.

I have some detailed questions on how we make the 20 per cent. target, which we support, a reality. Clearly, we need to make the EU emissions trading scheme work better. In particular, does the Prime Minister agree with me that further steps need to be taken to stop European Governments issuing too many carbon permits? Will he confirm that those steps can be taken and that that does not require some deep institutional reform of the EU? Will he agree to a progressive tightening of the cap on such permits?

We also need to ensure a long-term price for carbon throughout the European economy. In order to make that happen, will the Prime Minister push for the completion of the third phase of the emissions trading system—the phase from 2012 to 2020? The Prime Minister talked about 2008 to 2012, but I would be grateful if he would explain when he thinks the next stage will be completed. Is it not the case that emissions trading needs to be aligned with the new 20 per cent. carbon reduction target?

Turning to the steps that we need to take domestically in the UK to meet the 20 per cent. target, does the Prime Minister agree that we need a critical path in order to hit that target? I know that he has set his face against these, but will he look again at whether there is a need for annual targets? Does not the recent experience of long-term targets show that such an approach is necessary? The Government have committed themselves to a 20 per cent. cut in emissions by 2010 three times in their manifestos, and we now know that that will not happen. Does not that show that annual targets are necessary? Clearly, all targets need to be backed by independent auditing. What measures will be taken to ensure that targets are independently set and independently audited so that we do not fail to meet them?

The summit also rightly concluded that we need a separate target for renewable energy as a share of energy consumption. When will we see the country-by-country allocations—*[Interruption.]*

Mr. Speaker: Order. Please allow the Leader of the Opposition to speak. We gave our courtesy to the Prime Minister; the right hon. Gentleman should be able to respond.

Mr. Cameron: The shadow Leader of the House has lost his deputy, and he is taking it out on the rest of us. *[Interruption.]* I am sorry—I meant the Leader of the House. I am getting ahead of myself: he is soon to be the shadow Leader of the House.

The 20 per cent. target for energy efficiency is also welcome. Performance in the UK on this issue has been disappointing, and it will take a step change to meet the target. The agreements that were reached at the weekend on renewables and energy efficiency have effectively changed Government policy. The Prime Minister said as much in his statement. When does he expect the Minister for Energy to set out the steps that we need to take to meet those targets? In particular, is he planning to change the national grid system to help to decentralise the domestic energy market? What is his plan to ensure that the renewable obligation favours the development of all renewable energy and not just onshore wind power? Above all, does not this European summit show clearly that when the EU focuses on real issues such as climate change and global poverty, rather than on centralisation, institution building and agreeing a new constitution, it can take real steps forward that are agreed by everybody?

The Prime Minister: I agree that it is important that Europe focuses on those key questions. May I deal first with domestic policy issues? I am against binding annual targets because they are too inflexible. Changes in temperature and in the cost and price of fuel can make a dramatic difference to the economy's ability to cope with such a binding annual target. We have to strike a balance the whole way through between what we do to give leadership here, and not putting our industry in a position where it becomes uncompetitive or our consumers in a position where they get clobbered.

I am dubious about the right hon. Gentleman's proposals to put VAT on air travel, or a new tax on airline fuel, because they might hit consumers and businesses in this country very hard, while having a small impact on CO_2 emissions worldwide. It is important to get right the balance between what we do here and what we do by international agreement, because on it will depend whether we give the right

[The Prime Minister]

leadership on this issue, as this country has in the past few years, but also whether at the same time we make our businesses uncompetitive and harm our consumers, which would be unfair to them.

We will set out steps for introducing more measures on energy efficiency, as we have already done in respect of new buildings. For example, it would plainly be sensible to build into the building schools for the future programme, through which we will rebuild or refurbish many schools in the country, measures for the use of environmentally sustainable energy and for energy efficiency. That is very important and is right. Of course, we will also be improving and increasing the amount of money that we devote to research on renewables and to our use of renewable energy.

I basically agree with the right hon. Gentleman's points about the European emissions trading system, as that is precisely what we are trying to achieve in Europe. We are trying to get a progressive tightening of the cap, and to ensure that there are policies in place for post-2012 and that we extend the scheme. Bringing in aviation will play a major part in that.

By way of conclusion, I say to the right hon. Gentleman that we will need alliances to build all this. It was interesting, when we got to the discussion about what would be in the Berlin declaration, that there was a general agreement that we should put in a measure on climate change and protecting the environment. I must say that the only Prime Minister who spoke against it was—*[Interruption.]* It was indeed the Czech Prime Minister. To be fair, however, I must add that he made a very strong statement in favour of nuclear power, so I warmed to him on that.

The basic point, surely, is that if we want to get this done in Europe—I totally understand what the right hon. Gentleman says about what Europe focuses on; I make the same points myself a lot of the time—we have to recognise that this European relationship is the only way in which we can take critical action and make a critical difference to climate change. If we put at risk the European relationship in any shape or form, we diminish our capability to take that effective action on issues such as climate change. I really believe that this summit, particularly under the leadership of the German Chancellor, has indicated that over the years the agenda that we have been pressing for from this country—some of it, I agree, under previous Governments—has the chance now of really leading the agenda in Europe. We simply do not want to do anything that puts that at risk.

Sir Menzies Campbell (North-East Fife) (LD): I, too, begin by congratulating Chancellor Merkel on achieving an agreement on the environment, which many people predicted would be difficult, if not impossible.

I welcome the review of the single market and the efforts to strengthen internal competitiveness. Does the Prime Minister agree that those are a necessary response to the challenges of globalisation and, in particular, the challenges of emerging economies such as India and China? I, too welcome support for a new transatlantic economic partnership, not least because it may be able to create a better political relationship across the Atlantic than the one we have had in recent years. There will be agreement on both sides that reducing the administrative burden of EU legislation by 25 per cent. by 2012 will be welcome, but does the Prime Minister agree that that needs to be matched by Whitehall with resistance to gold-plating and over-interpretation of EU legislation here in the United Kingdom?

In the discussion of the Mecca agreement and a Palestinian Government of national unity, can the Prime Minister tell us what practical steps, if any, were considered to maintain the momentum of that agreement as a contribution to the middle east peace process?

It is clear from the Prime Minister's statement that the agreement on the environment was the most significant outcome of the Council. Does he agree that the real test lies not in the fact of the agreement, but in whether it is fully implemented? That leads me to ask him what additional measures the United Kingdom will adopt to meet those targets. I hope it is not too late for him to draw to the attention of the Chancellor of the Exchequer the advantages of using the tax system to encourage environmentally friendly behaviour. Can the Prime Minister tell us whether there is any greater role for the European Union than promoting energy efficiency, and whether he sees any opportunity for the United Kingdom to promote industrial development in renewables such as tidal and solar power?

Finally, what is the Prime Minister's response to the Council's research and development target of 3 per cent. of gross domestic product by 2010?

The Prime Minister: On the latter point, we are, through the research and development tax credit, improving the amount of support we give to industry in increasing its R and D, and the big increase in the science budget has made a difference too.

In relation to Whitehall, we have made it clear that gold-plating is no longer on the agenda—indeed, we are going back. We have a whole series of mechanisms in place now to prevent it. Occasionally it still crops up, and I assure the right hon. and learned Gentleman that we are vigilant in ensuring that it should not and does not, as there is no point in our over-interpreting European legislation.

In respect of the national unity Government and the Mecca agreement, what is important is that any such Government, if we are able to support them, are consistent with the Quartet principles in the position that they adopt vis-à-vis Israel. We wait to see whether that takes place.

As for the United Kingdom, the single most important thing that the UK can do is to be part of a progressively strong European emissions trading system. That is the best thing for us to do and, as I said to the Leader of the Opposition, we have to be careful; we have to strike a balance. We must be careful not to punish our own business and consumers, without ensuring that the measures are also taken at European level.

On China and India, it is important, of course, to do what we can to encourage them to be part of this wider agreement, but there is another point that is very important indeed. The latest figures from China indicate that it is

building a new coal-fired power station every four days. China on its own, incidentally, is also due to build something in the region of 40 airports over the next few years. The single most important thing is to develop the science and technology and then to have the proper method of transferring that technology to the Chinese and the Indians. That is why we need to get an international agreement involving China, India and America that incentivises, through a carbon price and a stabilisation goal, the right science and technology, and then to share that. I am sure that China and India want to grow sustainably, but they will not put at risk their determination to reduce the poverty of their population. That is a reasonable position, which is why the G8 summit in June will be so important.

Mr. Elliot Morley (Scunthorpe) (Lab): This is a good outcome that demonstrates the value of full engagement with the European Union, and one of the EU's strengths. At last month's meeting of the Washington legislators forum, there was a real willingness among legislators from the G8 plus 5 to sign up to the idea of stabilisation goals and global carbon markets. Does the Prime Minister think that that will be reflected by the leaders of China, India and the US at the forthcoming G8 plus 5 meeting, because that will be an important way of building support for a proper outcome post-2012?

The Prime Minister: First, may I pay tribute to the work that my right hon. Friend has done on this issue, especially at the recent meeting in Washington, in which he made an outstanding contribution, for which I thank him? Yes, that is precisely how we ensure that China and India come into this. As I was saying to the leader of the Liberal Democrats, China and India want to play a big part and we have to encourage them. However, they will not take action unless America is part of this—as is the case vice versa. We will not get further than this at the G8 summit in June, but if we get that far, agreeing the principles of a new deal will be a very big achievement. Part of that will be the technology transfer that those countries crave.

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): Was the Prime Minister personally involved in the drafting of the presidency conclusion on Palestine, which says that the European Union would deal with a Palestinian Government who

"adopts a platform reflecting the Quartet principles"?

Does he accept that that is, in a characteristically European way, a fudge, and will he give a clear assurance that the British Government will not deal with Hamas as long as it continues to support suicide bombing and the complete destruction of the state of Israel—which is, indeed, what it reaffirmed in a statement this morning?

The Prime Minister: The position certainly has not changed at all. All sorts of words are used in respect of the national unity Government, but they all amount to the same thing: that such a Government must be in line with the Quartet principles, which means that they must accept the right of Israel to exist, and that the way to pursue a settlement is through negotiation, not violence. That will remain our position. The issue for us is whether, in this national unity Government, it is possible to get Hamas to understand that we cannot support people who attempt to achieve their aims through terrorism and that we cannot, in particular, take forward negotiations on two states if Hamas is saying that one of those states does not have the right to exist. That is our position, it has been our position, and it will remain so.

Sir Stuart Bell (Middlesbrough) (Lab): The Prime Minister mentioned leadership in his statement. Is this not an example of the European Union showing world leadership before the G8 plus 5 and the United Nations conference of Kyoto protocol states in December? The Leader of the Opposition mentioned the European emissions trading scheme. Is that not the appropriate mechanism through which to ensure that, by 2020, we reach the 20 per cent. reduction target without penalising or interfering with our manufacturing industry?

The Prime Minister: I entirely agree with my hon. Friend—that is exactly the way to do it. If the European trading scheme develops in the right way over time, it is perfectly possible that we can get other countries or states in the United States to join. For example, the state of California has not ruled out the possibility of joining the system at a later time, and given that it has the sixth or seventh largest economy in the world, that would be of huge benefit.

Mr. David Heathcoat-Amory (Wells) (Con): It is reported that the most important decision taken at the summit's Friday night dinner was to remove the word "constitution" from the European constitution. If the EU wants to earn a more important description as a democracy, will the Prime Minister insist that it respects the clear verdict on the substance of the constitution by the French and Dutch electors, who said no? Will he ensure that the European Council does not smuggle through bits of the constitution by changing its name? If he wants to put the matter beyond doubt, will he hold the promised referendum in this country, to give the people a final say?

The Prime Minister: I am afraid that, not for the first time in our deliberations about European summits, the right hon. Gentleman has been somewhat misinformed. That was certainly not the purport of the dinner on Thursday night. We agreed that it was important that the Berlin declaration did not get tangled up with issues to do with the constitutional treaty, which will come up at the June summit. In respect of the French and Dutch no votes, I can assure the right hon. Gentleman that the European Union as a whole is well aware of the implications of those verdicts.

John McFall (West Dunbartonshire) (Lab/Co-op): May I congratulate the Prime Minister on the part that he played in securing an environmental agenda and agreement, but does he accept that a unilateral imposition of tax on fuel by the UK would make us a laughing stock, as airlines could import the oil from countries that do not pay the tax? Does he agree that a global agreement is necessary? I welcome the fact that aviation will be covered by the EU emissions trading scheme by 2011, but will the Prime Minister take it

[John McFall]

from me that there will be a bit of ducking and diving by the airlines when it comes to reaching a realistic price for carbon emissions, and will he assure colleagues and me that he will be firm in achieving that realistic price?

The Prime Minister: My right hon. Friend is absolutely right. As I say, we have to strike a balance, which is why I think it is very important that we do not take measures that harm our own industry or our own consumers, but at the same time ensure that we play our full part. He is right again in his implication that it is through the trading system that we will be able to do most, because that is on a common basis.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): I welcome the statement as a positive step forward, and I welcome the reference to clean coal technology. The Prime Minister rightly said that much will depend on the wider international agreements that are reached through future debates. How well placed is Britain to take full advantage of clean coal technology and, importantly, to be able to transfer that technology to people in India and China?

The Prime Minister: We can certainly play our part with the rest of Europe in doing that. There is a certain expertise in the technology in Britain, but it is found elsewhere in Europe and the world, too. The hon. Gentleman is right to imply that the single biggest benefit of developing the technology is the possibility of exporting it to India and China—and America as well, of course, which has huge reserves of coal. Clean coal technology could offer a wholly different future for our own coal industry.

Colin Challen (Morley and Rothwell) (Lab): May I add my welcome for the Prime Minister's statement, and particularly for the introduction of a mandatory 20 per cent. cut in emissions by 2020? However, it follows behind our voluntary target of a 20 per cent. cut by 2010 by a whole decade. Does my right hon. Friend detect any enthusiasm among other European states for voluntary cuts above the baseline—and it should be considered a baseline—of the mandatory target?

The Prime Minister: I think we should take it stage by stage. The targets are very challenging for the European Union; there is no doubt about that at all. The renewable energy target is particularly challenging, which is why I think it is just as well that we are able to take account of different member states' energy mixes. My hon. Friend is right that once things really get under way, particularly if the European emissions trading system incentivises business and industry to do more, all the evidence is that people can be more bold and more radical than hitherto they thought they could be. The argument has already changed dramatically in the past few years, and I think that it will do so further in the next few years.

Mr. Edward Leigh (Gainsborough) (Con): It makes sense to cut CO_2 emissions, but has the Prime Minister had the chance to watch or be briefed on last Thursday's Channel 4 "Dispatches" programme? There are eminent scientists who dispute the orthodoxy on the causes of global warming; one may or may not agree with them, but their voices are out there. Does the Prime Minister agree that before we take steps that might damage economic growth in the third world, where poverty is the main problem, we should ensure, on an ongoing basis, either nationally, or through the Commission or the EU, that all scientists are given a voice, so that we take the right decisions?

The Prime Minister: I have not been the greatest watcher of Channel 4's "Dispatches", for pretty obvious reasons, over the years. The hon. Gentleman is right: there are people who still dispute the science on climate change, but there is a problem. In most respects, I am a fan of people who are prepared to be iconoclastic and say things that are unpopular, even if the conventional wisdom is all one way, so I do not dispute his right to raise those issues at all. However, the fact is that all people who advise us say that the science is becoming increasingly clear, not less so, and the fact is that, should we not take action, and it turns out that the warnings of climate change are right, the implications are enormous. Even on a precautionary principle, it is as well to take avoiding action now. The debate will carry on among scientists, but as I have watched it develop in the past few years, the body of opinion has moved very solidly in favour of this threat being real. Therefore, the implications of it being real are so enormous that we would be foolish not to sit down and take action now.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): May I welcome my right hon. Friend's statement, which is of potentially huge significance and will be enormously welcomed by British manufacturing industry? Does he agree that crucial to its success are, first, mechanisms to ensure that European countries liberalise their energy markets; secondly, that the Commission is robust in upholding its national allocation plans for emissions trading; and, thirdly, that the Commission consider a sectoral approach to stop certain industries, such as the energy supply industry, hoovering up carbon credits and passing on the extra cost to British manufacturing?

The Prime Minister: My hon. Friend makes some very wise points. The important thing is that the Commission takes, as he says, the necessary robust action on energy liberalisation, and makes sure that the emissions trading scheme works properly. In that regard, another interesting change has taken place. British attitudes towards the European Commission have not always been clothed in the utmost warmth—indeed we have often regarded the Commission in Brussels as the problem. Interestingly, this President of the Commission—we played a part in ensuring that he became President—has provided us with an opportunity on regulation, liberalisation and issues such as climate change, as he has the necessary tough appreciation of what is right for Europe's competitiveness, and is prepared, too, to take a long-term view on issues such as climate change. We need a robust European Commission to complete the agenda.

Mr. Ian Taylor (Esher and Walton) (Con): I agree with the Prime Minister and with the Leader of the Opposition that the summit shows that British interests can work in harmony with those of the European

Union, which is another justification for our being fully integrated into the Union. I agree, too, with a remark that the Prime Minister just made about the Commission. It is vital, particularly in competition policy, that energy distribution industries are opened up, which means that the Commission must take tough action that is backed by the European Court. During the summit, did the Prime Minister discuss energy security? There are increasingly worrying signs that the Russians are trying to interfere with our key pipeline—both the distribution networks through the pipeline and the source of the oil itself. That sort of Russian politics is becoming quite worrying for the European Union.

The Prime Minister: It is interesting that the Baltic states—Estonia, Lithuania and Latvia—are coming together to build a nuclear power station to improve the security of their energy supply. Although it was not the main subject at the summit, there was a great deal of concern and discussion about energy security. The hon. Gentleman's point about the European Commission is right and true, which is why Britain has an unparalleled opportunity in Europe. First, we have an enlarged European Union—again, the hon. Gentleman's and then our Government fought for that—so that alliances in Europe are far more fluid than they were before. Secondly, the European Commission is increasingly on all fours with the agenda that we want. Both those things give us big opportunities in Europe.

Mr. David Winnick (Walsall, North) (Lab): I wish to take up a comment that my right hon. Friend made a few moments ago. Although all Palestinian factions should recognise the existence of Israel's pre-1967 borders, is he aware that while the European Council was meeting many of us saw on television Israeli troops using Palestinian children as human shields, clearly in defiance of international law? What protest will be made by the European Council, the British Government and, I hope, the United States Government about what the Israelis are doing and what we have seen on television, which is totally unacceptable?

The Prime Minister: The only way through is to get negotiations going between the Israelis and the Palestinians. I hope that the meetings that are already taking place between Prime Minister Olmert and President Abbas of the Palestinian Authority continue. I know that the US Secretary of State, Condi Rice, is to go back to the region shortly—*[Interruption.]* I understand what my hon. Friend says, but the only thing that will put a stop to the grief and hardship on both sides is a negotiated settlement.

Mr. Michael Jack (Fylde) (Con): I warmly welcome the environmental conclusions of the Council. In his discussions with Angela Merkel, did the Prime Minister learn of the fact that in Germany some 200,000 people are employed in the renewable energies industry, largely owing to the much more advantageous terms on which Germans who install renewable systems have their electricity purchased? What plans has he to reconsider how electricity is purchased in this country, to make the installation of renewable technology much more attractive?

The Prime Minister: The point that the right hon. Gentleman makes is right. People in Germany who generate energy through microgeneration are able to feed any surplus energy back into the system. These matters are all under active consideration, and he may learn more about this in the next few days.

Keith Vaz (Leicester, East) (Lab): I join the Leader of the Opposition in congratulating my right hon. Friend on achieving his objectives at the Council. The conclusions refer to progress with the Lisbon agenda. Is he confident that the target of 7 million jobs to be created in the next year in the EU will be met? Given his leadership in this area over the past seven years, since Lisbon began, what steps will he take to ensure that our European partners pursue that agenda as vigorously as Great Britain?

The Prime Minister: Europe has generated millions more jobs in the past few years, but we still have levels of unemployment that are far too high. We also need a labour market that is more geared to employability, rather than a more old-fashioned view of the social dimension. It depends to a great extent on the Commission being allowed, and being given support by member states, to take measures on liberalising the European market and on making sure that we support our work force through training, education and skills—active labour market policies, rather than old-style regulation. That is the agenda that we will push. The good news is that the Commission is on the same track. We need to ensure that all member states are on the same track.

David Howarth (Cambridge) (LD): Will not the apparent decision to allow member states to count investment in nuclear power against their renewable energy targets have the effect that the renewable industries have long feared—that encouraging investment in nuclear power will undermine investment in the truly renewable industries?

The Prime Minister: That it not what it does. The overall target for renewable energy is 20 per cent. for the whole of the European Union. It is in the allocation of that 20 per cent. that account can be taken of the energy mix of individual countries. The 20 per cent. target is at the bold end of the spectrum. We will face considerable difficulties in ensuring that all the European Union meets that target. If the energy mix could not take account of the reliance of the UK, France and other countries on nuclear power, it is hard to see how that could be fairly done. So that is necessary to protect the British interest, and it gives Europe more flexibility in how we meet that target. It does not change the target itself.

Chris Bryant (Rhondda) (Lab): Further to the point about the Russian Federation, considering Europe's heavy dependence on Russia for much of its energy, is it not vital that we get Russia to sign up to the CO_2 emissions action as well, and that we try to persuade Russia to adopt a more secure path in the liberalisation

[Chris Bryant]

of its market so that people can have confidence in the investment that they make in Russia?

The Prime Minister: That would be sensible for us and, dare I say it, for the Russian Federation as well, but it is a decision that it has to take. For our country and other European countries, the concept of the common European energy policy has come about in part because people want the strength of countries acting together when we negotiate with those who are going to supply a large part of our energy needs. It is very sensible for us to do that. I also think that if we can get the right type of relationship with Russia, it will make a big difference to our security and, as my hon. Friend rightly implies, to its competitiveness.

Andrew Miller (Ellesmere Port and Neston) (Lab): I am sure that my right hon. Friend will agree that the summit will have a significant impact on companies that are considering investing in energy-saving technologies and in particular in developing new businesses. At a recent awards ceremony, sponsored by Shell, that I was privileged to attend on this very subject, a number of companies that were the winners displayed products that were near to market and at-market, which could significantly help this country. He mentioned the building schools for the future programme. Will he ensure that such companies are given support in public sector procurement, because it is a way in which the Government can give a lead?

The Prime Minister: My hon. Friend is right to say that. We must ensure that we give proper support to those companies that have imaginative and near-to-market proposals. The important thing for Governments is not to try to pick the technologies, but to incentivise the development of the technologies. The market will do the rest.

Mr. Roger Gale (North Thanet) (Con): Did the European Council discuss the proscription of the People's Mujaheddin of Iran? Will the Prime Minister explain his Government's reluctance to accept the findings of the European Court of First Instance in that matter?

The Prime Minister: We did not discuss it. I shall write to the hon. Gentleman about the Government's position.

Mr. Bernard Jenkin (North Essex) (Con): How do the Government propose to measure the Commission's action programme for reducing administrative burdens in the EU and the success of the programme? It is easy enough to count directives or regulations merged or scrapped, but what is the cost of European regulation on British business? Do the Government propose to publish figures showing that the cost for that will start to decline instead of carrying on increasing?

The Prime Minister: The Commission has its own means now of assessing and, I think, publishing—I shall check that in case I am wrong—the administrative costs of legislation. The idea is to reduce the percentage of those costs by 25 per cent. That is its purpose and it is similar to what we have proposed in the UK. The whole point is that administrative costs should be measurable. I agree that it is a big change in what the European Union has done up to now, but I would think and hope that the hon. Gentleman welcomed that.

Adam Afriyie (Windsor) (Con): Given that the Prime Minister has told us that aviation is supposed to enter the emissions trading scheme in 2011, will he or his Chancellor be making proposals to offset their massive increase in air passenger duty against that scheme?

The Prime Minister: I think that I am right in saying that the increase in air passenger duty will cost significantly less, certainly for most domestic travel, than VAT on airline fuel or the proposals of the Leader of the Opposition. The most important thing is that whatever we do, we do it Europe-wide. I am not saying that we cannot do certain things domestically, but we must be careful to get the balance right, as I said. I think that those proposals do not.

Bob Spink (Castle Point) (Con): What action are the Prime Minister and Europe taking to ensure that the global price for carbon will enable the carbon trading policies to work effectively?

The Prime Minister: The way in which the emissions trading system works is to set a cap on emissions for each individual country and trade the permits within that system. Basically, the price is set through the cap. Progressively, we need to lower the cap so that the carbon price is transparent and the necessary incentive is given for business and industry to develop the science and technology to deal with it.

Incidentally, I agree that we have to be careful in the way in which permits are traded, but the single most important thing is to be able, progressively over time, to reduce that cap. If we could get a situation whereby there were other regional emission trading systems and they at some point linked up, that would probably be the best route to a global carbon trading system, which is, in the end, what we need.

Mr. Greg Hands (Hammersmith and Fulham) (Con): The President of the European Commission, José Manuel Barroso, told *Der Spiegel* on Friday that the EU has no formal competency on energy policies, which it would have only after the passing of the EU constitution. On getting action on climate change, he said:

"With the constitution, it would be much easier".

Does the Prime Minister agree that he needs to send a message to Mr. Barroso that we do not need to wait for structural change in the EU to get strong collective action on both energy security and climate change?

The Prime Minister: To be fair, President Barroso is taking action. He is right in saying that energy was part of the constitutional treaty. Irrespective of what is in the treaty, we can take common action at a European level, which is what we have agreed to do. I think that he has shown commendable leadership on that issue.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): Does the Prime Minister agree that the effectiveness of the existing EU emissions trading scheme has been undermined by the over-generous allocation of carbon credits to certain member states?

The Prime Minister: That is probably true, but it is not very surprising at this stage. The scheme has just begun, and it is the first of its type in the world. Just as at a national level we have to be careful that we do not get so far out in front of the pack that we damage our own business and consumers, so at a European level we operate in a globally competitive economy. I think that I am right in saying that European emissions comprise 15 per cent. or possibly a little bit more of the total. In the end, the purpose of the European emissions trading system is, as it develops, to become more effective, which is why President Barroso is trying to set much more ambitious caps for 2008 to 2012. In time, we will bump up against a limit in Europe, unless we can draw in other countries. As the hon. Gentleman will know, it would be an understatement to say that the leaders of European industry are concerned about how the European emissions trading system may develop. We need to take the process in stages. It is important that we achieve an agreement at the G8 plus 5 to the principle of a stabilisation goal and of a global carbon trading system to make the process move forward.

John Bercow (Buckingham) (Con): Given that Russia's increasing authoritarianism and truly lamentable human rights record should be of continuing concern to all EU member states and that regional instability threatens to hinder progress on a wide range of issues from organised crime to nuclear proliferation, will the Prime Minister tell the House about whatever discussions took place at the summit on the need to engage with Russia above and beyond energy matters?

The Prime Minister: I cannot recall offhand particular discussions on that at the summit, but I think it a fair characterisation to say that it is a running theme of all European meetings at the moment. There is a desire to engage with Russia as a major partner for Europe, but there is also a great deal of wariness for the very reasons that the hon. Gentleman gives. One of the reasons countries around Europe are taking decisions on energy policy, such as some of the decisions that we have taken here, is the concern about that. I hope that Russia understands and realises that its best prospect of playing its full part in the international community, and certainly its best opportunity to be a strong economy, is if it plays by the same rules as everybody else in Europe and America, too. I assure the hon. Gentleman that at every opportunity we discuss the matter both with our allies and, in so far as we can, with the Russians. I think that developments in the next couple of years will be extremely important.

Mr. Henry Bellingham (North-West Norfolk) (Con): Further to the question asked by the right hon. Member for Leicester, East (Keith Vaz), may I ask the Prime Minister again about the Lisbon agenda? How much discussion took place on the Lisbon agenda? Is it still his Government's intention to retain Britain's individual opt-out on the working time directive?

The Prime Minister: We will not do anything that puts at risk our position on the working time directive. We do want a resolution of this, however, since, as the hon. Gentleman knows, we have real problems with the SIMAP and Jaeger judgments, which are costing our health service a very significant sum every year.

Yes, there was a discussion about the Lisbon agenda, and it forms part of the conclusions. In the end, however, the best way of getting the Lisbon agenda taken forward is to support a strong European Commission. That may not be absolutely to the hon. Gentleman's liking, but it is the best way of doing it. The whole point about the single market is that what ultimately stands in the way of its completion is the various vested interests of the various member states and their industrial sectors. The only bulwark against that is the European Commission, which is why it is so important that we give full support to President Barroso and his agenda.

Points of Order

4.25 pm

Dr. Julian Lewis (New Forest, East) (Con): On a point of order, Mr. Speaker. I know that you are not responsible in any way for the quality of Departments' replies to written questions, but I believe that the named day procedure was put in place to limit the number of questions that we ask on a given day for written answer so that we would have a good chance of getting a decent answer to them. In mid-December, I tabled a series of very specific questions about the assassination of Georgi Markov in 1978, bearing in mind that next year the statute of limitations will run out for any possible prosecution of the alleged assassin, Francesco Gullino. I was given a holding answer on 19 December saying that a reply would be given as soon as possible, but I have had to wait until 8 March to receive the substantive answer, which reads:

"The investigation into the death of Georgi Markov is a matter for the Commissioner of metropolitan police."—[*Official Report*, 8 March 2007; Vol. 457, c. 2164W.]

I could just as easily have been told that on 19 December and not have lost two and a half months. Is it not part of the deal that if the Department is going to give an answer such as that it should give it on the named day?

Mr. Speaker: I can take the blame for many things, but I am not responsible for the answers that Ministers give.

Mike Penning (Hemel Hempstead) (Con): On a point of order, Mr. Speaker. I wonder whether I can seek your advice. Some 1,400 of my constituents wrote to the Secretary of State for Health about their concerns about the closure of our local general hospital. On 1 February, the Minister of State, Department of Health, the hon. Member for Leigh (Andy Burnham), who is on the Front Bench, wrote to me assuring me that even though acute services would be closed, an independent sector treatment centre would be built in my constituency. Yet on Friday evening, the chief executive of my trust phoned to tell me that the ISTC was not going ahead and my constituents had been misled. How can we clarify such misleading statements from Ministers?

Mr. Speaker: It sounds to me as though the hon. Gentleman should apply for an Adjournment debate. I cannot make any promises, but sometimes the Speaker looks at local constituency matters favourably.

ESTIMATES DAY

[2ND ALLOTTED DAY]

SUPPLEMENTARY ESTIMATES, 2006-07

NHS Deficits

[Relevant documents: The First Report from the Health Committee, Session 2006-07, HC 73-I, National Health Service Deficits, and the Government Response thereto, Cm 7028; and the Department of Health Departmental Report 2006, Cm 6814.]

Motion made, and Question proposed,

That, for the year ending with 31st March 2007, for expenditure by the Department of Health—

(1) further resources, not exceeding £94,395,000, be authorised for use as set out in HC 293,

(2) a further sum, not exceeding £1,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.—*[Huw Irranca-Davies.]*

4.28 pm

Mr. Kevin Barron (Rother Valley) (Lab): First, let me say how pleased I am that we have this opportunity to debate the Health Committee's report on national health service deficits and the Government's response. I thank the Liaison Committee and the scrutiny unit of the House of Commons for assisting us in this process. I thank members of the Health Committee, some of whom are in their places this afternoon. They have spent many weeks and months working on the report. I thank the secretariat and the special advisers who helped us to draw up the report, which we published before Christmas.

I would also like to thank the Department of Health. It published not only the response to our report on 20 February, but, by coincidence, its own examination into deficits—*[Interruption.]*

Mr. Speaker: Order. An awful lot of private, loud conversations are taking place in the Chamber. That is unfair to the right hon. Gentleman.

Mr. Barron: The Department published a document to explain the national health service deficits. It was conducted by the chief economist of the Department's corporate analytical team. Coincidentally again, on the same day that the Government response to our report was published, they also published quarter three of the NHS returns for this financial year.

I want to pick up some of the more serious points that we made in the report and consider the Government's response to them. Let me begin with the introduction in 2004-05 of resource accounting and budgeting. The Health Committee considered that in great detail and took evidence from the Audit Commission, which had also examined the change in accounting in NHS bodies. It and the Health Committee were critical of resource accounting and budgeting.

I appreciate that the Minister of State, Department of Health, my hon. Friend the Member for Leigh

(Andy Burnham) will doubtless speak about the matter at some length, but let me cite paragraph 25 of the Government response, which states:

"In this context, the Department is looking seriously at the case for reversing the impact of past RAB deductions for NHS trusts for delivery of financial balance in 2006-07 and at the future application of the RAB regime for NHS trusts."

Will my hon. Friend the Minister tell the House the Government's exact thinking on the matter? It worried the Committee, the Audit Commission and many parts of the NHS.

Mr. Andrew Lansley (South Cambridgeshire) (Con): The Select Committee sought the disapplication of resource accounting and budgeting to the NHS. For me—and, I suspect, for the Government—there is a good case for not applying it to NHS hospital trusts run as businesses, or, indeed, to NHS provider trusts. However, there is not a good case for not applying RAB to primary care trusts, which receive a given amount of public expenditure resources. They should live within the overall resource envelope.

Mr. Barron: As an individual, and not speaking on behalf of the Committee, I accept that all sectors of the NHS—primary or acute sector trusts—have the responsibility to the taxpayer to work within their budgets and their means. That has clearly been difficult for some of them in recent years because of the change to resource accounting and budgeting. The Committee and the Government's analytical team have considered that in recent months.

Mr. Lansley: Let me make my point clear. All provider trusts in the NHS are businesses. In the course of their normal business, they may well incur deficits and losses on their income and expenditure account one year and surpluses in others. There may be legitimate reasons for that. However, a primary care trust, in its proper role as a commissioner of services, receives a given amount of resources and has a responsibility not to spend more than the resources that are voted to it through the House. The discipline of RAB should therefore apply to primary care trusts but not to businesses that are trying to provide services year on year.

Mr. Barron: We need to extend the debate. I shall say a little about what the Committee found in some health communities, which told us, "Last year, we were the overspenders and we were the acute sector, so we'll move it to the primary sector this year and they can be overspenders." That is an unhealthy state of affairs and I shall mention it briefly again later. We cannot say that RAB is all right for one sector of the NHS but not another.

Mr. Phil Willis (Harrogate and Knaresborough) (LD): The hon. Member for South Cambridgeshire (Mr. Lansley), speaking from the Conservative Benches, raised a very important point. Does the Chairman of the Select Committee agree that there is an inherent contradiction between a primary care trust, which has a finite budget to manage, and foundation trusts within that PCT, which have a "payment by results", more open-ended agenda? There are two conflicting arrangements there, which are certainly not conducive to balancing the books.

Mr. Barron: At this stage, I would say to the hon. Gentleman that we looked at the issue of payment by results, but whether or not it is a distorting factor has not yet been finalised. If the hon. Gentleman reads the report in detail, he will find that the Government put their hands up in some respects and brought in some elements of payment by results and some tariffs that were clearly off the mark. Some changes were made earlier in this financial year to try to get them back to a more sensible balance.

This has been and remains very much a moving picture. Once we start to make national health service expenditure transparent, as the Government have tried to do, all sorts of things are brought into play. That is not historical, but quite new in respect of payment by results. Other aspects, which I shall come on to in a few minutes if I can make some progress, have been more historical.

Mike Penning (Hemel Hempstead) (Con) *rose—*

Mr. Barron: I shall have to give way to the hon. Gentleman, who is a member of the Committee.

Mike Penning: Yes, I have the honour of being a member of the Committee of which the right hon. Gentleman is the Chairman. Before he moves on, I agree that everyone should stick within the allotted budgets, but the problem is that the formula in many areas is so bad for trusts that they cannot both stay within budget and produce the care that our constituents deserve.

Mr. Barron: The hon. Gentleman uses the phrase "so bad", which I am not sure I would use, but we tried to establish what it was in the formula that led to the problem. Indeed, that is what the Government's own analytical department has been trying to do. I will refer both to what we found—or, in that particular case, what was not found—and how the Government responded to it in their own report of 20 February.

Mr. Nicholas Soames (Mid-Sussex) (Con): We all greatly respect how the right hon. Gentleman chairs the Select Committee. I have raised with him the serious problem of historic deficits when the Government order one trust to merge with another trust, which can often lead to a very substantial deficit that the newly created trust then finds it almost impossible to get out from under. The trust has no alternative but to deal with that. Does the right hon. Gentleman agree that the Government really need to find a more sympathetic understanding and a more coherent way to deal with those inherited deficits that does not cause such terrible difficulties later on in the trust's life?

Mr. Barron: The hon. Gentleman will see exactly what we tried to do in the report. We dealt with how to manage the situation where deficits, historical or otherwise, are a very high percentage of the turnover of one organisation while at the same time being fair to other organisations in the NHS and to the taxpayer. Basically, deficits are about overspending. Whether

[Mr. Barron]

historical or not, they are overspend against the budgets allotted to each individual constituent part of the NHS.

My own view—I have said it for many months now—is that that problem has to be addressed in the interest of the taxpayer and in the interest of the NHS. We cannot have all this extra money being invested only to find out that there is still overspending. Often we do not know exactly where the money has gone or whether it is improving productivity and so forth. Under those circumstances, these are big issues. I would not want to argue—neither did the Committee, to its good sense—that where there are massive overspends or deficits, we should not find some mechanism for dealing with them. It is up to the Government, who run the organisation, to find out how they can make people more responsible than they have been in health communities in the past where overspend has taken place.

One of the biggest issues for me—I speak from a personal level—was how the Government decided this current financial year to take on the matter of the overspend or deficits by seeking to balance the books nationally by the end of the financial year. They sought to do so on the basis of top-slicing. It certainly hurt my health community when more than £7 million was withheld from the Rotherham primary care trust, but I am pleased to say that that came out of growth money rather than current services. If it were not for that, I would have been even stronger in my criticism of top-slicing, which was done to bring back some discipline.

I have a question for my hon. Friend the Minister. Paragraph 26 of the Government's response to the Select Committee report states:

"We agree that top-slicing of PCT allocations to create SHA reserves is a temporary expedient,"—

the Committee agreed with that—

"with 2006-07 contributions being returned to the originating organisations as soon as possible."

According to the quarter three returns of the NHS finances that were published on 20 February, there is a suggestion that £300 million could be paid back from the top-slicing within the year in which the top-slicing has taken place. That is my understanding of the situation; if that is correct, will my hon. Friend tell me how that money will be paid back, and to which primary care trusts or NHS organisations?

Ministers have already told us that, in many instances, top-slicing has taken place in areas where there are high levels of health inequality. Those are the last places in which we should be holding back national health service expenditure, not the first. The top-slicing took place as a percentage across the board in SHA communities. If that money is to be repaid within the year, how will that be brought about? In Yorkshire and the Humber, for example, will a percentage be given back to all the NHS trusts? I will not bore the House with the details, but if we look at the health inequalities in that area, we see that there is great diversity there, although there was no diversity involved in the top-slicing. Perhaps my hon. Friend can respond to that point at some stage.

I should like to move on to the contingency plans. The Government had planned to set up what we called a buffer in relation to the present in-year problems. They said that it was not a buffer, but it related to the top-slicing. In paragraph 31 of their response to the Select Committee report, they state:

"No additional resources would be provided by Government for these purposes.—"

that is, for the purposes of dealing with the current overspend. Given that nowhere near all the deficits will be cleared by the end of this financial year, what action can we expect to be taken next year by SHAs? Will we see the repayment of the £300 million—if my analysis is correct—in this financial year, only for further top-slicing to take place in 2007-08? I would like my hon. Friend to answer that question as well.

The lack of a failure strategy to deal with in-year problems was not acted on quickly, but the Government are now talking about the implementation of a formal failure strategy in response to our criticisms. Will my hon. Friend tell the House what the situation is, in that regard?

The hon. Member for Hemel Hempstead (Mike Penning) mentioned the funding formula. The Committee took evidence from three professors for our report, and I think that we heard four different interpretations of the funding formula on that occasion. We were trying to determine whether the formula disadvantaged rural areas, and it would only be fair to say that that was denied by our witnesses. I note, however, that page 6 of the report that I mentioned earlier—which was placed on the website by the Department on 20 December—stated:

"Since deficits are found to be more prevalent in rural areas, further investigation of the costs and organisational aspects of servicing rural populations is recommended."

In the report, the Government say that the formula is being considered by the relevant committee. How long is it likely to be before we get an explanation or interpretation of whether the funding formula impacts negatively on rural areas?

Mike Penning: The individuals who gave evidence to the Select Committee were joined by the chief economist for the NHS, who said that the formula did have a detrimental effect on areas such as mine in Hemel Hempstead. In evidence on page 103 of the report, however, the Secretary of State said that the correlation was "very, very small", which is contradicted by her own Department's report.

Mr. Barron: The Department mentioned six areas in its executive summary in relation to the current deficits, and that is certainly one of them.

My hon. Friend the Minister will be familiar with the cuts in education and training budgets. Given the overspend in certain areas, those seemed to be easy targets. Effectively, budgets are held by SHAs and are consequently easy to hold back in order to balance national budgets. The Government said, in paragraph 65 of their response:

"Although...funding will not be ring fenced"—

for which we had asked, because of the raids, so to speak, in the current financial year—

"there will be a more robust service level agreement which will seek to ensure that SHA decisions on what training to fund and the level of commissions of training places required are made on the basis of long term workforce need."

The Health Committee will, I hope, agree a report on work force planning later this week, and no doubt the House will debate the matter again. I would be interested, however, to know exactly what the Government mean by the phrase, "robust service level agreement".

Cuts to vulnerable services were also criticised. Numerous witnesses suggested that mental health and public health expenditure were the easier targets in health care. Several organisations wrote to us to make that point. The Government effectively denied that in their response. They said:

"However, improving financial management does not mean compromising services for patients. To ensure that these services are not compromised the Department of Health has asked SHAs to ensure that local changes to spending plans are equitable across the local health economy, and that NHS organisations providing mental health and learning disability services should not be asked to contribute more in savings or cost improvement plans than any other service".

I accept that entirely as it is written, but none of the three services that I have mentioned has national targets set. When services do have national targets, the NHS believes that those must be met. Under those circumstances, it is right and proper to say that matters should be equitable, but do we have equity when there are national targets and when some areas of the national health service have had such problems recently?

On the delay in recognising deficits, the analytical body said in its report that the NHS's inability to recognise the implications of changes in resource accounting and budgeting and therefore what was likely to happen in the particular year was one of the major problems.

The Government responded, and I am pleased that they did. We had said:

"We are surprised that it took so long for the unsustainable financial commitments which trusts were undertaking to be recognised."

The Government's response was:

"We have changed this financial focus, and, in the context of greater transparency, now encourage the NHS to plan towards achieving surpluses."

That represents a big change in the culture of the national health service.

I remember, many years ago when I was an Opposition health spokesman, reading Audit Commission reports showing that the priority of hospitals at this time of year was to spend their budgets immediately. If they did not do so, regardless of whether they needed the relevant equipment, the budget would be withheld from them in the following financial year. Has that changed? Rather than spending all its annual budget, can a part of the NHS—while not making a profit—keep some money that can be rolled over into the next financial year? That could help the NHS to plan for different departments.

Mark Pritchard (The Wrekin) (Con): Recommendation 29 of the Select Committee report expresses concern about short-term answers to some of the financial problems faced by acute trusts in particular. Does the right hon. Gentleman feel that the transfer of access to brokerage on deficits from acute trusts to strategic health authorities was a positive or a detrimental step?

Mr. Barron: I think it was a positive step. The hon. Gentleman will find "Explaining NHS Deficits, 2003/04 – 2005/06" on a Department of Health website. I do not think it has been published yet, but it appeared on 20 February. As it explains, the main reason for the deficits is the fact that in 2003-04, strategic health authorities were told that they could no longer move capital into revenue accounts, as the NHS had done for decades. Capital expenditure budgets were easy targets, because they were not as obvious as revenue budgets. When the practice stopped, the whole issue of deficits was brought to light.

I hope the House accepts that I am not being partisan when I say that that was a brave decision for any Government to make. Sir Humphrey would say "That was very brave, Minister." It brought the House, as well as the Government, into the debate on whether enough money was going into the system. In the past, SHAs had covered up overspend by ensuring that other parts of the NHS effectively underspent. It is possible that there was underspending in areas where there was more need—no doubt examples will be produced—but that was not the intention. The intention was to ensure that an NHS organisation's budget was the property of that organisation, to serve its health community. Until two years ago, that was not the case because of the brokerage that was taking place. I am very pleased that it has ended.

Mr. Bernard Jenkin (North Essex) (Con): I am listening to the right hon. Gentleman's speech with interest, because he is describing many of the factors that have disrupted local health services in my constituency. Earlier, he suggested that primary care trusts should be able to run up their own reserves to cushion the impact of changes and new targets issued by the Government. Is that recommendation in the Select Committee report? I cannot find it. If it is not, would the right hon. Gentleman consider making such a recommendation to the Government? That really would be about financial independence for PCTs and others.

Mr. Barron: Let me read out the Government's response again:

"We have changed this financial focus, and, in the context of greater transparency, now encourage the NHS to plan towards achieving surpluses."

That is very plain, and very specific. It is in paragraph 80 of the Government's response. I think I know what the Government mean by it; all I want to know is whether organisations would lose any money that they did not spend in any one year. I do not think that that is necessarily wrong, but it is a major issue.

Will the trust that has not been overspending—it might be spending up to the mark because it feels that it has to do so as the end of March is coming up—be able to save however many millions of pounds are involved and then take that into the next year with no consequences for the following year's expenditure? That is important.

[Mr. Barron]

The Health Committee was very critical of what we call the failure of financial management inside the national health service. I am pleased that the Government have accepted that

"within the highly complex NHS system, day-to-day financial management practice has not always been of a consistently high standard."

Many of us agree with that.

We also criticised the role of finance directors. Indeed, some NHS organisations—some with budgets of more than £200 million or £300 million per annum—did not have what would be called a finance director who is responsible to the board for the income and expenditure of the organisation. I am pleased that the Government have now said:

"A national training programme for Strategic Financial Leadership is in the process of being set up and every organisation will be expected to support their Finance Director in attending this programme."

However, the end of that statement is a little thin, so I ask how far we have got now in setting that up. If we are to avoid the situation that has arisen in the last few years—and probably decades—in the national health service of there being overspending which is hidden by this type of brokerage, it is important that people have confidence that their finance directors know exactly what is happening and what should be happening and that they are looking after the interests of both the taxpayer and the people who use the national health service.

I shall not carry on much longer as I know that other Members wish to contribute. The whole issue of national health service deficits arose early last year, and question marks still hang over some aspects of it. I have posed a few questions this afternoon, to which I hope my hon. Friend the Minister will respond and I am sure that other Members will have other questions to ask. It is crucial that the taxpayer—and everybody else—knows exactly how their money is being spent inside the national health service.

When the Health Committee comes to report later this year, we will have further thoughts on how we have ended up in our current situation in respect of at least one other area that we shall look at. I hope that Members agree that some progress has been made in the past few weeks in explaining the history of national health service deficits and in finding a mechanism for tackling the problems that some trusts face. Some parts of the national health service still face deep problems because of their amounts of overspend, regardless of whether that overspend is historical—they have inherited it—or they have created it themselves. The Government need to address these issues soon.

4.58 pm

Sandra Gidley (Romsey) (LD): I welcome the opportunity to discuss health service deficits. It is fair to put on record that nobody can deny the unprecedented levels of funding. *[Interruption.]* No, my next word is not a "but" exactly: many people are asking some legitimate and serious questions. They want to know where all the money has gone; has some of it been wasted and, if there is so much money in the system, why do things not seem better?

I accept the achievements gained, and I will let the Minister talk about them. However, because of the nature of the world, matters that cross the desks of Members of Parliament and therefore exercise our minds—and the minds of members of the public and the press—are those that are not going quite so well. At present, the sad reality is that it is thought that any reconfiguration—however well meant and however much it delivers for patients—is being done just because of the deficits. I find it hard to believe that the Government welcome that idea, because it makes their job that much harder. It is for that range of reasons that the Select Committee undertook to investigate those deficits. It was interesting, but, on occasions, quite hard to cope with the fact that we seemed to be undertaking an inquiry into work force planning at the same time. On numerous occasions, those matters seemed to be inextricably linked, because the lack of planning on staff numbers and wage decisions seemed to have contributed to the deficits.

As the report's findings were explained comprehensively by the Chairman of the Committee, I will focus most of my comments on the Government's response to the report. It was clear when we undertook the inquiry that there was no single reason for the deficits. We felt that several factors were significant, including the funding formula, which has been mentioned, and we spent some considerable time getting our heads around resource accounting and budgeting. It was clear that aspects of central and local management were poor. Government initiatives, private finance initiatives and wage bills were determined centrally and, to an extent, imposed locally, but local implementation and the way in which different trusts tried to achieve targets probably contributed to the current situation.

We had particular concerns about top-slicing, the cuts in education and training and the proposed contingency funds, but the Government's response to some of those concerns was a little disappointing. The Committee recommended a review of the—I am sorry, I muddled up my notes.

Mike Penning: Speak from the heart.

Sandra Gidley: I intend to. The Committee recommended a review of the funding formula. We took a host of evidence on that, but there was little agreement. The review is being undertaken by the Advisory Committee on Resource Allocation. It is useful to note that the change to practice-based commissioning might mean that we have to look at these matters a little differently. That was a positive response from the Government.

The Liberal Democrats welcome the news that the market forces factor will also be considered. It is clear that the cost of providing services in rural areas is particularly high, as is the cost of providing services in the south of England. While no one would argue that the areas of highest deprivation do not require some extra funding, there is a case for ring-fencing some of that funding for public health needs, so that we reduce the cycle of deprivation that is sometimes perpetuated from one generation to the next. It is disappointing to analyse the spending of spearhead primary care trusts, because there is such huge variation in the amounts of

their budgets that they allocate to public health. If we are to help some of those areas to achieve better health outcomes in the longer term, surely greater attention needs to be devoted to the amount of money spent on public health.

Mr. Stewart Jackson (Peterborough) (Con): Does the hon. Lady, like me, deprecate the fact that a significant number of PCTs across the country—this was found out under the Freedom of Information Act 2000—have significantly reduced, or even cut by 100 per cent., their sexual health education budgets to make up for deficits? Does she agree that that is a retrograde step?

Sandra Gidley: I agree with the hon. Gentleman. I will return to that issue later.

When establishing a funding formula, nobody ever looks at how much it costs to deliver a similar service in different parts of the country. The costs in the south of England—the costs of living and accommodation—have an impact on what can be spent on front-line services. Many would agree that such costs are taken into account inadequately. It is no coincidence that the somewhat lengthy Government response that tried to explain NHS deficits mentioned that there was a triangular-shaped area in the south of England that was particularly prone to deficits in the latest financial year.

Mr. Neil Turner (Wigan) (Lab): The hon. Lady mentions the market forces factor and indicates that there are increased costs in the south-east. Although I accept that, that is taken into account in people's salaries, through the London weighting and south-east weighting.

Mr. Stewart Jackson: It isn't.

Mr. Turner: Yes it is. People get paid that extra money. The market forces factor is not based on the closed economic cycle of the payments that are made to people in the national health service; it is based on private sector wages. It cannot be right that private sector wages in the south-east are used to decide money for hospitals, which are a public service. A nurse in the south-east gets paid exactly the same as a person in Wigan, with the London weighting factor added on, so why have a market forces factor that is based on private sector wages?

Sandra Gidley: I think that the hon. Gentleman is supporting my call for a review of the market forces factor.

Mr. Turner *indicated assent.*

Sandra Gidley: I am glad that the hon. Gentleman agrees. Services cost a different amount to deliver in different areas and some of the factors that influence how the calculations are made are clearly inappropriate for the model. To be fair, the Government have recognised that to a certain extent in their response, but they probably have not gone far enough.

Resource accounting and budgeting has exercised minds greatly. It has effectively led to what is known as the double deficit problem. Calculations have shown that, as a result of RAB, the in-year deficit for 2005-06 was exaggerated by £117 million. The Government response seemed slightly confused. A little clarification might be helpful, although it may just have been me who was confused. On the one hand, the response appears to agree that

> "RAB is not a suitable accounting regime to use within the NHS."

But on the other, it says:

> "As a cross Government system RAB will continue to apply to the Department of Health, and, as confirmed by the Audit Commission, it remains appropriate for primary care trusts."

It would be helpful if the Minister said whether that it is still the case as we move towards practice-based commissioning. Most NHS managers that I speak to say that they want to work within their financial constraints and within budget. Some of them admit that that has been done poorly in the past. However, it is a bit like fighting with one hand tied behind one's back, because of the double whammy.

One of the reasons given for not scrapping RAB is:

> "It needs to be demonstrated that NHS trusts have the financial discipline to operate outside the RAB regime and will respond appropriately to the incentives and disincentives created by cash controls similar to those applied to foundation trusts."

That brings me to the problem of poor local management and poor financial management, which has bedevilled the NHS for far too long. When I worked in a retail environment, at the beginning of every week figures were scrutinised to see what was up and what was down. There was real attention to detail. Any trends involving overspending or something going wrong could be identified. The same is true for many businesses in the private sector. It was quite clear when the Committee took evidence from trusts that some managers did not have a clue. We interviewed some who had done well, and some who had done badly. The good ones clearly drilled down into the costs, and knew the financial situation at pretty much every stage. Their approach was more akin to that in the private sector. It was clear from taking evidence from those who experienced real problems that some of them simply did not have a clue from one month to the next about where the money was going and where it was coming from, or even whether all the income streams were going in the right direction. There seemed to be too few financial managers of the appropriate calibre. If we are to make the best use of NHS resources, it is important to get this right, so I fully endorse the comments of the Chairman of the Select Committee, the right hon. Member for Rother Valley (Mr. Barron).

Mr. Sadiq Khan (Tooting) (Lab): I endorse what the hon. Lady said. I was taken aback by the comments of the director of Kensington and Chelsea primary care trust in the report about lack of leadership and management control.

May I tell the hon. Lady about St. George's hospital in Tooting? Until 2003-04, whenever it overspent, it would simply get extra money from the strategic health authority. In 2003-04, it was given £15 million as a non-recurrent payment to bail it out of its overspend. Since then, it has reduced a budget deficit of £21 million to £4.4 million this year. Next year, the deficit will be nil, and there may even be a surplus, so will the hon. Lady join me in welcoming the Government's

[Mr. Sadiq Khan]

attempts to ensure that trusts work within their budget rather than overspending and being frivolous in their expenditure?

Sandra Gidley: The hon. Gentleman has probably got himself a press release out of that. I was about to say that I welcome the recent emphasis on financial scrutiny, but the problem is that that has been so long in coming. People may have thought that there was plenty of money in the system, but that reorganisation of many PCTs and probably too little expertise to go round contributed to the problems. However, it would be churlish not to recognise that some attempts at financial scrutiny are being made.

Mr. Stewart Jackson: I thank the hon. Lady for being generous in accepting interventions. Does she agree that it ill behoves the Government to lecture trusts on financial propriety in terms of the skill mixes of their financial directors when the Secretary of State, questioned on 29 November, confirmed that the Government have no idea what the 230,000 administrative and clerical staff in the NHS do or what their contribution to the NHS is, because the data are not collected centrally? On that basis, how on earth can the Government lecture trusts?

Sandra Gidley: I shall come to that point later. There has been a problem with cascading from national level to strategic health authority level to trust level exactly what is required at each level, and I will elaborate slightly on it later.

According to the report on the third quarter financial returns, the aim is to achieve recurrent monthly run-rate balance by the end of the financial year, so it is disappointing to learn that 17 trusts are still not in a position to deliver it. Can the Minister say what else is being done to help those trusts? Although turnaround teams have been sent into some areas at considerable cost, it seems that some trusts have specific problems that are still not being resolved if they cannot balance their books from one month to the next.

My next point is about strategic health authorities. At the last election, our policy was to scrap them, and it seems to have been well justified. What are strategic health authorities for? Let us consider the simple subject of staffing numbers. The Government had a NHS plan. It would have been fairly obvious to subdivide that into different areas so that each SHA would know the numbers of staff who should be taken on. It could then scrutinise the PCTs—given that the bodies were supposed to be strategic, I understood that they were supposed to scrutinise the PCTs. Instead, there was an absolute explosion in staff, with some trusts taking on staff whom they could not afford—the Committee heard evidence to that effect. In many cases, those staff were taken on simply to address a short-term problem or target. Nobody but nobody appeared to have an overview of the system, and no one put the brakes on before it ran completely out of control. We are where we are today as a result.

There have been national problems with the implementation of some policies. No hon. Member would deny any member of staff a pay increase or a decent wage. The Government reviewed the pay of health service staff through "Agenda for Change". They also introduced the GP contract—it has become known as the "controversial" GP contract—and the consultant contract. Each of those went over budget by a considerable amount. "Agenda for Change" cost £220 million more than was expected. The GP contract cost £250 million and the consultant contract cost £90 million. The projected figures for 2006-07 suggest that "Agenda for Change" will cost an additional £394 million more than what was expected, while the consultant contract will cost £48 million. Again, it is strange that there was insufficient financial scrutiny at the heart of the Government to make the budgets more reflective of the reality.

Let me outline some particular concerns. The top-slicing of the budgets of PCTs and other trusts has been somewhat controversial. The simple fact remains that it has pushed some trusts into deficit. According to the third quarter financial review, 35 per cent. of organisations are forecasting deficits, but that figure would be only 24 per cent. if the impact of top-slicing and the previous year's deficit could be ignored. The process seems to be a more formalised way of moving resources around the system than the old-fashioned approach, which the right hon. Member for Rother Valley mentioned, under which who should take the deficit each year was determined by Buggins's turn.

I have a further concern about education and training. When the Secretary of State was questioned by the Committee about the raiding of the training budgets, she said:

"I am very reluctant to go down the ring fencing route."

However, doctors who are halfway through their training cannot access courses and the intakes of schools of nursing have been drastically reduced. That has a long-term effect. That approach might seem like a simple one-year solution, but one cannot expect schools of nursing and midwifery to reduce the numbers on their courses by a third or a half in one year and then revert to the previous position a year later. It is not fair to expect a single organisation to deliver in such a way.

The Secretary of State did not appear to have an answer to the situation, although she referred repeatedly to difficult decisions. When the hon. Member for Staffordshire, Moorlands (Charlotte Atkins) said:

"Let us make sure that stealing money from the training budget does not become habit forming",

the right hon. Lady said, "I would endorse that." However, it is sad that she does not appear to want to do anything positive and concrete to try to ensure that such a situation does not arise in the future.

The right hon. Member for Rother Valley talked about vulnerable groups. Paragraph 76 of the Government's response is a little helpful because it says:

"improving financial management does not mean compromising services to patients. To ensure that these services are not compromised the Department of Health has asked SHAs to ensure that local changes to spending plans are equitable across the local health economy, and that NHS organisations providing mental health and learning disability services should not be asked to contribute more in savings or cost improvement plans

than any other service, unless the mental health or learning disability services contributed to the deficit."

That is all very well, but it only covers the issues of mental health and learning difficulties. As the hon. Member for Peterborough (Mr. Jackson) said, other services have been cut dramatically, too.

The Terrence Higgins Trust has undertaken research that shows that much of the money earmarked for sexual health services has not reached its target destination. The problem, of course, is that not many Members of Parliament have people queuing up, or knocking on their door, to make a surgery appointment because they cannot get an appointment at the local sexual health services clinic. It does not happen; it is not something that people really want their MP to know about. Sexual health services are an easy target, and the Government should do more to ensure that the money for those services stays where it is. Removing that money is a short-term, unhelpful solution, because if people cannot access those services, they will carry on spreading disease, and we will end up with a bigger problem. Is that really what the Government want?

Mr. Willis: One group of people who are queuing up at the surgeries of every right hon. and hon. Member in the Chamber are those with concerns about NHS dentistry. Before my local primary care trust was absorbed into a larger, sub-regional NHS primary care trust, it had some £10 million allocated to dentistry-related activity, yet 10,000 people in my constituency are on a waiting list for NHS dentistry, because all that money has been siphoned off and sent somewhere else to try to limit deficits. Money is transferred between organisations so that we can try to make sure that we mask the problems, and that has a huge effect. *[Interruption.]* The hon. Member for Newcastle-under-Lyme (Paul Farrelly) says that the money is ring-fenced, but the reality is that it is not, because it is going elsewhere.

Sandra Gidley: Clearly, my hon. Friend feels passionately about the issue. When the contract was negotiated, there was an automatic 5 per cent. reduction in activity, and that contributed to the problem. It is difficult to understand how the Government are improving access to NHS dentistry when they have reduced the dental activity for which they are paying by 5 per cent. Clearly maths has changed since I was at school.

Paul Farrelly (Newcastle-under-Lyme) (Lab): Is it the hon. Lady's understanding, as it is mine, that the money for dentistry is ring-fenced and cannot be spent elsewhere?

Sandra Gidley: The point that I was making was that the pot of money had been reduced. There are cases of people trying to get a dental appointment but being unable to do so because the PCT has run out of money and no extra funding is available.

I shall bring my remarks to a close so that other Members may speak. I welcome the improved attention to detail with regard to NHS finance. It is long overdue, but sadly it comes at a price; there have been hospital closures, reductions in service and redundancies for people who have worked long and hard to deliver some of the Government's improvements. Those people have a bitter pill to swallow.

5.23 pm

Charlotte Atkins (Staffordshire, Moorlands) (Lab): The Government have invested unprecedented levels of funding in the NHS since 1997. Funding will have trebled by the end of the coming financial year, but in times of such plenty, the money is sometimes not invested as wisely as it should be. Certainly, there have been significant improvements in patient care, there is improved access to health services, and waiting lists are no longer the issue that they were back in 1997, but it is vital that all NHS organisations look carefully at the way in which they provide services to patients to ensure that they are delivering the best possible value for money. For instance, it often does not make sense to send patients to accident and emergency, as better management of their condition at home would save money—going to A and E costs hundreds of pounds—and provide much better care and outcomes for them.

It has certainly been a difficult two years for the health economy of north Staffordshire, where my constituency is located. The Secretary of State frequently says that overspending is concentrated in the healthier and wealthier parts of the country, but that is not the case in north Staffordshire. We may be the exception that proves the rule, because north Staffordshire has been historically underfunded. That issue must be examined urgently, although I recognise that the historical underfunding is not the only problem that north Staffordshire faces. We saw great headlines about 1,000 redundancies at the University hospital of North Staffordshire, and stories about the way in which that would devastate the local economy. I checked the figures today, and the reality is somewhat different. The figures are, in fact, 150 redundancies, of which 45 are compulsory—that is a little bit different from the 1,000 redundancies that were headlined in the local paper.

Mr. Khan: Is my hon. Friend surprised to hear that last year a political party scared local communities about the number of redundancies, yet in the entire financial year, only four redundancies were made?

Charlotte Atkins: That would not surprise me at all, because as I said, only 45 of those 150 redundancies were compulsory. Eight nurses were made compulsorily redundant—other nurses took voluntary redundancy. However, I do not wish to underplay the seriousness of the situation. A number of nurses who, traditionally, could expect to be employed by the local hospital, could not secure jobs. Now the local hospital is taking more nurses from Keele university, but many nurses have decided, because they have had offers, to go to Australia. That might be a fantastic experience—I am not suggesting otherwise—but the situation has led to some soul searching in the area.

North Staffordshire is an area of low skills, and we cannot afford to lose that valuable skills base. However, what worries me most is that clear mismanagement at the hospital was not picked up. It is accountable to the strategic health authority, but to whom is the strategic health authority accountable? It is responsible for the

[Charlotte Atkins]

performance management of trusts in its area, and it seems that it was asleep on the job. All the signs were there. The chief executive announced that he was leaving his job 13 months before he was due to go, but in all that time the hospital did not manage to find an adequate and effective replacement.

The report by the Select Committee on Health found that there is no failure strategy in the NHS. There should have been a strategy that kicked in at that point, and people should have said, "Hold on, there are alarm bells sounding here—we must take this in hand." When the scale of the problem was finally revealed, members of the hospital's management board resigned en masse. A new chief executive, Antony Sumara, was brought in, who made a very good job of sorting out the mess. He made much better use of theatres and day surgery. It is a sprawling hospital on three separate sites, and he rationalised activities on different sites to ensure that it worked more efficiently. However, even he could not do everything, because the hospital buildings are up to 150 years old, so there was a big challenge. We hoped that he would stay put after his year's contract expired, and there certainly were suggestions that he would do so. But that has not happened. He was obviously headhunted to go elsewhere.

We now have an acting chief executive, who I am sure is doing all she can, but I do not know whether the management of the hospital is getting the support that it needs. Its task is not just to manage a dilapidated hospital. We are to have significant and very welcome investment in a new maternity and oncology block that is due to open in two years. It represents an investment of £71 million from the Department of Health. At the same time, the plans for building a new PFI hospital are well advanced. There are several balls in the air, and the acting chief executive may not be getting the support that she deserves. Because of past performance, I have no great faith in the strategic health authority to supply that support.

A real worry for everybody, especially patients, is the fact that infection rates remain stubbornly high. I know that much work has been done to reduce infection rates and meet Government targets, but I wonder whether the failure to get those rates down is a symptom of a wider problem. I hope not. When I talk to my constituents about their experience in the NHS, particularly in that hospital, by and large I get very good reports. It is only people who have not had recent experience of the NHS who say it is a shambles. However, experience in the hospital can vary from ward to ward. When my own daughter was in that hospital, her experience varied from ward to ward. She saw quite a few different wards, sadly.

The primary care trust in my area is doing much better. We merged two primary care trusts, and I am grateful to Ministers for overruling the strategic health authority and supporting local people in our fight for a local PCT. The record of that PCT has justified Ministers' confidence in it. It is brilliantly led by the chief executive, Tony Bruce. As a result, the PCT is expected to be in balance this year, while achieving all the Government's expectations and ambitions. It would have been in surplus if it had not been top-sliced. As Tony Bruce told me the other day, the next two years are crucial, not just because NHS finances will be tighter, but because we have to make the right investment decisions now to ensure that we improve the lives and reduce the dependency of patients.

The Minister of State, Department of Health (Andy Burnham): I have been listening closely to my hon. Friend's remarks. I recognise that the trust has been dealing with problems that have built up over many years, but does she agree that the announcement in the summer of last year—in the present financial year—that the PFI scheme for the trust would go ahead will give the trust confidence about the future? One of the problems has been that services have been provided over too many sites, often in poor and outdated accommodation.

Charlotte Atkins: Absolutely. The decision to ensure that the PFI hospital went ahead in a slightly smaller form was sensible, because we could have ended up with a white elephant—a huge hospital that would not have been fit for purpose in the 21st century because so many good things are going on in the local PCT area. We are sending far fewer people to hospital. Central out-patients has had a reduction of 20 per cent. in GP referrals because of the work that GPs and PCTs are doing locally to prevent the admission of patients to hospital.

The work that is being done locally to make sure that patients are less dependent and do not end up in the acute sector is to be praised, but there must be consistency. My local PCT, the North Staffordshire primary care trust, is doing a fantastic job in that respect, but I am not convinced that that is happening countrywide. We must resolve those issues. If we do not, the increasingly elderly population will mean that we find ourselves in another crisis.

The Department of Health cannot micro-manage the NHS; it has to be down to local organisations to do that. I am pleased that PCTs and trusts now have to achieve financial balance. The need to balance the books has driven much of the good change that we have seen. It has been necessary to drive down costs and deliver value for money, but in my area that has not been at the cost of patient care—in fact, it has improved patient care. We have introduced community matrons; I think that there was a financial incentive to do that, in the context of reducing acute admissions. We also have deep-vein thrombosis testing locally in Leek, the prevention of falls programme—again expertly led at the local Leek hospital—and PhysioDirect, which allows physiotherapists to treat people without a doctor's appointment. All those services have ensured that care is delivered locally, where people want it, and not in the acute sector.

I very much welcome the transparency that has come with the tightening of the NHS financial regime. In the past, we had constant rumours about how Staffordshire had lent vast sums of money to, say, Shropshire, but it was never clear on what basis that was done and whether interest rates were paid; I do not think that they were. We were never really informed of what was going on. Now the financial position of each organisation is known. Many PCTs resent the top-slicing of their allocations, but I hope that that is only a short-term measure, and that PCTs will be able to

manage their local budgets appropriately and not have to shore up the strategic health authority balances.

The Select Committee suggested that some deficits were down to the growth in staff costs. To some extent, that was a result of pay rises and GP and consultant contracts, but it was also a result of the vast increase in the number of staff. I have no particular difficulty with GPs being paid more, as long as they deliver more for patients. It cannot be right for doctors to claim payments for access to their services, in terms of appointments, when some are clearly not doing that. It is important for PCTs to police the contracts properly, so that where doctors are getting more money, they deliver the services well. Payments must bring results, and that has to be the case at every level, including the GP level.

I am concerned about the decision to stage the nurses' pay award. The independent nurses pay review body has done a fantastic job for nurses ever since it was set up many years ago. By considering the evidence from the unions, employers and Department of Health, it bases an award on the careful consideration of the facts. The review body came up with a 2.5 per cent. settlement. It was not generous, but it was fair. No matter how we dress it up, however, staging the award means that the pay award has been reduced by 0.6 per cent.—a cut that many nurses cannot afford if they are trying to get on the property ladder or raise a family. In the Department's response to the Select Committee's report, it says that staff costs are not a main reason for deficits. I cannot understand, therefore, why we are paring down the nurses award.

I am particularly disappointed with the nurses' pay award, because nurses have been through a lot. Even though there have not been a large number of nurse redundancies in my patch, there has been a great deal of anxiety among nurses about getting local jobs.

Sandra Gidley: All hon. Members will have been bombarded by e-mails from nurses who naturally feel aggrieved by the pay award. Will the hon. Lady accept that the vast majority of nurses provide unpaid work, because they are not clock-watchers who go home immediately at the end of their shifts, and they work more hours than they are paid for? Does she regret the moves in some areas of the country to persuade nurses to work for an hour a week for no pay?

Charlotte Atkins: As a Unison member and someone who used to write evidence for the pay review body, I would not encourage nurses to work an hour unpaid. Nurses need to ensure that they are not too tired to do the job, and they already face enough pressure not only in the workplace, but, because many of them are women, family pressure and other extra responsibilities. Given that we have an expert pay review body, it should deliver the pay award and the Government should accept it in full.

I appreciate that "Agenda for Change" has delivered fantastic opportunities for nurses in terms not only of pay, but of promotion prospects and of the chance to work in different areas. The whole role of nurses has vastly expanded, which has been encouraged by "Agenda for Change". The addition of 85,000 nurses to the NHS since 1997 has had a huge impact on patient care. From talking to my constituents, I know how much they value the work of nurses not only in the hospital but in the community. I certainly want to see the pay award honoured in full, and I hope that this will be the last time that it is staged.

Lastly, I want to discuss training, on which, as the hon. Member for Romsey (Sandra Gidley) has said, I have questioned the Secretary of State. I feel very strongly about taking money out of the training budget, which is the seed corn of the NHS. That is not acceptable. It may be an easy option to raid the training budget, but it will have an adverse effect on staff morale, and in particular, on development. Given that a major reason for the deficits is a lack of management expertise at all sorts of levels within the NHS, it is vital that we spend more on training, not less. I asked the Secretary of State whether she would ring-fence the training budget. She did not want to do so, but I suggested that it should be controlled by a body such as the Higher Education Funding Council, which would prevent the strategic health authorities from raiding it. I would certainly welcome a more robust regime, and we must not allow the easy option of raiding training budgets to be used again.

We now have a far more transparent system of NHS finances, but I still think that we lack sufficient management expertise in some areas. There appears to be a huge variation in quality, and we must find some way to ensure that the best-quality managers bring on the rest. From the evidence that we took in the Health Committee, it is clear that some managers are definitely getting it right and that others are definitely getting it wrong; unfortunately, north Staffordshire was one of the areas where management got it wrong. The situation needs to be urgently addressed, and if we do not address it, I fear that we will return to where we were a couple of years ago.

5.44 pm

Mr. Simon Burns (West Chelmsford) (Con): Let me start on a positive note by thanking the Minister for the tremendous work that he did over a considerable time at the back end of last year and early this year to help to ensure that Broomfield hospital private finance initiative scheme moved successfully to a positive conclusion. I am extremely grateful, as are my constituents, to him and to his right hon. Friend the Prime Minister for all the work that they did to help to achieve that.

I say that because it is relevant to what I want to say about Mid Essex Hospital Services NHS Trust and Mid Essex—formerly Chelmsford—primary care trust, which are both in deficit with a turnaround team trying to sort them out. I should like to pick up some of the points in the Health Committee's report warning against short-term remedies to try to solve longer-term problems. Mid Essex PCT has a deficit of what was thought to be about £11 million but is in fact somewhat more than that, and Mid Essex Hospital Services NHS Trust has a deficit of £13 million. They are both trying to meet the Government's requirements over the last financial year and for the forthcoming financial year and are having to take some tough decisions to break even and fit Department of Health requirements.

The problem is that short-term decisions are being taken to reduce deficits. In the case of the PCT, for

[Mr. Simon Burns]

example, there is the closure of the only intermediate care wards at St. John's hospital, which were brought in by the Government five years ago with a special grant to help to overcome the problem of delayed discharges at Broomfield hospital. I suspect that in the coming months the closure of those two wards will have the knock-on effect of increasing the pressures and problems of delayed discharges, so it is a false economy.

In both organisations, there have been redundancies, most of which have been voluntary or achieved through not replacing unfilled posts. Again, that has a knock-on effect in causing problems for existing staff who have to do extra work under extra pressure. On top of that, 50 nurses are being made compulsorily redundant. During questions before Christmas, the Minister gave the figure of 20 or 22 compulsory redundancies, but by the end of this financial year it will have increased to 50. Those are not long-term realistic views but short-term decisions to meet an immediate problem, and the adverse knock-on effect will not be helpful for the hospitals concerned.

I should like to make a special plea on behalf of Broomfield hospital, which I visited last Friday. I went to see an ophthalmic surgeon who is extremely concerned about the Government's proposal to create three independent sector treatment centres in Essex—in Southend, Basildon and Braintree, about eight miles from Broomfield hospital. If that decision had been taken five or six years ago, when there was a particular problem with waiting times and waiting numbers in Mid Essex Hospital Services NHS Trust—the figures show that in the first four years of this Government, the trust faced an inexorable increase in the number of people waiting for treatment, although there may have been falling numbers elsewhere—it could have played a very positive role in helping to deal with the problems at the hospital by providing extra capacity. As its record shows, Broomfield hospital is meeting the key targets that the Government set. My fear, and that of many at Mid Essex Hospital Services NHS Trust, is that if, on top of the trust's deficit, about which it is taking tough decisions, an independent treatment centre goes ahead at Braintree, it will siphon off patients because it will undertake some of the work that Broomfield does. Although the price will be the same, there is a fear that patients will be siphoned off to the Braintree ITC. That has significant and serious implications for the funding streams and finances of Broomfield hospital.

I therefore ask the Minister to consider what could be a serious problem and possibly think again, even at this late stage. He may not yet be aware that I faxed a letter to his private office at approximately 7 o'clock this morning. I hope that he will agree to meet me and the senior management of Mid Essex Hospital Services NHS Trust in the near future—because of the time scale—to discuss the matter.

I should like briefly to consider another matter. Several people who gave evidence about recovery plans to the Select Committee, including Mr. Everett, the director of recovery at Kensington and Chelsea primary care trust, made the point that it was important to deal not only with capacity but improving clinical and administrative efficiency in running hospitals. Any sane person wants to remove excess bureaucracy. I am the first to admit that, given the size and scale of the work that the NHS does, one has to have a first-rate management team to ensure effectiveness and efficiency, but one has to guard against going beyond that to a bloated administrative system. Management teams should seek, in administering hospital procedures, to get an effective, cost-efficient system.

In that context, I draw the Minister's attention to something that I discovered personally in the past week that appears to run contrary to the Select Committee's report on effectiveness and efficiency and the evidence that it was given. Most people would agree wholeheartedly with the concept of offering patients choice. My party has advocated it for some time, and we always welcome converts to the cause, so we are delighted that the Government have embraced the concept.

However, before choose and book was introduced, there would be a consultation when patients visited their GPs, who determined the best way forward. If they could not treat the patients, they would recommend that the patients went to their local hospital to see the local consultant who was a specialist in the relevant condition. In my experience and that of my children in the past, one would usually get a letter in a week or so from the local hospital trust to say that one had been referred to Mr. Bloggs the consultant and to set a specific time on a certain date to see the consultant, who would then determine the required treatment and book one into the hospital for an operation or other treatment. That was an efficient, swift and sensible way to proceed.

Under choose and book, the process is no longer sensible, efficient and cost effective. I do not know whether the system is unique to Mid Essex—if so, someone should explain to the trust that it is the wrong way to proceed when trying to be cost effective, efficient and to save money to plough more into patient treatment. Patients now go to their GPs, who identify a problem and say that they will refer them to a consultant. It is the first time that I have come across choose and book because I fortunately do not visit my doctor often. I was given a choice of five hospitals. I chose my hospital and off I went.

Six days later, a letter arrived. It was not from the hospital that I had chosen but the GP's practice. It stated that, following my recent appointment, an assessment of the GP's decision to refer the patient to a consultant had to be conducted. If I passed the assessment and it was decided that I should see the consultant, I would have to wait seven days from receipt of the letter and ring a telephone number at the hospital trust to make an appointment to go to the hospital of my choice and see the consultant. It is odd that a committee—presumably—assesses and second-guesses whether the GP has made the right decision.

The letter was four pages long and included some gobbledegook. By the by, it told me that the location that I had chosen was not the location that I chose. If we are trying to be more effective and efficient, why cannot we retain the tried and tested old system?

Andy Burnham: The hon. Gentleman mentions efficiency and effectiveness. Does he accept that it might be more efficient to ensure that, if patients do

not need to go to hospital for an out-patient appointment, they have the appointment in a community setting?

Mr. Burns: I completely accept that, but it is not the point that I am making. A GP is qualified to decide whether patients need to be seen in a community setting or whether they should see a consultant at the local hospital. The GP has the expertise, training and capabilities to make that decision.

Mike Penning: Does my hon. Friend know that, even if one sees a consultant, and the consultant, who is much more qualified than a GP, decides that one needs to see another consultant because the ailment requires the opinion of two consultants, one has to be referred back to the committee? It appears that even consultants are not qualified to refer.

Mr. Burns: I knew about that, although I confess that I had forgotten my hon. Friend's valid point. After many years of GPs throughout the country working well, I do not understand the need for them to be second-guessed now. I should like the Minister to intervene because he could also tell me who conducts the assessment.

Andy Burnham: Does not the hon. Gentleman accept that many such services throughout the country are clinically led? They ensure that, if possible, someone can be treated outside a hospital setting, at less cost to the whole local health economy and the potential benefit of the individual patient, who will not have to go into the hospital system, with all the inconvenience that that can cause. That makes sense for everybody. Will not the hon. Gentleman balance his remarks and consider for a moment that there may be a positive outcome all round?

Mr. Burns: The Minister and I may have to agree to differ because I have more faith in the judgment of GPs to cut out bureaucracy, but let us not argue about it. Even if one takes the Minister's view that there should be an assessment committee—

Andy Burnham: Committee?

Mr. Burns: All right, an assessment group—*[Interruption.]* Let us not quibble about figures and simply say an assessment. Even if one agrees with the Minister that there should be an assessment, why does a four-page letter have to be sent from the GP's practice, not the hospital? If the assessment confirms the GP's decision, why cannot the hospital chosen by the patient simply write, as happened before choose and book, to accept the patient's need to see a consultant and to invite them to turn up at the hospital on whatever day and time is suitable? That would cut out a lot of inefficiency. Of course, one then has the joy—I cannot tell the House about it today because the seven days have not expired—of finding out how many times I will have to ring this number to get through to the appointments people.

In conclusion, I ask for more thought to be given before bringing in unnecessary assessments, extra paperwork, extra costs and extra time-consuming demands. What will happen is that one will not get an appointment for 13 days at the earliest, whereas under the old system one had an appointment within seven days—although when one actually saw the consultant and treatment started was indeterminate. That is my simple point. I ask for the House's forgiveness because I am due to attend a meeting and have to leave now, but I certainly hope to return to hear the winding-up speeches.

6.1 pm

Mr. Stewart Jackson (Peterborough) (Con): It is appropriate to examine the financial and political context of our debate on NHS deficits. I concede that there has been a 7.5 per cent. real-terms increase in funding over the last 10 years under this Government. Indeed, the only promise that the Prime Minister has kept is that our spending on health is now at the European average. By the end of the financial year 2008, we are looking at spending £92.6 billion on health care. There have been some successes, as I say, with improvements in mortality rates in cancer, coronary heart disease and in-patient waiting times.

There have also been significant areas of failure, however. Mental health services and stroke care have deteriorated and obesity has gone up by 500 per cent. since 1980. Last week, we were quizzing the Under-Secretary of State for Health on audiology services—a major area of failure by the Government, who have done nothing to alleviate the problem in the last 10 years.

I believe that the Government have tested to destruction the idea that it is possible to transform the NHS by spending money—without fully costed, comprehensive reform of how the NHS works. The notion that increased funding was all that was needed certainly held sway under the calamitous stewardship of the right hon. Member for Holborn and St. Pancras (Frank Dobson) at the end of the 1990s. It was a theory completely without foundation. Between 1979 and 1997, real expenditure on the NHS went up by 74 per cent.; nurses' pay went up 79 per cent. between 1988 to 1995 when the economy grew by only 54 per cent.; and infant mortality in the first 12 months was more than halved between 1979 and 1997. As the hon. Member for Romsey (Sandra Gidley) said, the taxpayer is entitled to ask where all the money has gone.

As we enter the period of the comprehensive spending review, one third of NHS organisations are in deficit—a gross deficit of £1.33 billion and a net deficit of £600 million. A wider question is why the NHS is not delivering more wide-ranging reforms and is doing so relatively badly by international comparisons. The most recent Organisation for Economic Co-operation and Development data—published last year—on mortality rates and potential years of lives lost that are a priori preventable show that we rank 22nd out of 26 OECD countries and that we have fallen two places in the period between 1999 and 2003. In fact, the UK has seen no real improvement on mortality rates in respect of stroke care, for instance, and deaths from heart disease are significantly in excess of other OECD members—with the exception, I concede, of the United States.

Where has all the money gone? The King's Fund found that in the financial year 2005-06, almost half

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the growth in spending had gone on higher pay for general practitioners and consultants. Indeed, the Secretary of State confirmed in her oral evidence that in the three years to 2005, GP salaries had gone up by 50 per cent. and hospital consultant salaries by 27 per cent.

At the Select Committee hearings in November, the Secretary of State also conceded that administrative and clerical staff had risen by 72,695 posts since 1997 and that there are now 230,000 administrative and clerical staff employed in the NHS. As I mentioned earlier to the hon. Member for Romsey, Ministers are unable to tell us what contribution they are making to wider strategic plans in the NHS because they do not collect such data. We await with interest the Select Committee report on work force planning, which I am sure will be a smorgasbord of similarly disobliging data.

The Select Committee learned that the total capital cost of 54 major PFI projects was more than £25 million—we are not talking about loose change here—and had risen by an average of 31 per cent. after the outline business case. No wonder nurses feel aggrieved about being forced to accept a derisory 1.9 per cent. pay rise to fund this incompetence on an epic scale. The working time directive, "Agenda for Change", GP consultant contracts have all contributed to significant cost pressures.

Andy Burnham: Is the hon. Gentleman suggesting that he and his party would favour repealing elements of "Agenda for Change"?

Mr. Jackson: I am merely saying that the Government's incompetence when it comes to executing "Agenda for Change" is awe-inspiring. A Conservative Government would not have gone about it in such a cack-handed and incompetent manner.

We have seen no evidence of increased productivity over the last 10 years. The Government have preferred to focus on endless reorganisations, which have had little or no impact on patient care. Forty central NHS agencies have been created since 1997; and 400 or more performance targets mean a constant between balancing the books and meeting centralised targets. As we know, targets can be manipulated. In 2004, the Audit Commission cited evidence that in some trusts patients were removed from waiting lists once they had been provided with a future date for an appointment. They were given immediate appointments that they were not able to attend and then classed as refusing treatment or having treatment inappropriately suspended.

Anyone who genuinely believes in real reform of the NHS would welcome the Government's moves in that direction over the next few years. Conservative Members agree with patient choice and plurality of providers. We believe that independent sector treatment centres are a good development, as are payment by results and practice-based commissioning, but where is the commitment to support the development of care networks and integrated services and why the palpable failure to develop community hospitals, which was a manifesto commitment in May 2005?

Bob Spink (Castle Point) (Con): While my hon. Friend is discussing independent treatment centres, may I ask him whether he saw the written answer that the Minister—in his place there on the Treasury Bench—gave me on Tuesday 6 March? It said:

"Independent sector treatment centres (ISTCs) are paid contract prices, which reflect the outcome of a competitive tendering exercise conducted at national level. NHS trusts and foundation trusts continue to be paid for activity at the national tariff, which is based on national average costs reported by NHS organisations."—[*Official Report*, 6 March 2007; Vol. 457, c. 1964W.]

Does my hon. Friend agree that ISTCs will get the less costly more straightforward cases to deal with—and deal with them very well, I am sure—leaving the NHS trusts with the more complex, more costly cases, yet without unit price increases to reflect that change? Is it not another disaster in the making for NHS funding?

Mr. Jackson: My hon. Friend makes a valid point. It would have helped if the Government had introduced the new tariff on time and given trusts the ability to make the appropriate provision in that regard.

I share the concern of the right hon. Member for Rother Valley (Mr. Barron) that funding increases in the post-2008 era might be as little as 2 to 2.5 per cent. up to 2011, yet evidence-based outcome measurement barely features in Department of Health policies. Activity does not, of itself, mean improved outcome productivity. Professor Alan Maynard of York university has observed that patient reported outcome measures—PROM—barely register in respect of incentives for GPs and consultants and that, at present, we are talking about a cultural issue. He states:

"Clinicians do not regulate each other's activities explicitly and professionally. Non-clinical managers remain anxious not to antagonise clinicians, whose goodwill is essential to meet Government targets."

Regrettably, we are a long way from the example of Kaiser Permanente, which delivers better quality care to patients through close alignment between managers and clinicians in acute hospitals and primary care, as reported in an article in the *British Medical Journal* by C. Ham in 2003 entitled "Hospital bed utilisation in the NHS, Kaiser Permanente and the US Medicare Programme".

In its most recent paper on the issue, published in February 2006, entitled "Public Sector Productivity", the Office for National Statistics found that productivity in the NHS lies anywhere on a continuum between an increase of 0.2 per cent. per annum in 1999-2004 and a decrease of 0.5 per cent. in the same period. That is set against a background of unprecedented spending and output and activity levels.

Mr. Graham Stuart (Beverley and Holderness) (Con): Does my hon. Friend know from his experience before entering the House whether any chief executive would have kept his job if he had doubled spending while seeing no increase—and, in all likelihood, a decrease—in productivity?

Mr. Jackson: The Select Committee heard significant evidence from many people in the private and public sectors. There was a huge amount of anecdotal and empirical evidence pointing to an enormous amount of mismanagement, mainly at Government level through

the Department, but also—I have to say, in fairness—at local level. The answer to my hon. Friend's question is an emphatic no.

In their paper for the King's Fund, Appleby and Harrison found that the benefits of the extra funding would probably not outweigh the costs, if a traditional cost-benefit analysis were carried out. That is a damning finding. Unfortunately, that is the record of this Government.

I would like to focus on three key areas arising from the Select Committee report: the funding formula and the link to deficits; resource accounting and budgeting, and the target culture; and the impact on patient care, training and development of the cuts resulting from trusts' deficits.

The Chairman of the Select Committee said that the funding formula dated roughly from 2003. Justified concern has been expressed over the fairness and accuracy—or otherwise—of the formula, and particularly over its static nature and the lack of proper accounting relating to rurality and to multi-site hospitals, particularly in acute trusts. In regard to methodological failings, I would draw to the House's attention the comments of Professor Mervyn Stone of University college London, who described the methodology as based on "questionable" statistical methods, no less. He highlighted the fact that the present formula is based on the current use of health services and indirect measures of health care need. North East London strategic health authority made the point that the formula was

"poorly evidenced and insensitive to local factors".

The Department's chief economic adviser found only a

"moderate correlation...between the needs and age index and deficits in health economies in 2004/2005",

but it cannot be a coincidence that Professor Asthana told the Committee that there was a clear link between the level of growth in funding and deficits, with 34 out of 60 PCTs in deficit having received a smaller than average increase in funding. Only four receiving the biggest increases were in deficit.

Age is also a factor. Witnesses appearing before the Committee made the point that the funding formula makes no weighting provision for areas with a high proportion of older adults, such as the south-east and the east of England—my area—where the burden of disease is naturally higher among older people. In fairness, I am pleased to acknowledge that the Department has promised, in its response, a thorough review of the funding formula, including the market forces factor, rurality, and practice-level formulae. We look forward to seeing the results of the research being undertaken by the advisory committee, but I hope that it will act with a degree of alacrity that has not been present hitherto.

With respect to the resource accounting and budgeting system, I am disappointed that the Department is unwilling to offer assurances that the problem of double deficits caused by the RAB system, which has a direct impact on patient care, will be addressed. I hope that the Minister will be able to comment on that later, particularly as the Audit Commission and the Select Committee have found the RAB system to be an unsuitable and unsustainable accounting regime.

The Secretary of State's pledge to bring the NHS into break-even or surplus by this month is built on assumptions that entail widespread underspends, recourse to contingency reserves and other smoke-and-mirrors accounting practices. I want to quote the Committee's finding in this respect:

"Top-slicing is a temporary expedient, but it must not become a permanent part of NHS funding. We recommend that a time limit be set on its use...Continued top-slicing and the establishment of a contingency fund would be an admission by the Department that it accepted that individual trusts would remain in deficit".

That is an important point.

We also know that targets for emergency admissions, accident and emergency services and waiting times have had a huge impact and resulted in a huge commitment of scarce resources, without the commensurate improvement in patient care. Indeed, a Healthcare Commission patient survey in 2005 found that 32 per cent. of patients were admitted to A and E within an hour in 2005, compared with 43 per cent. in 2004. That was within the four-hour target, but the service had none the less been reduced.

Deficits have clearly had a major impact and serious consequences, not least in the constituency of my hon. Friend the Member for Hemel Hempstead (Mike Penning) and those of other Members across Hertfordshire.

Mr. Charles Walker (Broxbourne) (Con): As a Member representing a Hertfordshire seat, I must point out that the deficits are being addressed in a completely brutal way, putting financial requirements ahead of clinical needs. We have been given two years to pay off a £55 million deficit. That will involve a significant reduction in services to my constituents in Hertfordshire.

Mr. Jackson: I sympathise greatly with my hon. Friend. My own trust has seen a £7.7 million deficit resulting in the loss of 185 posts and many bed and ward closures. I commend to the House the sterling efforts of all the Members of Parliament representing the Hertfordshire constituencies on behalf of their constituents to fight the Government's wrong-headed plans.

The impact of double deficits, of the European working time directive, of the "Agenda for Change", of the mismanaged consultant and GP contracts, of the ongoing IT debacle and of the many other examples of poor central management is best summed up by the hon. Member for Stroud (Mr. Drew), who is not in his place at the moment. He has fought a brave battle against reductions in services in his Gloucestershire constituency. In his evidence to the Committee, he said:

"The reality is that our area is having to unfairly carry the burden for the high levels of historic overspend...The result is that the SHA area is being asked to make savings amounting to a staggering 5.3 per cent. of turnover".

Across the country, more than 17,000 posts have been lost, operations have been delayed with the imposition of minimum waiting targets in at least 43 per cent. of acute trusts, funding has been reduced

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for soft targets such as public health, mental health and sexual health, and there has been a freeze or real terms cut in training and development and staffing posts, as evidenced by the contribution of the hon. Member for Staffordshire, Moorlands (Charlotte Atkins). Sadly, the Government have made no commitment as to when cuts in training budgets will end; that is as we enter an era of potential health spending famine, not feast. The Government have failed to make use of unprecedented and generous spending on health to deliver real and long-lasting reform—which is the basis of better health outcomes—and to achieve the target of reaching European levels of health care. As the report makes abundantly clear, they have missed an historic opportunity to do so.

6.20 pm

Dr. Richard Taylor (Wyre Forest) (Ind): I feel that the gist of the Health Committee report was more critical than speeches so far have reflected. Not being a member of a major party, I can voice such criticisms more strongly, without being accused of political intent.

My first criticism is of the form of the Government's response. On Sunday afternoon, I set about trying to make sense of it. I plead with the Minister at least to include some cross-referencing in his Department's next response, so that we can see what number recommendation and paragraph the Government response is addressing. It is incredibly difficult to do that without cross-referencing.

I also make a plea for the Government response to be complete. There is no mention at all of several recommendations. Recommendations 3 and 4—the Minister will probably not know what they were, given the numbering system—refer to the underlying deficits and the large inherited deficits. I would like to have seen more about those in the response. A whole chunk is missing from recommendation 15 in its reprinted version in the response. The missing phrase is,

"The requirement that a hospital trust pay back a deficit while operating on reduced income is inappropriate for a healthcare service and in some cases impossible to achieve."

That strong point was agreed by the cross-party Committee. Many hon. Members have mentioned the double deficit, but the matter was not adequately addressed.

I shall abbreviate many of my comments, because lots of points have already been made.

In relation to education budgets, at least the Government have admitted the severity of the attack. They promise that the cuts will only be short-term. In paragraph 64 of their response, with regard to the transfer of the multi-professional education and training money to SHAs, the Government say:

"This was done to allow SHAs greater flexibility to use resources to address local priorities including financial deficits."

It is a real worry that financial deficits, rather than clinical need, have almost become the first driver, as many Members have said. I absolutely support the aim for financial balance, but the speed with which it is apparently being pursued will cause disadvantages in terms of clinical need.

There are real worries about the funding formula. Our recommendation 25 states:

"There is concern about the fairness of the funding formula. We do not consider ourselves qualified to judge whether these concerns are justified. We recommend that the formula be reviewed. Consideration should be given to basing the formula on actual need rather than proxies of need."

In a recent article in the *British Medical Journal*, headed "Time to face up to 'scandal' of funding formula: The government is in denial about the effects of funding inequities on primary care trust deficits", Nigel Hawkes writes that the Health Committee report "rather glossed over the effects of the funding formula".

He also made a definite criticism:

"A government dedicated to reducing health inequalities, and with most of its MPs elected from areas favoured by the formula, has brushed these criticisms aside."

Andy Burnham: I am trying to follow the logic of the hon. Gentleman's comments. Over the next two years, however, the lowest-growth PCTs will receive a minimum of 16.8 per cent. under the formula, and the average growth for all PCTs will be 19.5 per cent. His argument would have more weight were it not for that hugely increasing tide of spending. Does he not accept that? How can he say that problems are linked to the formula when the evidence is that all PCTs in the country have enjoyed not just a significant but a generous increase under that formula over the past three years?

Dr. Taylor: That is why the Committee said in its inquiry that it could not come to a firm resolution. I welcome the reviews that other Members have mentioned, so that we can get at the truth. The funding for my county, however, is below the national average, and £13.6 million below even the capitation target. There must be some connection with the formula. I hope that the Minister will tell us when the Advisory Committee on Resource Allocation will report. Expressions of interest on the review of the need formula were supposed to be in by 8 March, so I hope that progress will be made.

Mr. Jenkin: Does not the hon. Gentleman's concern have much more urgency, given that increases in NHS expenditure over the coming years are likely to be much tighter than in preceding years? The discrepancies in the formula allocation, if they exist, will therefore have a much more detrimental effect on underfunded authorities.

Dr. Taylor: That is why the inquiries instituted—one of which is supposed to report by autumn this year, and the tenders for the others are out—need to be completed as quickly as possible.

On staff costs and reductions, it is not surprising that the Department does not agree with the Health Committee about the role that the underestimated costs of contracts played in the deficits. Obviously, it minimised the figures that other sources have emphasised. The Department has a marvellous way of deflecting criticism. Paragraph 57 of the Government's response states:

"Each of the pay reforms addressed fundamental weaknesses in the previous pay contracts, including recruitment and

retention problems, poor control over outputs provided by doctors and other staff, poor control over earnings growth, low productivity growth and significant exposure to equal pay risks. The fact that the contracts address these inherent weaknesses is evidence of good long-run financial management."

The only way in which to reduce spending in an NHS that is very labour-intensive is obviously to reduce staff. Paragraph 61 of the Government's response states:

"As Trusts become more efficient, they can continue to provide high quality care with fewer staff. We know from individual Trusts and SHAs that reductions in posts are being managed in ways that minimise the needs for redundancies—for instance through recruitment freezes, natural wastage, and redeployment."

That does not take account of the fact that, although the number of redundancies is not very great, because of those effective vacancy factor measures, the reduction in staff numbers is really quite extensive.

A *Health Service Journal* survey of 100 chief executives, published a week or so ago, revealed that more than two thirds believed that patient care would suffer as a result of short-term financial decisions. My own trust has a freeze on about 10 per cent. of its staff, and it is hard to see how that will not affect the quality of care. It told the Health Committee, referring to staff cuts:

"This will involve a comprehensive review of services across the three sites and serious questions about their sustainability."

Important recommendations that have been rather brushed aside concern collective responsibility and value for money. In respect of collective responsibility, recommendation 22 speaks of the importance of including clinical staff, as spenders and as deciders of the way in which money is spent. The Government's response to that is rather thin. In respect of value for money, recommendation 21 mentions a very good Department of Health paper, "Better Care, Better Value Indicators"; but I wonder what the Department is doing about recommendations that could, if publicised, produce dramatic savings.

Notwithstanding the Government's response, my overall view remains that the Department of Health is largely responsible for the deficits. Following its interviews with health service chief executives, the *Health Service Journal* came up with some pretty strong quotations. One chief executive said of Ministers

"they never once stopped to find out what it would cost to implement the latest good idea."

Another spoke of

"Blind panic as ever. No consistency of approach".

I absolve this Minister, because I know that he was not around at the time. The chief executive went on:

"Bear in mind much of the financial challenges arise from centrally conceived pay schemes... which were ineptly designed and criminally costed by the Department of Health—despite warnings and advice from the service."

I believe, and the Health Committee report emphasises, that the Department of Health must bear much of the blame for the state we are in.

6.35 pm

Mike Penning (Hemel Hempstead) (Con): I congratulate Members on both sides of the House on their contributions to the debate on a report by a Committee of which I had the honour of being a member. In particular, I congratulate other members of the Committee.

It was slightly disturbing to note that some Labour speakers had obviously not read the report. One Member, who is no longer present, asked "Where are these job losses?" Had he read the report he would have seen evidence given by Mr. David Law, chief executive of West Hertfordshire Hospitals NHS Trust in my constituency. He admitted—although he did not want to do so, probably because he was worried for his staff and for his own position—that 750 jobs in the trust would go. The evidence is in the report, and it is a shame that Members should make such comments without reading it.

On a lighter note, I can tell the House that Sir Humphrey is alive and kicking in the Department of Health, because he is clearly responsible for the Government's response to the report. I agree with my hon. Friend the Member for Wyre Forest (Dr. Taylor) that half the response is gobbledegook: anyone who can make sense of it must work in the Department of Health. It gives no cross-references, and does not refer to half the conclusions of the report. That too is a shame, because it is a very good report, and it is not a minority report. Members did not drop out, feeling that they could not put their names to it; everyone worked hard to establish a consensus that would help the NHS to make progress. The House has already heard about the quality of the evidence that we received, and the Minister is well aware of some of it. It is a pity that the Secretary of State is not present so that the Minister need not take the flak for her, as he often does. Certainly she would have had some flak from me had she been present, as she probably knows.

Many of the comments that I was going to make have been made by other Members, but I want to say something about the funding formula. That will not surprise the Minister, because—over many years, to be fair—it has had a hugely adverse effect in my constituency, and on the future of the acute hospital trust there. That is why I was so proud of the chief executive when he gave evidence to the Committee.

Some trusts are in such a difficult position that documents are being leaked to Members under threat. As I have said to the Minister before, it cannot be right that NHS staff are scared to blow the whistle on what is going on in the NHS. They are in the NHS because they care for their patients and for the community, and they should not have to worry about their jobs and look over their shoulders every five minutes. In the West Hertfordshire trust, notes are being issued telling all staff that it is a disciplinary offence to order temporary staff, or to order non-pay items.

The fact that the PCT and the acute hospital trust in my constituency are in such a terrible state has a great deal to do with the funding formula. I raised the issue in the Select Committee when the Secretary of State was giving evidence, and I have raised it in the House, but I am not ashamed to raise it again. In my constituency, the acute trust and the PCT receive about £970 a year to look after the health care of my constituents. The Secretary of State's constituency receives roughly £400 a year more. I am not saying that every constituency in the country should receive exactly the same under the funding formula, because there are

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clearly areas of social deprivation, but the deficits in my constituency could be wiped out, not with £400—or £300, or £260—but with £100.

Members have asked why the discrepancy is so great. The position is particularly bad in constituencies such as mine. My constituency was a new town: indeed, we still call it a new town, although it was built in the 1950s. At that time, a huge amount of the work force left north London and other London areas, and went to work in the new towns. There were hardly any members of the older generation in the towns, because very few retired people went there. Now all the working people have retired, and we have a huge pensioner population. It is fantastic news for my family and those of my constituents that people are living longer, but the burden on the NHS is phenomenal. The formula does not address that.

The Secretary of State told the Committee many times, as the Minister has told us today—and I accept it entirely—that a huge amount of money has been invested in the NHS. That is taxpayers' money: not the Government's personal money, but revenue raised with promises that the NHS would improve. The state of my constituency, and other constituencies mentioned in the Committee's report, clearly shows that it has improved in some areas and worsened in others.

When I asked the Secretary of State to explain why my acute trust was suffering so much in comparison with her constituency, she said "Your constituents are healthier than mine." I raised that in a debate the other day. I had much less time to speak in it—I was restricted to six minutes—than I do today, so I have a little longer to elaborate. The Secretary of State said, "Your constituents are healthier than mine; that's why I get £400 a year more than you do." However, we are talking about an acute trust with an accident and emergency department, a cardiac unit, a stroke unit, and until recently a brand new birthing unit, which is now being used as offices because we cannot pay for any midwives to staff it. The Secretary of State completely misses the point.

What will happen to those who are in most desperate need? One of the most dangerous parts of the M1 runs through my constituency—it is to be hoped that the road-widening project will reduce the number of fatalities. All the people who are involved in road crashes and other road traffic accidents on that stretch of the M1 come to Hemel Hempstead's accident and emergency department, which is now to close. It will therefore be necessary for every single one of them to be driven past my hospital—if anything is left of it—and to be taken to Watford up the A41, which will cause huge delays. I am afraid that people will die. There is no argument about that—all the experts agree that will happen. That is why local GPs in my area have sent a letter of no confidence in the Government's proposals.

Mr. Graham Stuart: Does my hon. Friend agree that in respect of funding we are currently using proxies of health need rather than health need itself? Does he also agree that if we are to use a crude proxy, the most accurate crude proxy of health need is age, not prosperity? This Government are deliberately using deprivation as the key determinant of health need, whereas if a crude proxy is wanted, age is a better one. The most important thing that the Government can do is to take lessons from this cross-party report, which says that we must get rid of proxies of need and use actual health need as the future funding determinant. I hope that we shall hear that that is the case from the Minister today. *[Interruption.]* If that were to happen, instead of mere barracking from those on the Labour Benches, positive steps would be taken as real health need would be made the basis of the funding formula for health care in the future.

Mike Penning: My hon. Friend makes a good point. Evidence to our inquiry brought to light the fact that my constituency is in an interesting situation because it has not only a very large pensioner and retired population, but two of the most deprived estates in south-east England. Therefore, it meets the funding criteria in terms of both age and deprivation, so, in theory, we should benefit as a result, but we do not.

The Government's decision to spearhead—to borrow the terminology that is used—money into areas of social deprivation has not been addressed much in our debate. I could not find any reference in the Government response to how those amounts of money are calculated. Their response suggests why that happens, and I understand it—although I do not agree. How is each individual pound calculated in respect of the money that goes into those spearhead areas? It is worth noting that there are few spearhead areas in the south-east where most of the deficits occur, which is a surprise.

The hon. Member for Staffordshire, Moorlands (Charlotte Atkins), who is no longer present, said that when the financial crisis in her area was exposed, the board concerned resigned en bloc. I wish that that was the case in my constituency, because perhaps we would then get to the bottom of why we have such a bad management structure in my area, and why we are in our current position. I say that because, although I am critical of the Government on account of the deficits that have been caused by the funding formula, there has also been acute bad management, as the report highlights. We cannot just blame local management: the Secretary of State is responsible for appointments—for signing off the appointments of chairs and chief executives of all health trusts in this country. That is her responsibility. I intend shortly to ask how on earth the Government failed to notice some of the problems that arose.

It is true that the Government ploughed huge amounts of money in, but they set narrow targets for how the money could be spent. That was highlighted in detail in evidence to the Committee. What clearly happened is that the targets were set—"You must reduce this, or else"—and the money was spent willy-nilly. As has been said, no other organisation would be allowed to get away with that. No other organisation would be allowed to have an open cheque book and to spend money, and just carry on spending it—taxpayers' money—in that manner. I am particularly concerned about something that is not mentioned in the report: not only did the strategic health authorities not realise what was going on, nor did the Department of Health and its Ministers. On

this occasion, I am not blaming the Minister, he will be pleased to know, because he was not around when most of that was going on, but the Secretary of State and some of the other current Ministers most certainly were.

There have been huge increases in taxpayers' expenditure on the NHS. The relevant sum is £100 billion—we have almost reached that amount this year. How on earth have we got into what is probably the biggest financial crisis since the NHS was established? In evidence, the Government were continually dismissive. The problem is not that bad, they said. I think that the phrase that the Secretary of State used was that it was merely a pebble in the pool. "This is just a tiny ripple of a problem," they said, but every Committee member agreed that it was not a tiny problem, but a huge one.

It is a problem that has arisen for lots of different reasons, not least inept financial management throughout the NHS, including right at the very top. How can one day the head economist of the Department of Health say in evidence that the funding formula is a major contributor to the deficits, and, at the following evidence session, the Secretary of State say, "No, it's not"? When I pointed out to the Secretary of State that her own economist had given evidence to the contrary to the Committee, she fobbed us off. Evidence to support my point is in the report. *[Interruption.]* Is the Minister agreeing with me from a sedentary position? If he is, he should have addressed that issue in the Government's response to the report.

The report is important, and the Government response does not do it justice. If Sir Humphrey is still wandering the corridors of the Department of Health when the current Conservative leadership is elected to government, he will get the bullet.

6.46 pm

Mr. Phil Willis (Harrogate and Knaresborough) (LD): I am not a Health Committee member, but I was particularly interested in the report and I congratulate the right hon. Member for Rother Valley (Mr. Barron) not only on introducing an exceptionally interesting report, but on engaging a wide range of opinions on it and the Government response. That is highly commendable.

I am glad that the hon. Member for West Chelmsford (Mr. Burns) has returned to his seat. It was interesting to listen to a Conservative party member talking about his opposition to plurality of providers within the NHS, because I thought that that was standard policy. To have treatment centres offering different approaches seems to me to be absolutely right.

Mr. Burns: Will the hon. Gentleman give way?

Mr. Willis: Not at present. I also listened to the remarks of the hon. Member for Castle Point (Bob Spink).

Mr. Burns: Will the hon. Gentleman give way?

Mr. Willis: No, I will not give way. I am just making a comment on the—*[Interruption.]*

Mr. Deputy Speaker (Sir Michael Lord): Order. This is a serious matter. Perhaps we can conduct our affairs with a little more decorum.

Mr. Willis: Thank you, Mr. Deputy Speaker. It is also interesting that the hon. Member for Castle Point, who sits on my Committee—the Science and Technology Committee—recognised that when contracts are offered to the private sector it is not surprising if private companies cherry-pick business. That is why our hospital trusts are left with the more expensive and involved cases. I say that in order to make an observation on the remarks of the hon. Members for West Chelmsford and for Castle Point.

Mr. Burns: Will the hon. Gentleman give way?

Mr. Willis: I shall do so now.

Mr. Burns: I am extremely grateful to the hon. Gentleman for giving way. I am aware that the Liberal Democrats are skilled at misrepresenting people, but may I explain to the hon. Gentleman—who obviously was not intelligent enough to understand what I said earlier—that I was not complaining about the plurality of provision but suggesting to the Minister that having an independent treatment centre so near to a hospital that was doing well might have an adverse affect on it? I was not saying that there should be no plurality of provision in the health service.

Mr. Willis: I am delighted that I have been able to give the hon. Gentleman an opportunity to clarify that. We now know that we can have plurality, provided that providers are not too near to other providers. That is a clear position for the Conservative party to adopt.

Let me tell the Minister and the right hon. Member for Rother Valley, who is no longer in his place, that I agree—indeed, my hon. Friend the Member for Romsey (Sandra Gidley) made it clear that the Liberal Democrats agree on this as a party—with the general principles that the Government are trying to follow with their health service reforms, in that what matters is the treatment that individual patients receive. We are all trying to reach the same point. When the NHS was founded, its purpose was to treat individuals according to their clinical needs. We are strongly in favour of that. There might be different journeys on the way to that point, but I would like to think that the whole House would coalesce around that specific objective.

The real issue is that we cannot allow primary care trusts, individual hospital trusts or any other trusts that provide care to be told that they must control their budgets and manage within them, but then to be given directions from the centre, over which they have no control, that impact on their budget decisions. Government targets and new initiatives have already been mentioned in that regard. Local PCTs have absolutely no control over initiatives that come from the Department, but they have to treat them as priorities. In many cases, that will distort their budgets.

PCTs have also changed. In the almost 10 years that I have been an MP, there have been four changes to the organisation of PCTs and their predecessor bodies. That does not give the necessary firm foundation on which to take long-term decisions about health care

[Mr. Willis]

needs within a particular area. All those decisions have had an impact on the budgets that were to be given to front-line providers, yet they had no control over those decisions.

The latest decision to affect North Yorkshire and York is the huge reorganisation of PCTs that has left our area with the largest deficits of any PCT in the country. In Harrogate and Knaresborough, the PCT and the hospital were in balance, but they had a 2.5 per cent. budget cut, through top-slicing, and we have had to pick up the huge problems from the Selby and York—the hon. Member for City of York (Hugh Bayley), who is in the Chamber, will know about that—and Scarborough PCTs. It is wholly wrong to tell my local hospital trust that it has to pay the penalty for mismanagement elsewhere or for centrally driven targets and initiatives. The Government cannot have it both ways—but that is the effect of their argument.

Like most areas, ours has received significant rises in health budgets. Conservative Members have admitted that getting to the European average was a significant Government initiative. I congratulate the Minister and his colleagues on that. This year, North Yorkshire and York has received a 9.5 per cent. increase in budget, which is £69 million extra, but we have had to address a £43 million deficit. Last week the PCT told us that it had made significant inroads into that deficit, which is now only £35 million. However, those reductions include a reduction in the money available for redundancies, which is purely a paper transaction, and in other transactions and capital costs. The reality is that constituents across my patch face significant cuts to services.

The trust at Harrogate district hospital is not only a three-star trust, but the highest-performing trust in the country. That is down to the work of its brilliant chief executive and good clinical staff, but it now has to cut back on treatments. What is the effect of that? Something that has not been mentioned much today is the effect that such changes have on people. The hon. Member for West Chelmsford—I hope that he does not shout at me again—rightly mentioned choose and book, and the complications that came with it, particularly with the intervention of an assessment panel; I do not know what the correct terminology is, but I shall call it an assessment panel. I hope that the Minister will sort out that interface between GPs, consultants and the PCT. I believe that he is committed to resolving these problems.

The problem is not just about money; it is the imposition of organisation from the top. I shall give hon. Members a few examples, the first of which is an excerpt from a GP's submission to what is known in our area as the exceptions panel—an interesting name—about a lady in my constituency who has significant bilateral knee pain. He wrote:

> "Clinically I suspect she has a cartilage tear. I referred her to Orthopaedics on the 27th of December 2006 and received a reply from the referral and clinical advice service dated the 10th of January, suggesting that I refer her for MRI imaging, rather than an immediate orthopaedic referral."

He goes on to say that after discussing the matter with the patient, he did as he was asked, only to get a letter back refusing the MRI request because he now, apparently, needs prior approval from the PCT's referral panel. That is absolute nonsense. That GP has made a clear clinical assessment—the very purpose of the NHS—and someone else is second-guessing that assessment.

I particularly want to discuss the case of a three-year-old boy in my constituency called Elliot Isaacs. I suspect that many right hon. and hon. Members will have similar cases in their constituencies. Elliot has major hearing problems. After a long fight, he was fitted with grommets in both ears last summer. That made a huge difference to him, and he suddenly began to communicate more effectively. His speech improved, and obviously his hearing had improved significantly. He was making substantial progress—until the grommets came out in October because of a related illness. That is quite common; it certainly is not unusual. He is now being refused—not by his consultant or GP, but by the faceless interface between the GP and consultants—the opportunity to have grommets refitted and to be able to hear again and develop.

All hon. Members who have young children know that those early years are the most critical age for the development of language and everything else that goes with it, but that decision was made by that impersonal interface. The irony of it is that Harrogate hospital, which carried out the first operation, performs grommet operations on a daily basis for patients from Leeds, because the PCT there has the money to send its patients to Harrogate to have those operations. If that is a local care system responding to the needs of local people, I am a Conservative—or a Dutchman, or whatever.

That is the principal issue to which I would like the Minister to respond. His response to the Select Committee report does not address some of its core recommendations. There has to be a two-way street between organisation and local autonomy. Yes, financial prudence and good financial management are necessary, but so is independent decision making, and local trusts must have the right to make those decisions.

6.59 pm

Mr. Bernard Jenkin (North Essex) (Con): I follow the hon. Member for Harrogate and Knaresborough (Mr. Willis), and I share some of his dilemmas, in that I come from an area in which the health authority was running things in line with the financial restraints imposed on it and is being punished for the sins of others, as we try to bail them out. I commend the Chairman and Members of the Select Committee that produced the report. I agree with the hon. Member for Wyre Forest (Dr. Taylor): this is a seriously hard-hitting report. It explains why, fundamentally, all the extra money that has gone into the health service has had so little beneficial effect. The money has cushioned the health service against the need to reform, when the reforms should have been prepared in advance of the extra money going in. Unfortunately, we have seen a huge increase in budgets and little reform.

The report does not pull its punches. I invite hon. Members to look at paragraph 63 onwards. The headings tell the story: "Poor local management", "Poor accounting and financial management", "Lack of leadership and

loss of management control", "Poor central management by the Department of Health", and "Badly-costed work contracts". Those are just the headings for the litany of management and financial failure in the health service, which has affected it at every single level. The East of England strategic health authority, my local strategic health authority, is cited in paragraph 24 as one of

"the four areas...in greatest difficulty".

Colchester and Tendring primary care trusts, which are now called the North East Essex primary care trust, are paying the price for the financial failures of other areas. We have to recover a deficit of £6 million in the current financial year, because the East of England strategic health authority appears to have removed £7.8 million of our spending capacity in the present financial year. Next year it will take another £5 million of our spending capacity. That is because of deficits in Suffolk of £30 million, in Cambridgeshire of £52 million, and in Hertfordshire of, I was told, £42 million, although I now hear that it is £55 million.

The impact of those deficits on the health care in my constituency is considerable. I have hospital consultants telling their patients and me that they have been instructed by their management to lengthen the waiting times to the maximum period—not to shorten them or reduce suffering—in order to delay expenditure until the following financial year. I have a LIFT, or local improvement finance trust, programme—a GP surgery improvement programme—that is being thrown into suspense. A number of substandard surgeries in my constituency, in West Mersea and other areas such as Wivenhoe, have been told that they have to wait even though their expectation was, years ago, that they were going to be given new modern surgeries.

I cannot let the moment pass without adding my voice to the concerns about some of the private finance initiatives that we have seen in the area. They have turned out significantly more expensive and significantly wrongly specified. Whether that is the fault of the contractors or the health authorities is a matter of dispute. They have locked in a degree of expenditure that is therefore not available for spending on other things.

The solutions are obvious: much stronger financial management, much less central Government interference, and fewer initiatives and short-term targets from the centre. I commend the Government's endorsement of reserves, which is set out in paragraph 80 of their response. They say that they wish to

"now encourage the NHS to plan towards achieving surpluses".

Particularly where there is to be increased volatility in trusts as a result of payment by results, a more businesslike approach to cash management and cash reserves will be a necessity. The funding of the NHS will have to reflect that.

I conclude my brief remarks by simply saying that the past 10 years of management of the health service reflect not so much the Prime Minister's intentions for the direction of the health service as the Chancellor of the Exchequer's control of the health service. The present mess is the Chancellor of the Exchequer's mess. Like us all, he will have to confront the truth of why, as the country nears a European average spend on health, health outcomes in this country are still so inferior to those in so many of our European partners.

That has much to do with the whole concept of the NHS as presently conceived, with too much central direction and control and not nearly enough local management and control. Unless we all embrace that, more money will be wasted, more patients left untreated and more misery inflicted on our constituents. I know who my voters will blame. After all the promises that the Government made about improving and saving the NHS, my voters, and I guess voters all over the country, are more bitterly disappointed and disillusioned with all politicians—as a result of the Government's failure on the NHS—than I have ever known them.

7.5 pm

Mr. Andrew Lansley (South Cambridgeshire) (Con): I am glad to follow my hon. Friend the Member for North Essex (Mr. Jenkin), who was admirably brief but very much to the point. He, like others in the debate, was speaking from experience of the impact of deficits on his constituents. As he said, not only will voters hold the Labour party responsible—comparing the situation with all the promises that they were given 10 years ago—but it is the Chancellor of the Exchequer's responsibility. People say, "How can it be? He's not in charge of the Department of Health", but when one looks at the report and sees the way in which accounting changes and things such as the abolition of capital-to-revenue transfer, the abolition of brokerage, and resource accounting and budgeting are affecting NHS trusts, one realises that such things are the responsibility of not only the Government, but the Treasury. The Chancellor of the Exchequer will not be able to escape responsibility.

A number of Members were generous to the Minister who will respond to the debate, but when the time comes he is not going to escape responsibility either. If one wants to know how complacent the Government were, one has only to go back to March 2005, in the run-up to the general election, when we raised the difficulties with the emerging deficits in the 2004-05 financial year. What was the response of the Minister's predecessor, the right hon. Member for Barrow and Furness (Mr. Hutton)? It was, "Oh, they always say that there are going to be deficits at this time of the year and it always gets sorted out." The whole point is—the Select Committee's report is perfectly correct in this respect—that it was in 2004-05 that capital-to-revenue transfers were eliminated. So, of course, the situation was not sorted out in the way that it always had been in previous years.

Before I turn to the deficits, I want to say a word of commendation to colleagues who have spoken. The right hon. Member for Rother Valley (Mr. Barron) did justice to what is a good, robust report. As my hon. Friend the Member for Hemel Hempstead (Mike Penning) rightly said, it was agreed on a consensus basis, as I think that all Health Committee reports have been. Rightly, the report made some trenchant criticisms and I hope that, when the Minister replies, he will accept them. When senior officials in the Department of Health were asked last year whether the Department was good at managing change, 81 per cent. disagreed or disagreed strongly with that proposition. The Department does not believe that it is managing change well; it knows that it is getting these

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things wrong. We know from the Healthcare Commission that primary care trusts that have been plunging into deficit have poor financial management. None was given an excellent rating and 124 were given a weak rating. Weak means that they need immediate action to remedy their financial failings.

Some important points were made during the debate. My hon. Friend the Member for West Chelmsford (Mr. Burns) made an important point about the nature of choose and book, and referral management. There are a number of Members from north Yorkshire present. I was talking to a GP in north Yorkshire who put things extremely well. He said, "What is the point of having a system that allows us to exercise choice if I sit down with a patient and look at the waiting times and he can choose to be seen at Leeds, which is quicker than being seen in York, and we put that into the system and the information goes off to a referral management centre, only for him to be told that he can be seen at Leeds, but he's going to have to wait 20 weeks anyway?" As my hon. Friend the Member for North Essex said, the week before last the BBC found that 43 per cent. of primary care trusts throughout the country are imposing minimum, not maximum, waiting times, and saying that patients cannot be seen before a certain date.

A question that I keep asking the Minister and to which I never receive a satisfactory reply is why, in the latter part of this financial year, have not the Government allowed primary care trusts and local hospital trusts to arrive at marginal pricing deals, whereby they say, "We have capacity, you have limited resources; we can estimate our marginal cost of sustaining that capacity and treating patients, so let us treat more patients for a given budget." The tariff and the Government's determination that it should only ever be a uniform price are damaging patients' prospects.

The hon. Member for Staffordshire, Moorlands (Charlotte Atkins) was the only other Labour Back Bencher who supported the Select Committee, which surprised me. There were many contributions from the Opposition Benches, but it is all too predictable that Labour Members will not come here to defend their record, even when a cross-party Select Committee is exposing the problems.

The hon. Lady made an important point about nurses' pay, which the Minister might want to explain. Since 1984, Governments have had independent pay reviews, and it has always been understood that one of the constraints on pay reviews is affordability. The Government went to the pay review body and said that 4 per cent. was the maximum affordable and that a 4 per cent. increase in average earnings for nurses in particular was consistent only with a 1.5 per cent. basic pay increase. The Committee then asked the Department for evidence that pay drift would be 2.5 per cent. so that it could see the justification for the case. If Labour Members read the relevant paragraphs of the report, they will see that the pay review body says that the Department could not produce the evidence and could not justify its case. The Department's financial mismanagement is so profound that it cannot even justify its own arguments on pay. The Department ignored the pay review body and substituted its own belief, which is one reason nurses are angry. They were promised an independent pay review on the basis that it would not be overridden, but it is being overridden.

Mr. Jenkin: Is it not an insult that the Government claim that nurses are getting a higher increase on the basis that they will receive seniority increases? The Government are pretending that the pay increase is higher than it is because the average nurse will receive incremental increases, which they deserve anyway.

Mr. Lansley: My hon. Friend is absolutely right, and the pay review body used robust language, both this year and last year, when it said that the Government had tried to treat the framework for rewarding proper changes in knowledge and skills, increases in overtime, incremental progress through scales, and so on as a justification for a low basic pay award, but if the basic pay award does not keep pace with the need to ensure recruitment and retention there will be serious problems in years ahead.

I have not done justice to the debate, but I want to turn to some specific points. It does not make sense to spend a long time examining why we have arrived at the situation we are in, not least because the Government do not know. On 20 February, the chief economic adviser to the Department published the report to which the Chairman of the Select Committee referred. He said that he was asked to complete it within 20 weeks, so it should not be supposed that analysis of the various issues is definitive and complete in any sense. His report does not complete the conclusions, and he made some peculiar comments. He seemed to say that it does not matter whether some money was wasted because it might have been spent on something else, so it would not have had an impact on the budget overall. I shall offer Ministers an example, because it does matter if money is wasted.

Mr. Barron: That is not fair.

Mr. Lansley: I am not being unfair. I shall quote exactly what the chief economic adviser said:

> "We shall not, however, engage in lines of analysis which put deficits down to expenditure which turned out, in the estimate of the protagonist, to be 'wasteful'. Had this expenditure not been undertaken, some other expenditure, hopefully less wasteful would have replaced it, and with identical consequences for the budget".

I am not being unfair.

We talked about independent sector treatment centres. We are not against using the independent sector, but we object to using it in this way, because it does not make sense that the independent sector receives 11 per cent. above the tariff and is paid for 100 per cent. of treatments even if it is not delivering them. The last answer that I received from Ministers was that treatments were running at 83 per cent., yet centres are paid for 100 per cent. Some of that money, instead of buying treatments that are not being provided by independent sector treatment centres, could have been used to buy additional capacity in NHS hospitals, which clearly exists. That would not have been wasteful and would have made a difference to budgets because PCTs would not have had to spend so much on them.

A number of hon. Friends said that the issue comes down to productivity. The chief economic adviser to the Department of Health referred, interestingly, to

"the disappointingly flat trend in NHS productivity over recent years."

We all know that that is true, but that was the first time I heard such an admission from the Department.

One of the lessons that the chief economic adviser said should be taken is that enthusiasm for making productivity improvements is diminished in an environment of rapid growth and resources. That is bureau-speak for saying that if people are given a load of money, they will not have to try so hard. He continued to say that, therefore, mechanisms for driving through productivity improvements should specifically be strengthened at the time extra resources are made available. Yes. Absolutely. Where were they? The point is that enormous amounts of money were coming in, rightly so—9 per cent. real terms increase, including next year—and payment by results is a valid means of ensuring that resources are deployed to buy additional activity, but it must be in a context of genuine competition for those resources, which it was not, and of effective demand management in commissioning them, which it was not. In places such as south Yorkshire, where a foundation trust economy was established and where PCTs had not previously had a problem with deficits, the hospitals were incentivised to undertake activity and to do more, as in 2004 and again in 2005, with no effective demand management. What is happening throughout the country is not effective demand management but financial crisis management. Instead of GP commissioning—much more effective demand management—deals such as marginal pricing to use hospital capacity are ignored.

Where do we go now? What about the review of resource allocation? Ministers, particularly the hon. Member for Leigh (Andy Burnham), are trying to escape from the fact that was clear in evidence to the Select Committee, which rightly had a long discussion about it: the present resource allocation formula does not accurately reflect the real incidence of need. That is why the Committee said that the Government should look at actual need rather than proxies of need. That is our view. We are not arguing for a specific formula. We are arguing for a formula that more accurately and fairly reflects actual need, not a formula that tries to deal with health inequalities through ever larger distortions in the availability of NHS services, as though inequalities in health outcomes were principally the result of changes in NHS expenditure. Everyone knows that that is not true—we have debated the matter in detail—and everyone knows that it is about relative economic deprivation, environmental circumstances, housing, poor education, diet and so many things that are unconnected with the level of NHS services. We should make NHS allocations relate to need. That will, of course, include a consideration of deprivation, but deprivation and health inequalities are not principally dealt with by NHS allocations, because a separate allocation is needed for that purpose. When will the Minister deliver the review of resource allocation? Why cannot that be done sufficiently quickly to try to influence resource allocation before April 2008?

We talked earlier about resource accounting and budgeting. Clearly, it must be in the interest of NHS trusts that action is taken in time for the 2007-08 financial year, but Ministers are still not explaining why they cannot achieve that. I am told that the Government were going to include a measure in the operating framework for 2007-08, but that it was taken out at the last minute. Why will they not do so?

Does the Minister think that NHS trusts that are not yet foundation trusts, but meet the criteria under Monitor for becoming a foundation trust, should have their historical debt turned into public dividend capital? We could then give them, at least, all the advantages of escaping from their historical debt, which they could manage as equity on their balance sheets. Of course, they would escape from RAB if they were to become foundation trusts.

Will the Minister tell us the top-slicing proposals for 2007-08? We heard, not least from my hon. Friend the Member for North Essex, that top-slicing is going to happen, and it will continue to penalise primary care trusts that have managed their finances well. This year and next will be the last two years of the Government's planned major increase in NHS funding, yet all the resources for growth are being taken away to deal with the problems of deficits. There are problems due to cuts in some parts of the country, but the problem in most places is that the expected improvements in services cannot be funded at all. Will the Minister restore to PCTs that are in good financial health the ability to spend their resources on improvements in services in their areas?

We have bitterly criticised Ministers on several occasions for the scale of the cuts in education and training. If one asks any normal business how it gets out of its financial problems, one will always hear, "People are our most important resource, and investing in our people will be one of our priorities to enable us to escape from the problem." However, that does not apply to the Government or, apparently, the NHS under them. Will the Minister tell us that the cuts in the education and training budgets in 2006-07—some £350 million, or thereabouts—will not happen again in 2007-08? Will he thus, by extension, make it clear that the options for the future to deal with unemployment after graduation among nurses, midwives, physiotherapists and other therapists can be implemented with those resources? At the moment, the problem is not being tackled because of cuts in the budgets. Ministers will not come to the House to explain themselves about modernising medical careers. However, the budgets clearly will matter next year to the ability of the multi-profession education and training budget to support additional training posts to ensure that the junior doctors who have been supported up to now in this country can continue to fulfil their vocation by entering training posts in the NHS. Will the Minister give a commitment on that?

We have had a good debate in which important points have been made. However, the robust nature of the Select Committee's report was not reflected in the nature of the Government's response. The response was not robust but a response from a Department that is still in confusion with Ministers who have no idea about how to move the situation forward, except by simply cutting budgets to try to save their jobs, even if that is at the expense of the jobs of NHS staff. That is not acceptable to the people of this country. The Government should be setting out as a response how they will achieve not only financial stability, but the

[Mr. Lansley]

improvements in the NHS for which people have been paying through their taxes. We will hold the Government to account on that.

7.24 pm

The Minister of State, Department of Health (Andy Burnham): It says in my notes that I should congratulate my right hon. Friend the Member for Rother Valley (Mr. Barron) on securing the debate. However, when I settled down yesterday afternoon with a file on NHS deficits, I nearly scored that bit out. However, he did save me from Watford versus Plymouth, so perhaps he did me a favour in the end.

We have had a very good debate. The Health Committee, which is chaired by my right hon. Friend, has produced an extremely comprehensive report on deficits in the national health service. I put on record the fact that we value his contribution and that of his colleagues on the Committee, many of whom are in the Chamber and have contributed intelligently to the debate. As we said in our official response to the report, we are pleased that many of the Committee's recommendations resonate firmly with the actions that the Department already has in hand to improve financial management both centrally and throughout the NHS. We believe that those actions will lead to a sustained return to financial health by the end of this year.

May I begin by answering a question put by several hon. Members? We have heard the refrain, "Where has the money gone?" from the hon. Members for Hemel Hempstead (Mike Penning), for Romsey (Sandra Gidley), for Peterborough (Mr. Jackson) and for South Cambridgeshire (Mr. Lansley), so let us talk about where the money has gone. I accept that Health Ministers often speak at the Dispatch Box about the new buildings that we have put in place in the NHS, but I noted that during the long contribution made by the hon. Member for Peterborough, he did not mention once the new private finance initiative scheme that is going forward in his constituency. It seemed that the good things were miles from the thoughts of Conservative Members and that they did not want to give credit for anything that had happened.

We often talk about more staff, better pay for staff and more operations. All those things are justified, but the crucial thing that matters is the relative improvement that we are securing to the health of people not only in the more deprived parts of the country, but throughout the whole country. Let us consider the coronary heart disease mortality rate among males. When we came into government, 126.6 people per 100,000 population died from CHD before they were 75. The rate in England is now 74.5. That represents a huge improvement throughout the country, and the improvements in some of the more deprived parts of the country have been even greater—*[Interruption.]* Conservative Members should listen before dishing out criticisms and comments.

Mr. Stuart: Will the Minister tell us what the trend was before the Government came to power and what it has been since?

Andy Burnham: If the hon. Gentleman is arguing that the national service frameworks on the big killer diseases and the money that has followed them have had no impact at all on the acceleration of health improvement, he is mistaken, even though he takes such an interest in health matters.

In 1997, the death rate from stroke among males in England was 29 per 100,000 population, yet the figure today is 18.2. Cancer mortality among males was 155 people per 100,000 population in 1997, yet the rate today is 129. I cite those figures because they are not just statistics on a page. One cannot put a price on the lives saved and the improvements made due to the investment. Conservative Members dismissively say, "Where has the money gone?"—that is where the money has gone, and I am proud of that fact.

Mr. Khan: May I invite the Minister to come and speak to one of the 6,000 people—my constituents and those of other south-west London Members—who have had endoscopies over the past year thanks to a £4.6 million new unit in St. George's hospital? Would he say to them that that £4.6 million could have been better spent or spent elsewhere?

Andy Burnham: Clearly, I would not do that. My hon. Friend is right to raise that point because the consequences of the Conservative party's policy of sharing the proceeds of growth would be to take money out of the national health service. Conservative Members do not want to talk about that, but that is clear from their position. My hon. Friend is right to cite a real improvement in people's lives about which we are deeply proud.

Several hon. Members *rose—*

Andy Burnham: I want to make some progress, so I will not give way. We are 19 days away from the end of what I accept, and what everyone in the Department would acknowledge, has been a difficult year for the national health service. Painful decisions have been made, but it is clear to us that the NHS will be stronger as a result. The NHS has grasped the nettle on overspending, which has been tolerated for far too long. Despite that, and despite our having brought more rigour to the health service's financial system, key financial objectives will be met this year, and I will mention those in a moment. Key service standards will not be jeopardised, and as a result of the action taken, the NHS is in a much firmer position for the next financial year. It is building on a much stronger platform as a result of the changes made.

Let me remind the House of the three clear objectives that my right hon. Friend the Secretary of State set for the national health service this year. The first is to deliver a net financial balance across the NHS as a whole by 31 March 2007, the second is to ensure an improvement in the financial performance of all organisations that reported a deficit in 2005-06, and the third is to achieve recurrent monthly run rate balances across as many organisations as possible by the end of the financial year. As we reported in our third quarterly report on NHS finances, the NHS has made considerable progress in delivering against each of our key financial objectives, and it remains firmly on

course to end the year in net financial balance. In fact, taking account of the £450 million in savings that strategic health authorities have identified, overall, the NHS forecasts a year-end surplus of £13 million at the end of the third quarter of the year.

On the in-year position for this financial year, when the impact of deductions for prior overspending is ignored, the NHS forecasts an in-year surplus of some £269 million. That is a remarkable achievement, and it bears witness to the hard work of NHS staff across the country who have sought to deliver savings, increase the efficiency of working practices, and reduce deficits.

Mr. Jenkin: The Minister is talking about getting the NHS into financial balance, but in paragraph 107 of the Select Committee report, the Secretary of State is reported as having

"told us that overspending was concentrated in the 'healthier, wealthier parts of the country'."

What did she mean by that, and what are the implications of that for Government policy?

Andy Burnham: The hon. Gentleman should look at the detail of the Select Committee's report. It is clear, as everybody acknowledges, that the overspending is concentrated among a minority of organisations, and they are predominantly in the east of England, London and the south-east. Those are facts.

Hugh Bayley (City of York) (Lab): I thank the Department for the assistance that it has given north Yorkshire in getting to grips with its deficit. It is worth noting that in north Yorkshire, the waiting time for in-patient and out-patient treatment, as well as diagnostic tests, is less than the average for the region, but a number of GPs in York have pointed out to me that most of the PCT deficits are in rural or mixed rural areas. The Select Committee on Health examined the issue and called for the funding formula to be reviewed. The Government are reviewing it, but will they specifically consider the costs of providing health services in rural areas, so that the formula fully reflects those costs?

Andy Burnham: I can give my hon. Friend an assurance that we will. We keep the formula under constant review, and I will deal with some of the specific points that my right hon. Friend the Member for Rother Valley made in a moment.

Our analysis shows that 82 per cent. of trusts and 69 per cent. of PCTs are forecasting an improved in-year position compared to 2005-06. As I say, deficits continue to be concentrated among a small minority of organisations. The great majority are in balance or better and continue to deliver service and quality improvements. On achieving run rate balance—that is the third of our key financial objectives for this year—I am pleased to say that a healthy majority of all NHS organisations reported a positive run rate balance in the third quarter. In fact, our analysis indicates that only a small number of organisations—some 17 of them—are not likely to achieve that objective by the end of March.

Mike Penning: *rose—*

Andy Burnham: I will not give way. I shall now turn to the points raised by my right hon. Friend the Member for Rother Valley and will deal with some of the important issues that the Committee raised. He began by mentioning the overall effects of RAB, or resource accounting and budgeting. If I heard the hon. Member for South Cambridgeshire correctly, I think that he began his remarks by saying that the Treasury must take responsibility for the effects of stopping planned support and for brokerage; he used that exact word. Am I right to take that as an indication that the Conservatives would not follow the disciplines of the resource accounting system?

Mr. Lansley: No.

Andy Burnham: Well, I have set out what the hon. Gentleman said. Let me quote the very beginning of the Select Committee's report:

"There have been hidden underlying deficits for many years, but they were revealed by policy changes which increased transparency, in particular the switch in accounting procedures associated with the introduction of the Resource Accounting and Budgeting (RAB) regime. For example, as a result, it was no longer possible to underspend on capital expenditure and use the money to subsidise current spending."

That system provided the transparency that enabled us to debate the issues as we have done today.

Mr. Paul Truswell (Pudsey) (Lab) *rose—*

Andy Burnham: If I may, I should like to come on to the points that my right hon. Friend the Member for Rother Valley raised. He commented on the effect of RAB on NHS trusts; in our reply to the Committee's report, we said that we would look into the issue in detail. We said that, in principle, we accepted the logic of what the Audit Commission's report had to say about the effects of RAB as applied to national health service trusts. The resources needed to bring about a situation in which that issue could be addressed would have to be drawn from the NHS, but I can give him the assurance that, in principle, the Department accepts the logic of what he, the Committee, and the Audit Commission have said. We will say more in due course, as the financial year comes to a close.

My right hon. Friend asked about top-slicing. He asked how much money will be paid back, and what arrangements would be put in place to make sure that it was paid back. Of course, under the logic of the RAB system, the money can be paid back as soon as financial recovery allows. The issue is how quickly all organisations in a particular region come back into balance and tackle overspending; that will allow the resource in the region to be paid back more quickly.

Mr. Barron: I am grateful for that but the Minister has highlighted that after the fourth quarter there may be an underspend of £270 million. We do not know that yet; there are a few months to go before we get the figures for that quarter. However, the third quarter report suggests that there could effectively be £300 million of underspend nationally. I am trying to probe the Minister on whether that amount will go to PCTs such as my local PCT, which has been top-sliced because of overspending in other areas. How will the

[Mr. Kevin Barron]

money be redistributed, or will it be kept centrally, and then used to get rid of RAB?

Andy Burnham: I can tell my right hon. Friend that all organisations are in the process of finalising their financial plans for 2007-08.

Mr. Deputy Speaker: Order. I appreciate that it is difficult for the Minister when he is asked a question by someone who is behind him, but he must address the Chair.

Andy Burnham: I apologise, Mr. Deputy Speaker. I was about to say to my right hon. Friend that we made it clear in the operating framework for the coming financial year that strategic health authorities will not generally require contributions to the SHA reserves of the scale seen in 2006-07 because of the NHS's return to overall financial balance this year. It is because of the steps that we have taken to return the NHS to that balance that we will not require such a top slice to be taken next year.

David Taylor (North-West Leicestershire) (Lab/Co-op): Does the Minister accept that in pursuing a financial balance, decisions and actions can be taken that make perfect financial sense, but are economically illogical? For instance, if the mega-doughnut around the city of Leicester places a veto on a particular practice in the north of the county, and it prevents Derbyshire royal infirmary from receiving referrals for elective treatment for a two-month period towards the end of the financial year, the DRI, which would otherwise have provided that treatment, lies partly idle for want of those referrals. That is not economic sense, is it?

Andy Burnham: What makes sense for the NHS as a whole is to ensure that it does not have loose priorities. The hon. Member for Harrogate and Knaresborough (Mr. Willis), for whom I have great respect, said that we should aim to achieve a financial balance, but that it should not be the be all and end all. However, it is crucial for the future stability of the NHS that in the system there is rigour and discipline that perhaps have not been evident in the past.

Mike Penning: Will the Minister give way?

Andy Burnham: I shall give way to the hon. Gentleman in a moment. That is the best way to serve all health economies in the long term. It does not help the NHS in the long term to take a lax or loose approach to those matters, because the problems will come back and hit either that health economy or a different one in years to come. One economy would have to put its plans on hold while another economy came back into balance.

Mike Penning: I thank the Minister, and I shall not hold it against him that he has given way to his hon. Friends and colleagues, some of whom have not been present for the entire debate. He talked quite rightly about priorities in the funding stream. West Hertfordshire NHS Hospitals Trust has a brand new, 18-month-old birthing unit that taxpayers paid for. That important unit has been closed. We have an award-winning cardiac unit—cardiac health is a Government priority—that is going to close. There is a stroke unit—strokes are another priority for the Government—that is going to close. How does that bring health care to my constituents?

Andy Burnham: At the beginning of my contribution, I gave the figures on relative health improvement in the country, which has taken place in all constituencies. If the hon. Gentleman claims that that is not the case in his constituency, I can tell him that there has been huge improvement and that his constituents can look forward to a maximum 18-week wait from GP referral for treatment by the end of 2008. Decisions have to be taken to balance expenditure on the ground, which sometimes means that services have to be changed. If he considered the outcomes in his constituency, I hope he would agree that waiting lists are at their lowest-ever level, and that the NHS's service to patients is as good as it has ever been.

Mr. Willis: Will the Minister give way?

Andy Burnham: I should like to make progress, because there are some serious issues that my right hon. Friend the Member for Rother Valley and others have raised. I have accepted a number of interventions, and I wish to deal with education and training.

My right hon. Friend the Member for Rother Valley asked what the service level agreement between strategic health authorities and the Department means. We believe that is right that at SHA level there should be flexibility to manage the future work force needs in any region, and that is precisely what the service level agreement will require. In making decisions about centrally allocated budgets, provision must be made to plan for the medium and long-term work force needs of that particular area. The hon. Member for South Cambridgeshire asked me whether I could confirm that there would not be any take from the 2007-08 education and training budget. I turn the question back on him: how will he square an independent NHS, where all supposed interference will allegedly disappear, with his plans to take all the decisions out of the hands of politicians? We will put decisions in the hands of the strategic health authority, but we will require it to plan for the medium and long term.

My right hon. Friend the Member for Rother Valley asked about vulnerable services. He is right that in the past, the casualty of NHS budgeting was more vulnerable services such as mental health—*[Interruption.]*—or learning disability services, as the Minister of State, Department of Health, my right hon. Friend the Member for Doncaster, Central (Ms Winterton) says. It is precisely because of the transparency of the regime that such a situation will not be tolerated in future. It will not be possible for the budgets for services to some of the most vulnerable people in our society to be raided to backfill deficits elsewhere. That is another virtue of the—

Several hon. Members *rose—*

Andy Burnham: I am afraid that I must conclude, because I have taken too much time.

I should like to do justice to some of the points that have been made in our debate. My right hon. Friend the Member for Rother Valley asked about planning for surplus. It is obviously better to plan for surplus than to plan for break-even and just miss, but we will soon provide more details about the issue that he raised—giving people incentives to carry over budgets from one year to the next—and I hope that he will be reassured when we do so. I have taken more time than I planned, but it is important that I deal with a couple of points that several Opposition Members made. Many hon. Members raised the funding formula, and sought—I believe—to attribute problems in some parts of the country to the issue. On several occasions, that conclusion was ascribed to the chief economist in his evidence to the Health Committee, but he did nothing of the sort. Indeed, backing up the Department's view, he said that there is no single simple cause of deficits in the health service, nor is there any single simple way of dealing with them.

As for the question of the funding formula, the hon. Member for South Cambridgeshire and his hon. Friends asked why we should have proxies for health care need, and suggested we use direct measures of health care need measures such as age, but why is age anything other—

Mr. Stuart: I said it was a proxy.

Andy Burnham: The hon. Gentleman should read the letter that his hon. Friend the Member for South Cambridgeshire sent me, in which he said that the Conservative position is to allocate resources in the health service according to "burden of disease". A key driver would therefore be age. The hon. Member for Beverley and Holderness (Mr. Stuart) has just accepted that age is a proxy of need, not a real driver of need. On several occasions, I have put it to the hon. Member for South Cambridgeshire that there are much clearer measures of the burden of disease in the NHS, such as those that I listed at the beginning of the debate, including the mortality rate per 100,000 of the population under 75 from cancer, coronary heart disease and stroke, and the prevalence of diabetes in under-75s throughout the population. Those are measures of the burden of disease. *[Interruption.]*

Mr. Deputy Speaker: Order. We cannot have these continual interruptions from a sedentary position. If hon. Members want to intervene, they may attempt to do so, but they are disrupting the debate.

Andy Burnham: When one questions, probes and pulls at Conservative party policy, it is interesting to see just how defensive Opposition Members become. They realise that the consequence of the policy of allocating resources according to the burden of disease, as stated in the policy document issued at last year's Conservative party conference, if the hon. Member for Beverley and Holderness remembers that, is to take more money out of his hon. Friends' constituencies. All the bleating that we hear about the funding formula does not fit with the Opposition's party policy on the allocation of health resources. On top of that, money will be taken from the health budget by pursuing the policy—

Mr. Stuart: *rose—*

Andy Burnham: I shall not give way, because I am about to finish my remarks. If we couple that policy with the effect of sharing the proceeds of growth— *[Interruption.]* If the hon. Member for Hemel Hempstead (Mike Penning) believes that his constituency will be better off under that policy, I am afraid that he is sorely mistaken.

We have had a good debate. As I said at the outset, we accept much of the Select Committee's logic and many of its recommendations, and it can take heart that the Department has taken action to address some of the matters raised by my right hon. Friend the Member for Rother Valley. As a result, the NHS is in a much firmer position from which to address the next two years so that, by the end of 2008, we will be on course to deliver a maximum 18-week wait for treatment after GP referral. That is a huge achievement, and it is a complete vindication of the changes that the Government have made to cut waiting lists and improve the service that the NHS offers not just to the constituents of Government Members but to the constituents of every single Opposition Member. The Opposition did not make any acknowledgement of the improvements in the health service in their constituencies, but we are proud of those improvements, and we will continue to invest in the NHS which, we can now say with absolute clarity, can proceed from a position of financial strength.

7.49 pm

Mr. Barron: With the leave of the House, I thank Members in all parts of the House who have taken part in the debate, particularly the five members of the Health Committee—or rather, four members; the hon. Member for Peterborough (Mr. Jackson) was not with us when we agreed the report on the national health service deficits. Their work over the weeks and months has contributed to today's debate. Although it got rather noisy towards the end, as debates tend to do, it was a welcome attempt to explain what has happened in the funding of the national health service and why, over the past 18 months, the overspend has been greater than in the preceding 50 years. The transparency of the examination of NHS expenditure has highlighted that.

I told the hon. Member for South Cambridgeshire (Mr. Lansley) that the criticism of the report explaining the NHS deficit was not fair. The document is available on the web and the six points by the Government's main adviser in the executive summary are worth reading. It goes much further than the Health Committee did in examining the current deficit, as it was written by people inside the institution who have access to more information and more time than we had.

The document highlights problems in many areas, such as productivity issues. Because there is extra money coming into the system, more people can carry on with what they are doing, as opposed to being asked to get more out of the available funding or to achieve better outputs from increased funding. Anybody who is interested in NHS deficits should read it.

In their response, the Government take into account some of the blindingly obvious problems that we

[Mr. Barron]

identified in the NHS. I hope the service level agreement in relation to education and training will be published, so that everyone, including strategic health authorities, understands what is expected. I should warn my hon. Friend the Minister that later this week we hope to agree a report on work force planning, so we may return to several of the matters that were covered in the debate.

My hon. Friend said that it was likely that third quarter publications would not reveal the overspend predicted at the beginning of the financial year, and consequently that there would be some moneys in the system that are not needed to match the overspend. I, together with other members of the Committee and other Members of the House, will be watching carefully what happens to that money between now, the end of the financial year and the beginning of the next financial year.

I am pleased to hear my hon. Friend say that he does not expect the top-slicing exercise to be as large as it has been in this financial year. I hope not. In my constituency top-slicing has not taken up the growth money that was put into the system, so it has not hurt services at this stage. The reason for budgets of the level that we get in south Yorkshire is the health inequalities that we face, so it is important that that is recognised.

I welcome the Government's attitude to the funding formula. In autumn this year we should find out whether rurality is a big issue and whether it should be addressed. I look forward to a debate on estimates that covers the wider issues of our work as a Committee and the work of the national health service.

Question deferred until Ten o'clock, pursuant to Standing Order No. 54(4) (Consideration of estimates &c.).

Local Transport

[Relevant Documents: The Twelfth Report from the Transport Committee, Session 2005-06, Local Transport Planning and Funding, HC 1120, and the Government's response thereto, Fourth Special Report, Session 2006-07, HC 334.]

Motion made, and Question proposed,

That, for the year ending with 31st March 2007, for expenditure by the Department for Transport—

(1) further resources, not exceeding £849,010,000, be authorised for use as set out in HC 293,

(2) a further sum, not exceeding £533,764,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.—*[Claire Ward.]*

7.54 pm

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): The best kind of partnerships, whether they are social, sexual, economic or political, are those in which people talk to one another, and occasionally listen to the response. Considering how many millions of people there are in the world, these partnerships are not easily found, and not usually in politics. My Committee felt that it was time that we looked carefully at the partnership between the two groups of people who have to develop and deliver transport policy.

It is important to say at the outset that the Government are one of the first for a very long time who have committed themselves to developing a transport policy. They have put large sums of money into various aspects of transport. If I am not always pleased with the result, that is because, unlike the pope, my Government do not seem to be infallible. When one looks at the work of our Committee, it is essential to understand what we are saying. Governments can set transport strategies, and indeed they do. Governments can provide the budgets, and indeed they do. What Governments cannot do is deliver. The people who deliver the local transport plans are, by definition, local. It is not exactly a difficult thing to understand, but it is crucial.

Our Committee decided to look at the way that the local transport plan framework had been introduced, and we decided that it was an improvement on the former system. We said that it had achieved quite a lot. However, because local authorities have to deliver many of the targets, it is essential to examine the performance. It does not matter how good the intention—where is the performance?

We decided that there is always a particular tension between central and local government. The Department for Transport looks to local authorities to implement improvements but—let us be straightforward about this—it does not have a hands-off attitude. It sets the national priorities, it reviews and it scores, because that is the modern way of government. We all have to have our report cards, Mr. Deputy Speaker, even you or I. The Department awards capital funding for the integrated transport bloc and it decides on the balance between capital and revenue funding. It then decides which major transport schemes will be funded by central Government.

None of this is reprehensible or difficult to understand. The problem arises when, for one reason or another, that partnership begins to get slightly out of kilter. One could say that with that set of objectives, no local transport plan is, in effect, local. It is centrally decided and locally implemented, but the strategy, the money and the determination come from the Department for Transport.

Mark Pritchard (The Wrekin) (Con): Although I agree with the hon. Lady, does she agree that there is also the dynamic of the Office of Rail Regulation and Network Rail in relation to train services that are delivered locally, whatever the strategy of central Government? For example, in my constituency we want a new direct rail service from Shropshire to London, starting in Wrexham. Although the local authorities support it and, I understand, the Government support it, the Office of Rail Regulation and Network Rail are making it very difficult for that scheme to be developed.

Mrs. Dunwoody: The hon. Gentleman will forgive me if I do not wreck my entire career by getting involved in the politics of Wrexham. That was a lesson that I learned very early on and it is not something that I am likely to forget. Indeed, the Welsh Assembly Member for Preseli Pembrokeshire is likely to make known her views on the expenditure on transport from that Assembly without any help at all. One Dunwoody on the subject is quite enough.

We ought to accept that the guidance from the Department for Transport does not indicate what weighting is to be given to success in delivering against locally identified priorities. If there is to be a local transport plan, it must have clear local input. The Government have not yet told us how they weight their response. How do they judge the things that are important? The Government response said:

"The Department has not yet issued guidance on how the delivery of the second Local Transport Plans will be assessed, but has announced that it will not assess delivery until 2008 at the earliest."

The difficulty is that local authorities do not have that much flexibility. They must know at an early point what is going to happen to their local transport plan. Although they have their own objectives, they need to know what the Government think is a priority. They also need to know clearly where the money is coming from.

Andrew Selous (South-West Bedfordshire) (Con): My constituents are beginning to think of local transport planning in my area as a sick joke. A previous Secretary of State for Transport announced that a key bypass would be built in 2003. I heard from the Highways Agency only a few days ago that it is not likely to be built until 2016. Does the hon. Lady think that things have come to a pretty pass when there is a 13-year delay on a road that a Secretary of State has announced will be built?

Mrs. Dunwoody: We can all play the constituency game and say, "I haven't got everything I want on my particular wish list." A previous Government got their transport policies into one great mess because they promised everybody that they would get everything on their wish list and then ensured that there was never any money to achieve it. I am not going to play that game. I happen to think that we should be looking seriously at the problems that local authorities face to see how we can help to sort them out.

The Committee said that it was unacceptable that local authorities were penalised for pursuing regeneration and job-creation schemes. We stated:

"The Department should make it clear local authorities can prioritise specific local transport needs, such as economic regeneration, and then give them proper weight".

How did performance against local priorities influence the local transport capital settlement for 2007-08? Will the Government confirm that local authorities will be rewarded in their local transport planning scores for performing well against local objectives of regeneration and job creation? When it comes to comparing performance between various authorities, as every authority has some differences from its next-door neighbours, can we know exactly what local transport needs, targets and objectives the Department is using in allocating funding according to performance against local targets? Those things will make an enormous difference.

We said that the Minister had told us that the

"second round guidance was less prescriptive than the first".

However, after the Government response was published, the roads performance division within the Department wrote to 10 urban areas covered by the urban congestion target and said that if they wanted to submit "congestion delivery plans"—this Government are so clunky in the titles they choose that one would think they were Liberals—they could then have them assessed and payments would be awarded from a £60 million congestion performance fund over four years. Do these congestion delivery plans required of the 10 largest urban areas add another layer of planning and assessment, or are they a completely new approach? It would be helpful if we were told.

We looked carefully at capital funding and said that although the Department had told us it agreed with

"the principle of applying proportionality in the assessment of scheme bids",

we were not at all clear what proposals were going to be implemented to make that a reality. There must be some, and it would be helpful if they were stated transparently and clearly.

We considered the whole question of bidding. It is time to understand that a lot of the processes not only cost a great deal in terms of a local authority's time, but they also cost money. If we assess the amount of work that goes into bids, it is clear that unsuccessful bidders, as well as successful bidders, are spending a considerable amount. Is the Minister going to tell us that the Department has got a target to reduce bidding time and costs?

The Government also said that they were going to give final guidance on major scheme funding, including sharing scheme development costs, in early 2007. When will that appear? Please can we have an idea of what it will say about streamlining the bidding process and reducing the costs for local authorities? We have had enough bidding processes for us to make those assessments. Surely it is time that local councils were given the right support at the right time to enable them

[Mrs. Dunwoody]

to make sensible decisions on whether they should continue with a bid if it is painfully clear—we were told this again and again in evidence—that, for one reason or another, the bid from a particular authority for a scheme that it regards as important is not going to be successful. Someone should tell local authorities at a reasonably early stage why a bid will be unsuccessful and on what basis that decision has been made. They should be told to begin to rethink their plans and not be allowed to continue at considerable expense and with considerable difficulty.

I come to our old friend, the private finance initiative. The Committee said that if PFIs are not appropriate for transport, the Department should consider making the funding available through other forms of procurement. Sometimes there is a commitment—almost an ideological commitment—to the idea that only by using private finance schemes can Government policies become a reality. Frankly, not only is that totally difficult to understand, but in transport matters it is transparently untrue. Most of the PFI schemes that are operating—whether in railways or other forms of transport—have not produced the results and are making a lot of money for a lot of people without a lot of effective results.

The Committee looked at the Department's decision to introduce a transport innovation fund, which will override the four shared priorities agreed between central Government and local authorities. The response did not give us any clear justification for that decision. Perhaps the Minister would like to explain how the national objectives in terms of congestion and productivity will be included in the transport innovation fund.

I have no intention of taking time that should go to other Back Benchers, but it is important to say one or two things. We know that the Government are striving not to break their fiscal rules, but because of that local authorities frequently face the difficult conundrum of how they should balance their finances between revenue and capital, and how they are going to sustain the new transport schemes that many of them are introducing.

As the example has been set, I want to refer to what is happening in the bus scheme in Cheshire. It is an excellent scheme. It has great support and my constituents are highly delighted with it, but the counties have not received support for administering that highly complex and rather difficult scheme. Given the constraints of Gershon and the other problems that have been put on local authorities, it is clear that there is a cost in administering the scheme which has not been allowed for or even properly planned for. Indeed, the differences between one area and another mean that some local authorities receive rather more financially than they had expected and some receive rather less. Local councils have found it almost impossible to pool those resources and to work together, which has put an even greater strain on the services. That cannot go on year after year. If costs are constantly taken out of local authority finances, those costs will become plain and will not only produce a shortage of revenue, but hinder the use of prudential borrowing by local authorities because they cannot service the debt.

The Transport Committee felt that not only had the Government got an excellent set of priorities, but they wanted to deliver those services where such services count most. What therefore upset us was that we felt that the guidance did not contain sufficient transparency, clarity or even evidence of exactly what the Government wanted local authorities to achieve. Yet again, I return to the point that it is a partnership between the Government and local authorities. Perhaps that partnership is uneven—it may be like the partnerships that one finds in medicine and legal affairs, where the senior partner gets the money and the junior partner does the work—but at some point it is nevertheless essential that the Government make their plans crystal clear. We cannot expect locally elected councillors not only to undertake responsibility for planning complex schemes and prioritising their interests, but to take the blame when the money is not available for schemes that have been promised. It is essential that the Government back up their extremely good intentions with a little more clarity and, dare I say it, a little more plain speaking. Ministers can do it, and it is about time that they got into the habit.

8.11 pm

Mr. Alistair Carmichael (Orkney and Shetland) (LD): It is a pleasure to follow the hon. Member for Crewe and Nantwich (Mrs. Dunwoody). Her speech was a fair reflection of the report produced by her Committee. I commend the Committee for the report, which is as cogent as it is comprehensive—she has done the House a service. However, her reference to clunking titles and Liberal Democrats was a little gratuitous, but in view of the fact that some in my party have had worse maulings at the hands of the hon. Lady, and in view of a certain fondness in which I hold her, I will not pursue the point.

The overall picture that emerges from the report, and from the Government's occasionally thin response to it, is one of an increasing tension between transport planning at the centre and transport planning at the local level, particularly at the local authority level. Such tension is not a bad thing per se—the right balance of tension can be creative—but the picture that emerges from this report, which has been confirmed by my experience of visiting different parts of the country, and dealing with different local authorities in different areas, is one in which the relationship between the centre and the local level has got so fundamentally out of kilter—the term used by the hon. Member for Crewe and Nantwich—that the tension is not creative, which is influencing how many local authorities, passenger transport authorities and passenger transport executives approach transport planning. We are seeing a disturbing lack of boldness, radicalism and innovation, which is to the detriment of the potential of the local transport planning structure.

Mark Pritchard: Does the hon. Gentleman share my concern that although the input of regional assemblies is often well intentioned, it can sometimes confuse the line of communication between local communities, local authorities and the centre?

Mr. Carmichael: I do not know whether the hon. Gentleman has a specific instance in mind, but I can see how that might happen occasionally. The approach should be based on "horses for courses". In some areas on some issues at some times, there will be a role for the regional assemblies, but that will not always be the case. Yes, I share the hon. Gentleman's concern that occasionally we seem determined to involve everyone, apparently for the hell of it. The difficulty that causes a lot of disillusionment for many local authorities is that, as the report confirms, they have responsibility without power.

I want to deal with a few issues that the hon. Member for Crewe and Nantwich mentioned in the course of her remarks.

Bob Spink (Castle Point) (Con): Before the hon. Gentleman moves on, does he agree that one of the causes of disillusionment among local authorities is that they cannot trust the Government not to keep changing their plans? In the Thames Gateway, for example, the Government target for the number of houses to be built is being increased, but infrastructure investment is being delayed, which is damaging both the public and the local authorities' ability to do transport planning. Does the hon. Gentleman agree that the infrastructure should go in before the houses are built?

Mr. Carmichael: I commend that general approach. The Department for Communities and Local Government is a relatively young Department, but there is greater scope for some joined-up thinking and joint working between it and the Department for Transport. The social consequences, never mind the economic, congestion and environmental consequences, of not putting in the transport first and letting the other developments follow are obvious for all to see. If we have learned nothing else since the 1960s, when that approach was specifically disavowed, we should at least have learned that much.

As the hon. Member for Crewe and Nantwich said, this should really be a Back Benchers' debate, but I want briefly to touch on the following areas: first, the departmental guidance on the preparation of local transport plans; secondly, the operation of the transport innovation fund; and thirdly, the strengthening of passenger transport authorities and passenger transport executives.

There could not be a more unambiguous statement of the situation that local authorities face than paragraph 31 of the report:

"If Local Transport Plans are to adequately reflect local objectives, the guidance and the scoring methodology must be rewritten to support it, and the way local and national priorities are weighted should be available to councils. It is unacceptable that local authorities are effectively penalised for pursuing regeneration and job creation schemes. The Department's Local Transport Plan assessment should make it clear that local authorities can prioritise specific local transport needs, such as economic regeneration, and that those priorities will be given proper weight. That said, it is incumbent on local authorities that wish to emphasise local transport priorities to be bolder in pursuing their objectives."

I have always been of the view that transport exists as a service to underpin and reinforce Government policy in other areas. Social inclusion is one of the greatest opportunities, particularly when it involves a bus service, and economic regeneration and economic development is another. That relates to the point made by the hon. Member for Castle Point (Bob Spink) a few minutes ago. The inability to integrate transport planning into other policy areas is one of the biggest failings, and it is one of the biggest frustrations for many people in local government today.

The final point in paragraph 31—

"it is incumbent on local authorities that wish to emphasise local transport priorities to be bolder in pursuing their objectives"—

is absolutely true, but we must recognise that such failures often stem from the almost siege mentality that now exists in many local authorities as a result of the constant battering at the hands of central Government.

Turning to the measurement of local transport plans, the Committee should be commended for its work in that area. Paragraph 36 states:

"It is wrong that local authorities are measured against targets over which they have no direct control, such as bus satisfaction or passenger numbers. Either local authorities need direct control over these services; or they should not be held responsible for them."

That is an irrefutable conclusion. I am delighted that this is something of a work in progress, now that we have the Government's White Paper on reforming bus regulation. If what is produced at the end of the process strengthens local provision, and in particular local accountability, I would certainly be prepared to support it.

On bus regulation, the Committee's comments at paragraph 177 on the strengthening of the powers of passenger transport authorities are particularly pertinent to the metropolitan areas, because those are the areas where there has been the greatest failure in the deregulated bus market, and it has ceased to operate effectively. Arguing for more powers and meaningful resourcing of passenger transport executives and passenger transport authorities must lie at the heart of developing the Government's bus policy. The deregulated system has worked well in some places—I think of Brighton, Harrogate, York and Cambridge—but that is because they are towns and cities of a certain size that have the critical mass of population to be able to make the integration of partnership working effective. In areas such as Greater Manchester, for example, it is pretty clear that that has not been the case. I should place on record my appreciation of the work of the Greater Manchester PTA, which is among the most effective of the authorities with which I have come into contact since I took on this brief. Particular credit goes to the Labour chairman, who has been assiduous in bringing the concerns of his organisation to Government.

On the transport innovation fund, I agree with the hon. Member for Crewe and Nantwich that we can all welcome the significant injection of funds that it represents. However, in paragraph 116 the Committee makes pertinent comments about the way in which the transport innovation fund threatens the very concept of local transport planning:

"The Transport Innovation Fund is not in any way about local choice or local schemes but about central government transferring its risk to local councils for what are schemes of national importance. It is not about innovation; it is about central control."

I fear that the transport innovation fund might eventually defeat the Government's own policy, particularly on congestion. A patchwork of pilot

[Mr. Carmichael]

schemes designed to tackle congestion might be difficult to bring together thereafter and to marry into one national scheme. I think that pilot schemes are emerging because that is the only show in town as regards local authorities getting money for transport innovation. We might be left with a series of areas where action to tackle congestion proves to be unpopular because it is seen as an extra charge. That could put at risk instead of encourage the creation of a national scheme, which everybody who is serious about tackling congestion should accept.

The House will soon consider the national concessionary bus travel scheme, which has already been dealt with in the other place. I am keen that we should all be able to unite around that scheme, which my party, in co-operation with the Labour party in Scotland, has been able to implement and to promote. My concern about the way in which it has been handled in the other place so far is that we risk taking an idea that everyone supports and implementing it in such a way that it will end up offending most people. Trying to fund a scheme as a bolt-on to the local government settlement is setting it up to fail.

Hon. Members will be aware that the basis on which local authorities are given their financial settlement every year is byzantine to the point of opaque, and has little to do with bus ridership in their areas. Significant numbers of local authority areas will struggle to finance the scheme because the funding has been given in such a way. I hope that when the Bill comes before the House the Government will look again at how the scheme will be funded and that they will take seriously the opportunities presented by a nationwide smartcard scheme, for example. That would be the best way of relating the money that goes to councils for the provision of services to their actual use. Failure to do that will mean that a significant number of areas, particularly in coastal and resort towns, will suffer, which surely cannot be an outcome that the Government intend.

8.25 pm

Graham Stringer (Manchester, Blackley) (Lab): It is important to put the debate about local transport planning and funding into context. With the best will in the world, any Government, of whatever colour, would have difficulty in operating the current arrangements between local democracy and central Government. The arrangements were arrived at, after a lot of confrontation and argument, in the mid-1980s, when the metropolitan counties were abolished, bus services were deregulated, and the poll tax was introduced and replaced by the council tax. That ended up with many public services not being controlled by directly elected local councillors, and where councillors did have control, it was over only a tiny percentage of their income, with the Government controlling the rest. That obviously puts some obligation on the Government to ensure that the money is spent sensibly. That is not the right balance, and it makes things difficult. I hope that Lyons gets it right and that after the ongoing reviews we will end up with a better balance between central and local government.

I do not believe that there is another country in Europe where, if cities the size of Manchester, Leeds, Southampton and Nottingham wanted to control their buses and invest in tram systems, their central Governments could or would stop them, but that is the situation that we face. Some of the greatest cities in Europe cannot determine whether they have tram systems. That cannot be a satisfactory arrangement.

The Committee therefore first considered the context and interviewed Michael Lyons. Having done that, we considered the position as it is. We asked whether the relationship between local transport plans and central Government was the right one, and whether it functioned effectively, efficiently and economically. When we took evidence, council after council, expert after expert and councillor after councillor answered no. They said that the system was burdensome, costly and inefficient, and that they did not feel that they were in control of their local priorities.

A measure of the extent of central Government control or interference is that schemes costing more than £5 million are determined by central Government. One of the Committee's minor recommendations was to increase that figure to £10 million and to provide for applying a light touch and light regulation to schemes of £20 million. I thought that the Government would leap at that and say, "Of course. These are trivial figures. What do officials know about such expenditure in local areas?" The answer to that is, "Almost nothing." However, the Government have effectively deferred making a decision in their response.

Government decisions at micro level are not good. Let me give two local examples of Government officials forcing bus lanes on my constituency. Most of us are in favour of bus lanes and bus priority, but to achieve the right scheme the right debate must be held between local interests, such as shopkeepers, people who use the buses and bus operators; everybody has to have a say. Bus lanes were forced on the constituency in Cheetham Hill road and Bury Old road. Officials said, without examining the details, that if we did not accept the bus priority schemes we would not get money for other matters.

There were two consequences. First, 18 months after bus priority was accepted, a big sign went up at the top of Cheetham Hill road to tell people to beware because 75 accidents had occurred on the road in the past year. That happened because the scheme was forced and badly planned. Secondly, as was said in the recent bus debate, just as the buses have been given greater priority in a deregulated system, the bus network has contracted. In a micro sense, that is what central Government control does to local priorities.

Mr. Paul Truswell (Pudsey) (Lab): Is not there a danger in the otherwise welcome proposals in "Putting Passengers First", to which the hon. Member for Orkney and Shetland (Mr. Carmichael) referred, that we might go even further down the wrong track through the decision-making process outlined for quality contracts? Under it, the current system would be delegated to an unaccountable and unelected set of traffic commissioners, with an appeal to the transport tribunal. Even the democratically elected element of the current system—the Secretary of State—would be

removed from the new set-up. Would not that take us even further down the path that my hon. Friend describes?

Graham Stringer: My hon. Friend makes a pertinent point. I do not want to say any more about buses, but I agree that although the recognition in the White Paper that the current system is working is welcome, some of the proposals in it could put more hurdles in the way of passenger transport authorities and local authorities trying to regulate buses than the previous system did.

Mrs. Dunwoody: I apologise for interrupting my hon. Friend, but I do not want him to give the impression that traffic commissioners are not part of a protection. Indeed, if they had more power to monitor bus companies' day-to-day decisions, the quality of bus services might be much better.

Graham Stringer: I thank my hon. Friend for that intervention. Traffic commissioners are badly underfunded. If they had more resources, there is no doubt that their impact, even on a deregulated system, would be positive. I hope that in response to my hon. Friend the Member for Pudsey (Mr. Truswell) I was making the different point that however good they are at examining the current system, they are unelected. There are also other hurdles in the White Paper that might be difficult to overcome.

There is a completely different system in London. The balance of funding between the rest of England and London has changed from roughly 50:50 to 60:40 in London's favour. That has been done without being explicitly stated, and I would be grateful if the Under-Secretary of State for Transport, my hon. Friend the Member for Lincoln (Gillian Merron) could justify it. When we ask the Secretary of State, the reply is always that London is different. London is no more different now than it was 10 or 15 years ago. It is special, as are many cities in this country.

My hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody) has already referred to other contradictions. Three sets of priorities sit on top of local schemes. There is the interference—as I would characterise it—of the regional transport plans, which are sorted out in a vacuum by people who are not directly elected. There are the local schemes, with priorities that have been agreed between the Government and the Local Government Association. Those for local transport schemes are congestion, access to public transport, safety and reduction of pollution.

I believe that every local authority representative who has come before the Select Committee and been asked the question, in this inquiry and in others, has always said that they wanted regeneration to be a priority. Clearly, there are conflicts between the set priorities and what most councils—particularly those representing deprived areas—want, which is to regenerate their areas, create jobs and bring wealth and prosperity to the people whom they represent.

On top of that is the transport innovation fund system. As the report says, it is a centralising system with two priorities, one of which is to relieve congestion and the other is to improve economic performance. Those are all central controls and they contradict each other. Last Tuesday, when I asked the Under-Secretary of State for Transport, my hon. Friend the Member for Lincoln to explain what a TIF bid meant for Greater Manchester, I was, in a sense, not surprised when, as I went through aspects such as the regulation of buses, tram system funding and control over trains, she said that it was "quite a shopping list". It is exactly the same sort of control that obtains in London, but at the end of her reply on 6 March last week, the Minister said that "local solutions" were "the right way forward". I agree, but when central Government are effectively imposing on people an extra tax of potentially more than £2,000 in real terms, we need to know what the public offer is.

Is it or is it not the Government's intention under the TIF proposals to fund the whole of the Metrolink scheme, as approved in 2000? When we asked these questions, and in response to our report, the Select Committee was told—I refer hon. Members particularly to point 22 in the response—to see the Government's consultation document on light rail and its improvement. Of course, when the Government recommend something like that, I immediately respond and look at it.

Given that Ministers have regularly said that they are committed to light rail schemes, will the Under-Secretary explain why that document was a year late? Since April 2005, and in our report on light rail, we asked what excuse there was for that document to be a year late. How many officials were reprimanded? Was it a change of Government policy? Are Ministers going to tell us why the report was a year late? Is it because they have no commitment to Metrolink? I would like to know. One Minister asked me why I thought officials in the Department for Transport were against light rail, so this is one of the reasons.

When I read the report—I advise my colleagues on the Select Committee to read it—I found that it was written in such a biased and unfair way that its clear objective could be only to damage light rail, not to respond to the needs of local people. The report carries on by saying that light rail is not always the best alternative. Of course not; sometimes buses are the right alternative, but in many cases light rail is. Does the report say what the benefits are? No, it is completely silent about them. It does not explain that the only real example of "modal shift" as the experts call it—people leaving their cars at home and using public transport—is Metrolink, which has an impressive record on regeneration and air quality. There is no response in the report on capacity issues, either.

If we really want to get more people to use public transport, we need to provide the capacity. Sufficient evidence has been given to the Government and to the Select Committee that, even if we took all the cars off the roads in areas such as the west midlands and Greater Manchester, there would not be the capacity for people to change to public transport. We would have to increase that capacity and, in the case of Greater Manchester, that would best be achieved by using Metrolink. Why is that not mentioned in the report? I look forward to hearing the Minister's reply, but I can only draw the conclusion that officials and Ministers are anti-Metrolink. That is why I want to know whether the Government are going to fund

[Graham Stringer]

Metrolink if congestion charging is brought in. Why is the contribution to Metrolink and the tram system 25 per cent. at the start and not 10 per cent., as for other major schemes? That shows bias against the systems.

Possibly the most worrying statement in the consultation document is that there is apparently a problem with giving state aid to tram systems. This appears in paragraph 7.45 of the document. It is unexplained, and no distinction is drawn anywhere in the report between new tram systems and existing ones that might be extended. I understand the statement to mean that the Government envisage a legal obstacle to investing in trams because it would create unfair subsidised competition with buses. If that is the case, the report should have taken more than two sentences to explain it. I would be grateful if my hon. Friend the Minister would explain whether there is a European competitive hurdle to be overcome before we can reinvest in trams. Has the position changed in the past few years? Several tram systems have been brought on track recently, including those in Nottingham, Manchester, Sheffield and the west midlands. Has something changed, or has this obstacle been thought up by unhelpful officials?

Many of the transport problems in this country were caused by the Tories over 18 years ago—

Mr. Graham Stuart (Beverley and Holderness) (Con): Of course!

Graham Stringer: Of course. The problems result from deregulation, under-investment, and the privatisation of rail. Having said that, I am also going to say something nice about the Conservatives. I do not often do that, so I have to put it in its real context. From the abolition of the Greater Manchester metropolitan council in 1986, which left no expertise on the new passenger transport authority, under a Conservative Government it took five years from the planning stage for the Queen to come and open the tram system in Greater Manchester. The applications for the extension of Metrolink have been in since the start of this Government. The Deputy Prime Minister gave his authority for Metrolink to go ahead in 2000. It is now 2007, and we are getting documents—a year late, according to the Government's own timetable—that directly inhibit progress. That is completely unacceptable, as far as I am concerned.

I have talked a lot about trams, but there are two other schemes in Greater Manchester that provide an example of how the system is slow and fails to meet local priorities. The A57/A628 bypass round Mottram, Hollingworth and Tintwistle was agreed after public consultation in 1993. Tameside council wants it, Greater Manchester wants it, and there is no alternative. It has been through a whole series of reassessments under the previous Government and this Government. According to the latest projections, however, the earliest date by which it is likely to be completed is 2012.

The other example is the Leigh guided busway. I have already talked to the Minister of State, Department of Health, my hon. Friend the Member for Leigh (Andy Burnham), about this matter. In a way, he is a good exemplar of the lack of understanding of what is local and what is national. Last Wednesday, I was in a very happy mood, having voted to abolish the other place. I was sitting down in the Strangers Bar to watch Manchester United go through to the next round of the European cup, when along bounced my hon. Friend. I was sitting with Councillor Roger Jones, the chair of the Greater Manchester passenger transport authority, whom the hon. Member for Orkney and Shetland (Mr. Carmichael) has already mentioned. My hon. Friend the Member for Leigh asked, "Where's my guided busway?" He should really ask his ministerial colleagues in the Department for Transport why a £26 million scheme that was agreed seven years ago and has had three public consultations—for planning, and under the road traffic legislation and the Transport and Works Act 1992—has still not been approved. The scheme is very pro-public transport and anti-congestion, and I hope that my hon. Friend and the people of Leigh get it. He should not, however, harass the chair of the passenger transport authority; he should harass my hon. Friends the Transport Ministers.

The report shows that even in the context of the present local government settlement, the balance between central Government and detailed interference in national priorities, which sometimes has perverse effects at a local level, is wrong. The Government need to take more notice than they have done of the Transport Committee's report.

8.46 pm

Mr. Rob Wilson (Reading, East) (Con): It is a pleasure to follow the hon. Member for Manchester, Blackley (Graham Stringer), who has great experience of local government and was one of the authors of the Transport Committee report.

I was not going to speak in tonight's debate, as I have spoken in so many other transport debates over the past 18 months. I remembered, however, that transport planning and funding wind up my constituents probably more than any other subject.

I am therefore grateful to the Transport Committee for producing the report, which covers the sort of local-national relationships of which Reading's transport infrastructure has many. Reading station is a national hub, and Crossrail might end up coming to Reading. In addition, the Heathrow link from the west, M4 widening and a third Thames bridge, which is important to north-south transport communication, make up the tip of a big transport iceberg facing my constituents.

In many ways, it is no surprise that my constituency faces big transport issues. The area is growing economically, and has done extremely well from the economic reforms of the 1980s, and yet one sometimes despairs of my local authority's approach to local transport planning. Most authorities use the opportunity to consult, take the temperature locally and get people on board—literally, in some cases—for new transport projects. Reading's local authority, however, likes to have what I regard as sham consultations, in which local people never feel engaged. That is a serious point, because the Government have a duty, when funding local projects, to ensure that the

projects have substantial local backing. If they do not have such backing, where is the accountability? What is the justification for handing over so much taxpayers' cash?

For example, a one-way system around the town centre is currently being foisted on my constituents. Every poll in my constituency demonstrates massive opposition to a scheme that increases car journeys, worsens pollution and creates havoc for traffic bordering the Reading borough area. The scheme merely displaces traffic, costs £12 million to £15 million and has no local support—the neighbouring local authority is taking the matter to the High Court. Surely that is no way to fund and plan local transport in my area.

When I wrote to Transport Ministers, asking them to intervene in this expensive folly, I was told that they could do absolutely nothing about it. Local people will therefore have to use what they will regard as the default option: if they want an expensive folly, they can vote Labour in the local elections; if they do not, they can vote Conservative. I know that when she replies to the debate the Minister will speak of local people making local decisions. I am entirely happy with that, but I predict that, in Reading at least, the local Labour transport councillor will struggle to hold his seat in May, if indeed he stands for re-election: he may withdraw to save face.

That brings me to a second, important point about road pricing. Reading borough council is keen to use it, and, as the Minister will know, has been given a significant amount of money for a pilot scheme. I am not against road pricing in principle—many local areas might well support it, and it sometimes serves as a helpful local solution—but there are planning and funding issues. When I asked the Minister about them last week, her answer was not particularly reassuring.

Although the Government deny it, there appears to be a link between access to investment funding to improve local transport and road pricing and congestion charging schemes. The chairman of Greater Manchester passenger transport authority has said:

"We are being, in inverted commas, blackmailed."

If that is true, it is nothing short of an abuse of funding and, indeed, power. Pushing or forcing local authorities to introduce road pricing by refusing to fund local transport schemes would certainly be an abuse of power. I urge the Minister to state categorically that there will be no strings attached to any bid for funding by a local authority, as it should be done without fear or favour.

Gary Clarke, chairman of West Midlands PTA, said recently

"The Government is trying to attach strings to this money"

—by which he meant money from the transport innovation fund.

"We were told that if we didn't put road pricing in the bid, it wouldn't help our case."

Roger Jones, the Greater Manchester PTA chairman, said

"The Government is pushing us very hard. They are saying 'you either follow our policy or you don't get the money'."

Will the Minister tell us whether that is true? If it is, what action is she taking to correct what is happening?

Members will understand my constituents' concern about road pricing and a road piloting scheme. There has been no local consultation, and there has been massive opposition; yet the scheme seems to sweep ahead like a massive juggernaut. It appears that local planning and transport are now a private and privileged matter between central and local government, consisting of a series of sticks and not many carrots. No wonder so many people are failing to turn out at local elections.

Before the Minister responds to the debate—I can tell that she is winding herself up to do so—she may wish to look at the Secretary of State's speech of 10 May 2006, in which he said that the transport innovation fund would be used to support road pricing.

Clive Efford (Eltham) (Lab): I am curious about the hon. Gentleman's argument. He began by saying that central Government had failed to intervene in a difference of opinion between local people and a local authority and to make a decision. Now he seems to be arguing that central Government are imposing too much power locally. I am not sure what his position is on the relationship between central and local government.

Mr. Wilson: Local decisions should be made as locally as possible, but there are occasions when there needs to be a way of appealing against decisions that are fundamentally wrong and undemocratic. That applies to my constituency at present.

It is not all disagreement, however. There is one issue on which all parties in Reading agree: the need to upgrade Reading station. As we all know, Reading is a bottleneck on the national network, causing massive inconvenience and delays. Network Rail has pushed for it to be funded, as has First Great Western, because its trains are always arriving late; but funding has yet to be announced. I know that I keep banging on about this issue, but it is critical both to my constituents and to the national economy.

Mr. David Heath (Somerton and Frome) (LD): I know that the hon. Gentleman will recognise that the massive inconvenience that he talks about is mainly caused to constituents in the west country and Wales who do not have a proper rail system simply because of the blockage in the system that is Reading.

Mr. Wilson: The hon. Gentleman is right. That causes massive inconvenience to the west, but it also causes massive inconvenience along the north-west main line because Reading is also part of that network. As I have said, it is very much a national hub. The funding process for the Reading station project is very complicated, very long-winded and extremely bureaucratic, and I find it impossible to understand fully. Funding should be transparent and understandable, but it clearly is not.

The Government are playing fast and loose with transport planning and funding, and they should step back from the profoundly undemocratic course that they are taking.

8.55 pm

Mr. Graham Stuart (Beverley and Holderness) (Con): It is a great pleasure to follow my hon. Friend the Member for Reading, East (Mr. Wilson) and other Members who have spoken. The need for the Government to let go has been highlighted in all contributions—not least that of the hon. Member for Crewe and Nantwich (Mrs. Dunwoody), and the report of the Transport Committee, which she chairs, also makes that clear. That is the consensus across the House; the only Members who do not share it are those on the Government Front Bench. Why? We heard in an earlier debate that the Chancellor of the Exchequer has damaged health by centralising control, and that is also happening with transport.

I intend my remarks to be brief—although I realise that Members often say that but fail to deliver. Yorkshire receives significantly lower transport funding than the national average. It is a dynamic area of the country, but many of its areas are in need of regeneration—a fact that Members in all parts of the House have mentioned. Many Members from different parties attended a reception last week at which the case was put for greater funding for Yorkshire. I hope that the Minister heard about that reception, and that she will receive inputs from Members across the political spectrum in support of Yorkshire's case.

If Yorkshire were to receive fair funding—the national average outside London—proper attention could be paid to regenerating the Humber ports, which offer fantastic opportunities for economic and social improvement. If the Government, especially the Treasury, were to sort out their priorities, we would look at several matters, such as the ludicrous Humber bridge charges, which cause great hardship to those who need to access hospital services on the north bank and have a depressing economic effect on the whole region, particularly on the south bank, but on the north bank too. The Exchequer loses vast sums because of that failure of joined-up government. I hope that the Minister will be able to speak to colleagues in the Treasury and put the case, which I know is strongly felt by Members who represent the area, for lowering the charges and writing off some of the debt, which is spiralling and will never be properly repaid by charging to cross the Humber bridge.

Fairer funding would also, and more directly, give the opportunity to revisit the issue of the Beverley to York railway line, and indeed that of the whole corridor from Hull to York, which could play an important role in the regeneration of Hull and allow us to capitalise on the contribution that the Humber ports make to the country as a whole. I pay tribute to the Minsters' rail campaign. It has for many years been chaired by my Labour opponent at the last general election, George McManus, who has persisted in pushing the case of the Minsters' rail campaign to reopen the Beverley to York railway line. The East Riding is an economically successful area of the country. It is fortunate in having a Conservative-led council that has the highest financial management rating in the country and is graded as excellent in its ability to implement transport schemes. Will the Minister consider the Beverley to York railway line?

Will the Minister also consider the need to upgrade the A1079, on which there have been 16 deaths in five years and hundreds of casualties? I am grateful to her for meeting my right hon. Friend for East Yorkshire (Mr. Knight) and me to discuss that issue. The road goes from Hull to York and is vital for businesses and economic activity. Its current condition leads to substantial safety considerations. The Minister has agreed that her officials will work with our local authority in any way that they can to help it to get the best possible bid and to consider properly any bid that comes in. I know that people in Beverley, Holderness, Hull and York and all the areas in between look forward to that road being seriously improved to the benefit of the whole area.

The theme of the debate so far has been the recognition that centralisation is not working and that we need innovation. There is no point in having a highly centralised innovation fund and falsely presenting it to the House as something that will create new ideas locally. It turns out that the fund will be even more centralised than current funding and can be used only to implement Government policy. The Chancellor's obsessive centralisation is damaging health delivery, as we have heard, and is also damaging the implementation of transport strategies. People in Yorkshire are browned off about health and transport; motorists and rail passengers are also browned off. It is time for a change. It is time for transport that works to be delivered through local ideas, control and leadership. That seems to be a common theme across the House. I hope that the Minister will announce a U-turn in Government attitude.

9.1 pm

Clive Efford (Eltham) (Lab): The thrust of the Select Committee's report focuses on how the relationship between local authorities and central Government should develop. The debate has highlighted the contradictions in people's approaches to the issue.

The hon. Member for Reading, East (Mr. Wilson) began his speech by suggesting that the Government were at fault because they did not intervene in a difference of opinion between a section of the community in Reading and the local authority over its decisions. He then complained that the Government are trying to impose policy from the centre. That demonstrates one of the difficulties with ensuring that the relationship between the Government and local government decision making reflects not only the policies of the Government, because they have an interest, but local needs. It must respect the fact that the people who are closest to the local community, and who are more directly responsible to it for week in, week out and year in, year out decision making, are best placed to respond to local needs.

Without turning the debate into too much of a political knockabout, I make the point that Conservative Front Benchers have argued that congestion charging and local road charging should be a matter for local government, but we know that Governments are under a great deal of pressure to address climate change. Should the country ever make the mistake of re-electing a Conservative Government—

Mr. Rob Wilson: Coming soon.

Mr. Stuart: That is coming.

Clive Efford: I think that both hon. Gentlemen will be drawing their pensions long before that happens.

I can imagine a future Prime Minister going around the Cabinet table and asking how each Department is contributing to tackling the important issue of climate change, and the Transport Secretary saying, "I am delivering nothing because local government will not play ball." I really do not see that as a credible position, but, at the same time, there has to be some degree of local autonomy. That highlights the difficulty that we face in debating these matters.

We have a democratically accountable transport authority for the whole of London and my area provides an example of some of the difficulties that communities face in getting a London-wide authority to pay attention to the minute detail of some of the transport issues at a local level. The authority looks at the broader picture. It quite rightly holds up the fact that it has been able to transfer a significant number of people from private cars to public transport and points to that success, but, at the same time, when local communities ask for minor alterations in bus services and extensions to local transport services, they find that their voices are drowned out in the wider context of the debate about London-wide transport issues. It is difficult for communities to get themselves heard. That is an example of what we are talking about in the relationship between local government and central Government.

In an intervention on the hon. Member for Orkney and Shetland (Mr. Carmichael), a Conservative Back Bencher asked whether infrastructure should be put in place before major developments such as the Thames Gateway. The hon. Gentleman gave a rather curious answer. He seemed to suggest that we should hold up regeneration in the Thames Gateway area until such time as we have developed the transport infrastructure. I must point out that one of the most significant developments is going to be Crossrail. If we were to postpone development of the Thames Gateway area to wait for Crossrail, there would be significant suffering for people in that part of London. I suggest that he might want to reconsider the position that he adopted in his response to that intervention, because it certainly does not make any sense. I grant that it is desirable to put all transport infrastructure in place before development takes place, but if we were to postpone development until projects such as Crossrail were in place, we would be making a serious error and we would be perpetuating the suffering of a lot of people in the south-east who need that development. *[Interruption.]* Yes, they will also need the infrastructure.

Mr. Stuart: The hon. Gentleman is asking about a peculiar answer from the Liberal Democrats, which is hardly unusual, but he himself seems to be suggesting that, because the Government are incapable of delivering transport projects—as the hon. Member for Manchester, Blackley (Graham Stringer) laid out very well—housing development must go ahead, even though there will not be the infrastructure to support it. Surely it is not unreasonable to suggest that a co-ordinated Government should be able to put infrastructure in place before the people who need that infrastructure are living there.

Clive Efford: If the hon. Gentleman considers what he is saying, he will realise that there is transport infrastructure in place already. What we are talking about is expanding that infrastructure. That is essential to the development of the Thames Gateway area, which will take place over the next two decades, but I suggest that if we were to postpone decisions and postpone putting in place some of that development until that infrastructure were in place, that would make no sense.

Mrs. Dunwoody: Does my hon. Friend agree that it might be quite helpful if all the private sources of finance that are so delighted and anxious to support major transport schemes and so keen on seeing Crossrail came forward now with a staged plan and a clear guarantee of the amount of money that would be required? That would allow Government money to go into schemes outside the south-east.

Clive Efford: I agree with my hon. Friend to a certain extent. She tempts me to debate the whole Crossrail issue, but I urge my hon. Friends on the Treasury Bench, as well as my right hon. Friend the Secretary of State for Transport, to consider the proposals for the Crossrail station at Woolwich. By comparison with any other station on the Crossrail line, we are putting in a large amount of private sector funding for the station at Woolwich to make its funding stack up.

My last point is about regeneration. Local authorities that gave evidence to the Select Committee were clearly confused about whether regeneration as part of their local transport plan would score well in terms of the investment their proposals would attract from the Department for Transport. If we are looking to local government as the driving force for regeneration in an area, regeneration must be an essential part of its transport infrastructure development. I urge the Government to clear up the confusion about the score attached to regeneration when local transport authorities are developing transport plans.

I return to the example of the Crossrail station at Woolwich, as it will be essential for my community, which is south of Woolwich. The station is vital not only as part of the regeneration programme to meet the needs of the north Kent and Thames Gateway developments, but for the wider community. One of my concerns about some of the infrastructure development that has already taken place is how people in communities not immediately adjacent to new stations and train lines will access the transport hubs that are being developed in the second phase. In particular, how can we reach deprived communities that could benefit from the new transport schemes? How do we provide links that benefit the wider community, not just people who live close to major infrastructure projects, or have easy access to them? Such projects have an impact in localities where they can assist in tackling social exclusion and increase participation in the economy. Their value cannot be overstated. It is essential that we take a wider strategic approach to major transport programmes. Local transport plans are at the heart of delivering them. In the relationship between central and local government, we need clarification of the role that regeneration plays in the development of local government plans.

9.13 pm

Stephen Hammond (Wimbledon) (Con): I am grateful for the opportunity to contribute to this debate on the Select Committee's report and the Government's record on local transport planning and funding. I commend the hon. Member for Crewe and Nantwich (Mrs. Dunwoody) on her excellent introduction to the debate. There have been interesting contributions from both sides of the House.

The speech of the hon. Member for Manchester, Blackley (Graham Stringer) was interesting in a number of respects. He argued his case forcefully—as he does often. My hon. Friends the Member for Beverley and Holderness (Mr. Stuart) and for Reading, East (Mr. Wilson) also made forceful contributions. The hon. Member for Eltham (Clive Efford) seemed to criticise another Member, but then fell into the same trap, especially on his point about Government and private funding of Crossrail.

While the private sector has already guaranteed a certain amount, it is for the Government to tell us either how much they are going to put in, or whether they will support the project with a Government-backed bond, which would make the private sector funding even cheaper and more effective, and might even produce extra money to deliver the hon. Gentleman's Crossrail station.

Clive Efford: Before the hon. Gentleman becomes too critical of our Front Benchers, I must pray in their aid the fact that the matter is before a Select Committee. The Government's response to that Committee's report will come in due course.

Stephen Hammond: The hon. Gentleman is right, but he should not forget that the Government punted the issue into the long grass by referring it to the Lyons committee, which did not need to consider it.

We have been discussing an excellent report that makes sensible recommendations and is the result of detailed analysis. The report makes interesting criticisms of the Government. I look forward to hearing the Minister's response to several of those points. As the hon. Member for Manchester, Blackley said, before we look at the report in a great deal of depth, it is instructive to explain the context of the situation and some of the promises that the Government have made over the past 10 years.

The infamous transport plan of 2000 hangs like a millstone around the neck of Ministers as they pass in and out of the Department for Transport. The plan promised 200 major local road improvements and 70 bypasses. I am sure that the Minister will tell us exactly how many of those improvements and bypasses have been funded and built. On heavy rail, the plan said that the Government would provide new capacity to meet new demand and to improve the quality of services—two more failures there.

The plan promised to

"fund a substantial increase in the role of light rail in our larger cities and conurbations over the next ten years."

It went on to promise 25 new light rail schemes. Later, the Minister will be able to stand up and count on the fingers of her left hand the number of light rail routes that have been introduced under the Government. The hon. Member for Manchester, Blackley made the point that funding approval has been revoked or turned down over the past couple of years for schemes in Manchester, Leeds, Liverpool and south Hampshire. Indeed, when the Transport Committee examined the matter in the last Session, it highlighted the clear tension that existed between local and central Government on light rail. Its report said:

"Disappointment over the Department's decision to revoke funding for some Major Schemes has raised the profile of the relationship between the Department and local authorities in the context of projects such as light rail. There was severe criticism of the Department's decision to reject schemes which local authorities had judged to comply with national transport strategy and priorities, and present good value for money."

That report echoes some of the criticisms about which we have heard today. The Department for Transport's changes to, and delays in, policy have added significantly to the cost of various schemes, and its value-for-money criteria are, at best, opaque. Local authorities have pointed out that they had little idea of what the Department was trying to achieve, of why their light rail schemes had been rejected, and of what they needed to do to get those schemes approved. Many of the targets in the 10-year transport plan that were set out in 2000 have not been achieved, and now the targets have been quietly dropped and are nothing more than aims.

The hon. Member for Crewe and Nantwich said that local transport was a partnership. It is key to vibrant local communities and the lifeblood of local economies. The local transport that is provided in an area can define the area, its community and its economy. Local authorities are responsible for the provision and funding of such transport, but the funding comes from both local and central Government—that is the partnership. The interrelation between those two aspects of government defines how effectively transport is delivered. Whatever the Government's plans for the funding of local authority transport, one must hope, in the spirit of partnership, that they are somewhat better, and have more longevity, than the 10-year plan that was produced in 2000.

The Government have talked a lot about devolving power to local authorities, but the harsh reality for many local councils is that the Government are imposing more responsibilities on them without the requisite extra funding. The fact remains that when it comes to transport, local authorities' freedom of manoeuvre is woefully inadequate, as authorities are entitled to bid for central Government money for local schemes that meet local priorities only if those local priorities are in accordance with the Department for Transport's diktat. That is one of the clear themes that comes through in the Select Committee report.

In 2000, alongside the 10-year plan, the Government introduced a new framework for transport planning by local authorities, the local transport plan, and that is the essence of what the report is considering. The local transport plan imposed on authorities the obligation to produce a local transport plan every five years. The first phase was 2001-02 to 2005-06, and the next round, which is taking place at the moment, is 2006-07 to 2010-11. A notable feature of the local transport plan's first round has been the cost associated with the plans' production. The Select Committee report cites the

average cost as between £50,000 and £200,000 per county council; in metropolitan areas, the cost is significantly greater.

The report comments that the second round of the local transport plans has continued that trend. The Committee says that the production of Manchester's second-round local transport plan is reckoned to cost some £500,000. One wonders how much that would buy. How many improvements could be made to buses in Manchester town centre or on the Oxford road corridor for that amount? Yet that is just the cost of preparation. The preparation costs for the scheme are at a level that raises questions about the scheme's benefits. Are the local transport plan production costs proportionate to the investment secured, or the new transport schemes delivered? I look forward to hearing the Under-Secretary of State for Transport, the hon. Member for Lincoln (Gillian Merron), talk about the proportionality of costs.

In introducing the debate, the hon. Member for Crewe and Nantwich talked about delivery, and the report is scathing on the subject of the delivery of transport improvements. Its conclusion is that little has been delivered, despite the capital investment made. To quote the report,

> "The gap between what was anticipated and what has been delivered in terms of local transport improvements makes it difficult to judge what has actually been achieved."

Furthermore, it says that

> "on the existing evidence it is disappointing that there were not more transport improvements delivered".

The Government's response to that criticism was to comment that there have been "substantial improvements"; I am sure that the Minister will expand on that in her speech, but there was no qualification or quantification of the statement. It is instructive to note that the other knee-jerk response, which is to say, "We've put the matter out to consultants, who will issue a report", was used, too. How long will that take, and how much will it cost?

It is clear that the costs of producing local transport plans must have diminished the delivery of improvements. The guidance to local authorities has at times hindered the delivery of those plans, too. On that subject, there is criticism in the report about the guidance, but the Government's guidance is often less than transparent on other occasions as well. I was alerted to that particular feature of the Department's performance last week, in a slightly different context, when I spoke to the councillor responsible for transport for Christchurch borough council. When concessionary bus fares for senior citizens were introduced last year—the hon. Member for Orkney and Shetland (Mr. Carmichael) mentioned that earlier—local authorities were warned by the Government that they would have to notify bus operators of the arrangements for reimbursing them four months in advance of the April start date, or they might face action against them. The only trouble was that the Department issued the guidance in mid-January.

We have spoken about first-round costs, but it looks like the second-round plans will incur extra costs, as the Department for Transport has issued revised guidance. Clearly, there has been recognition that the guidance associated with the first-round plans needed change and revision, but the Department's failure to alert local authorities to the fact that revised guidance was being introduced has undoubtedly caused a number of local authorities extra problems with delivery, and has resulted in extra costs in their bid preparation. The Select Committee report highlights that, and it will be interesting to hear the Minister's response on that point.

The Department believes that the second round of guidance on plan preparation is less prescriptive than the first, but it is the only body that believes that; the view is shared by no one else. The Local Government Association said that the prescriptive nature of the guidance altered the relationship between the Department and councils. The reality is that although the Government provide extra funding through local transport plans—I shall come on to that in a moment—they seek, too, to override the local aspect of those plans. They speak about local plans and local action, but they are a centralising Government. It is possible to have a local plan if it fits central Government requirements, and that trait has become even more evident in the transport innovation fund that the Government have introduced.

The Select Committee's report rightly makes the point that over-prescription of guidance has increased the costs and production time of local transport plans, without creating any greater certainty about funding, fulfilment, or indeed about delivery. What should a local transport plan comprise? Should it best reflect the needs of the local community and the local authority, or should it recognise the uniqueness of a local area, bearing in mind the fact that areas differ from one another? The answer is yes, but not in the Department for Transport. In 2002, the Department supposedly shared with local authorities priorities such as accessibility, congestion, air quality and road safety. Those are the Department's priorities, because it believes that local authorities are responsible for "delivering national transport objectives." If those four priorities reflect the priorities of local authorities, all is well. If they do not, the Government will use them to restrict what local authorities can implement, and much has been made today of the fact that regeneration criteria have been left out of those plans.

The over-prescription and overriding of local priorities is highlighted by the fact that the revised guidance contains 16 pages on shared priorities—namely, the Government's priorities—and only two on other local priorities. Yet again, the Committee's report consistently highlights the fact that the Government speak about localising but act by centralising. Local authorities do not believe that they are free to set their own priorities; they believe that local transport plans are scored on how well it delivers national, Department for Transport-set priorities. If local transport plans are to deliver local objectives, the Government must revise their guidance one more time. It must be less prescriptive, and it must ensure that the scoring procedure for the weighting of local priorities against national priorities is transparent. That recommendation is highlighted in the report.

The Government's most recent transport scheme—the transport innovation fund—also highlights their centralising nature. It was announced in July 2004, and when it was re-announced in 2006, the Secretary of State announced that it would be available only for

[Stephen Hammond]

packages aimed at tackling congestion and schemes that met productivity objectives. Yet again, the Government have centrally governed and micro-managed local transport. No one can be in any doubt that transport funding, via the transport innovation fund, is anything other than a national pot of money that carries national obligations for any local authority wishing to access it. My hon. Friend the Member for Reading, East rightly made that point earlier.

I shall quote the Committee report one more time. It says that TIF

"is nationally administered and bypasses the strategic frameworks provided by Local Transport Plans and regional transport strategies...it represents a move away from local determination."

The theme continues throughout the report. The Government are not concerned about local priorities. My hon. Friend the Member for Castle Point (Bob Spink) is no longer in the Chamber, but on my visit to Southend, the councillors and officers of Southend borough council told me that they need to access funds for their local transport plan and, indeed, for a number of local transport improvements, but that they have no need for a congestion scheme. However, it is clear to them that if they do not include such a scheme in their TIF bid, they will not receive TIF funding. TIF is not

"about local choice or local schemes...It is not about innovation; it is about central control."

Excellent words, excellent summary; thanks once again to the Select Committee.

The Select Committee makes some interesting points about funding in its report. First, it points out that in 2001-02 to 2005-06 there was an increase in capital funding available for transport. That is to the Government's credit. What is not yet clear is whether the increased capital resources in period 1 will necessarily be renewed into period 2. Paragraph 15 of the Government's response states:

"The Government has set planning guidelines for investment in both block funding and major schemes that increase significantly",

but elsewhere the Department states that authorities are encouraged to deliver their second round of local transport plan targets on the assumption that there are no new major projects funded by the Department. On one hand there is the promise of extra funding, and on the other the Government explicitly deny that it is available.

As other hon. Members noted, the Department for Transport indicated that there would be extra capital funds for major schemes. During the first phase of local transport plans, the Government would not fund schemes below £5 million out of the budget, and authorities were not allowed to spend more than £5 million on a scheme without Government approval—a point raised by the hon. Member for Manchester, Blackley earlier. That resulted in a number of decisions being taken out of local authority control, where they might more properly have been made. It resulted in local authorities struggling to find funds to enable major schemes, and the limit of £5 million requiring central approval meant significant cost and time to prepare a bid.

I recognise, as does the whole House, that the Department for Transport must ensure that the funding for schemes offers value for money, and that there must necessarily be a robust appraisal, but it is also clear that the bidding process is costly and in a number of cases diminishes the amount of funding available for delivery. The Department has stated that it is necessary for local authorities to undertake an appropriate level of appraisal work. True, but as the Select Committee report highlights the fact that it can cost 5 to 15 per cent. of the total cost of the project just to get a scheme to the stage where it can be presented to the Department for analysis, surely the Minister will agree with everyone else in the House and with the Select Committee report that that is sub-optimal, especially as the report states:

"Rejected bids are likely to increase in number."

The process is costly, and it is not clear whether there will be new central funding for major schemes between 2006 and 2011. The Government appear to be indicating that they will consider only major schemes already at provisional approval stage, and have said that it should be assumed that no new major schemes will be funded. That will inevitably undermine the efforts of local authorities to transform and revitalise their local transport networks. Yet again, the Government are talking big but failing to deliver, and talking local but centralising in action.

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): Is the hon. Gentleman nearly halfway yet?

Stephen Hammond: About halfway.

Let us leave capital funding and move on to revenue funding briefly. Atkins found that the lack of revenue funding was a major barrier to the implementation and maintenance of transport schemes. The Government often speak about local revenue funding of transport to promote social policy objectives, but the shortage is affecting bus and community transport. Last year the concessionary travel scheme for over-60s was introduced in local areas. The Government provided £350 million. When I telephoned 20 local authorities to check whether their allocated funding out of that money would cover the extra cost of the scheme, 19 said no and one was not sure. The £250 million that the Government have announced to implement the national scheme will clearly exacerbate the revenue funding problems for local authorities.

Perhaps we should not worry too much about revenue funding, however, because riding over the horizon to the rescue comes the Lyons inquiry. So far Crossrail, Thameslink and funding for pretty much everything else has been held up while we await Sir Michael's report. Whether it proves to be the universal panacea remains to be seen. The report has taken two and a half years to reach fruition. We have no idea what he is going to recommend on the ability to raise local funds for local projects or what he is going to say about local business taxation for local transport projects. The Lyons report carries the hopes of many, but let us hope it is not an Eddington—promising much and delivering little.

The conclusion one must reach if one looks at the Select Committee report and the history of the Government when examining their record on local

transport and funding is that the Department for Transport says that it looks to local authorities to implement local schemes, but in reality it only looks to local authorities if those schemes comply with Government prescription and Government national priorities. Local transport plans are rated against national objectives and stand no chance of receiving funding unless they meet them. The reality is that the Department looks to local authorities to implement national priorities. That was reinforced by the Committee's earlier observation:

"While the Department insists that councils are free to set their own priorities, this does not match the local authority interpretation of the guidance and assessment for funding."

In addition—*[Interruption.]* I am still taking less time than the hon. Member for Manchester, Blackley.

TIF is even worse. Any local authority can have the temerity to submit a bid based on its local needs, but it will be refused unless it fulfils a narrow set of national priorities. Be it phase 1 or phase 2 of local transport plans or TIF, little about transport planning or funding under this Government is local. The conclusion from the Select Committee report and the conclusion tonight is that this is a Government who talk local but act central.

9.37 pm

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): I am pleased that we have debated local transport planning and funding. The subject is vital to achieving the Government's goals for transport. I am grateful to my hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody) and her Committee for their work. It has informed us in the Department, as it always does.

I am also pleased that the Select Committee chose to hold an inquiry into local transport planning and funding last year, and I welcome scrutiny of this important policy area. The Committee took evidence from many eminent and expert witnesses, including my hon. Friend the Minister of State. Hon. Members will have to decide for themselves whether he is eminent or expert, or both. I would suggest both.

I welcome the Committee's support for the principle of a local transport planning framework. That is clearly within the Committee's thoughts. It is a core responsibility of local government. I am pleased that alongside the concerns that the Committee has highlighted, it has also welcomed many of the key recent policy developments, which include introducing a formula to distribute the funding support for local authorities for smaller schemes and changing the arrangements for councils to report progress to the Department. The Committee rightly identified those as necessary.

I want to make some underlying points before addressing the particular points raised. Local transport plans are making a real difference. Substantially larger capital budgets are being spent on local transport. Government funding support has more than doubled compared with a decade ago. The investment has contributed to continued major reductions in serious casualties on local roads and even more rapid falls in the number of those who are seriously injured on our roads. I regard that as progress. That has also reversed the long-term under-investment in road maintenance. Again, I consider not only halting but reversing the decline in road conditions to be a major advance.

A broader range of projects is being delivered. Measures are being taken locally to manage the use of cars more effectively and to encourage alternative ways of travelling. There is more consultation with stakeholders and the public, which I welcome. More effective schemes are being delivered, and delivery of schemes is being focused on the intended outcomes, a point to which I shall return later. Those are not just my opinions; they are some of the findings of the independent evaluation that the Department has set up in respect of this policy.

I recognise that more needs to be done. The Secretary of State and I have undertaken a review of bus services: in some areas, we found real improvements being achieved in partnership between bus operators and local authorities, but all too often, as hon. Members have mentioned this evening, the current framework is still not delivering the services that passengers rightly expect. In December, we set out proposals in "Putting Passengers First" to modernise the framework to improve delivery, which was, of course, the biggest shake-up of bus services for 20 years since deregulation by the Conservative party.

The Stern report highlighted the challenge of climate change, which is a key challenge for transport including for local transport planning. Over the past three years, the Department for Transport has worked closely with the Department for Environment, Food and Rural Affairs to foster links between tackling air quality and transport problems locally, which cuts across tiers of councils and across government. The broader issue of climate change is one to which we will apply ourselves even further as we develop local transport planning, and I know that many local authorities welcome that approach.

The Eddington study examined the effects of transport on economic growth, competition and productivity. The local transport plan framework provides a way of considering action on transport locally in the context of wider issues, which the Conservative party has not acknowledged this evening but which we know takes place in reality. The Eddington study highlights buses in urban areas and sub-national decision making as critical delivery areas. We will therefore consider the findings of the study as we develop the local transport planning framework. All those points are responses to studies conducted outside the Department.

Last autumn's local government White Paper, which has been referred to this evening, sets out this Government's vision of revitalised local authorities working with partners to reshape public services around members of the public and the communities that they serve. That means changing how the Government work with local authorities, so for local transport planning we are introducing less burdensome reporting to Government and providing more choice for localities to deliver the solutions that are right for their circumstances and priorities. I hope that that has addressed a number of the concerns raised in the House this evening.

I value the Select Committee's report as we consider the way forward for local transport planning.

Mr. Graham Stuart: I am sure that hon. Members on both sides of the House, and especially those who have spoken this evening, will welcome the Minister's words about releasing central control. Does she accept the central tenet of the Committee report and of all the contributions made this evening that the Government have been too prescriptive over the past 10 years?

Gillian Merron: I do not.

The record investment levels that we have set in government are being sustained. For smaller schemes, we have announced year-on-year increases for the next four years. Local authorities receive that funding as a block grant to enable them to identify and fund local priorities, with the level of funding for an area reflecting pressures and the Department's overall assessments of the local transport plans—I hope that that has set the record straight on funding. For larger schemes, decisions are made in the light of advice from the particular region and are met by either the regional funding allocation or, potentially, the transport innovation fund. The regional funding allocations increase year on year over the 10-year guideline period. I therefore find it difficult to recognise the reference to the Government imposing their will and refusing to fund, which is clearly not the case.

On top of that, the transport innovation fund will provide substantial extra resources to those local authorities interested in addressing local congestion problems through innovative demand management responses. We are working with local authorities to develop local transport plans further, as the Committee wanted us to. I am happy to report that the Department and local authority officials are working together on how progress on delivering plans should be reviewed in future.

The hon. Member for Wimbledon (Stephen Hammond) correctly reported our national priorities for local transport plans as tackling congestion, dealing with road safety, undertaking accessibility planning, and tackling air quality hotspots. However, contrary to what he said, those were all agreed with the Local Government Association. As that is Conservative led, I find it difficult to recognise the allegation that those priorities were imposed.

My hon. Friend the Member for Crewe and Nantwich called for improved guidance. The Department issued final guidance on the second local transport plan 16 months before the final deadline for the completion of the plan. We recognise the need for local authorities, including those participating on joint plans, which we encourage, to have enough time to draft and approve their plans, and in future we will endeavour to publish guidance about plans even further in advance. We are here to support local authorities, not in any way to make life difficult for them. The Department is committed to enabling them to present local priorities within local transport plans, and the criteria are widely advertised and well known. There will be an assessment of the coherence of plans as a whole. People sometimes draw an artificial distinction on priorities, but these are common priorities locally and nationally. We are keen that local authorities find the right answers for their local areas and that we assist them in doing so. I wish to re-emphasise that we are working very closely with local authority officials to improve the manner of assessments.

Reference was made to the possibility of increasing the threshold of the scheme to £10 million. Views have been put to us on that, although they are somewhat mixed. We gather that there is now a consultation on the regional funding allocations. It is worth saying that increasing the limit would reduce the ability of authorities to apply for extra funding for schemes, and that must be taken into account. Nevertheless, we are considering the matters that have been raised with us.

The hon. Member for Orkney and Shetland (Mr. Carmichael) referred several times to a lack of boldness. I was reminded that it was once said that we are at our best when we are at our boldest. That is indeed the case when it comes to transport.

As my hon. Friend the Member for Crewe and Nantwich said, the national concessionary fares scheme is extremely popular. The Government are extremely proud of it. From April next year, we will provide about £1 billion a year to fund concessionary travel, which we believe will be sufficient to ensure its roll-out. We do, however, recognise that local authorities have concerns about the distribution of funding. We are therefore considering several options in conjunction with local authorities, other stakeholders and users to find the right way forward for the roll-out of the scheme, which will benefit some 11 million pensioners and disabled people throughout the country.

Mrs. Dunwoody: I am grateful to my hon. Friend for giving way. The scheme is important and popular, and the Government should take credit for it. However, may I have her word that a positive attempt will be made not only to work out the cost of administering the scheme but, where there is a need for harmonisation, to take account of some sort of equalisation when local authorities are being asked for their views?

Gillian Merron: I can confirm that that will be taken into account.

My hon. Friend the Member for Manchester, Blackley (Graham Stringer) raised several points. He sometimes overlooked some of the positive developments in his area—for example, in July 2006, we gave conditional approval for Manchester Metrolink phase 3a extensions to Rochdale, Oldham and Chorlton. The Department will provide up £244 million, which fulfils the commitment made to Manchester in December 2004 that the £520 million package remained available, subject to detailed proposals.

There is a delay on the Mottram to Tintwistle bypass because we are waiting for advice from the region on the schemes that are affordable within the budget. It is therefore not owing to national diktat; we are following local advice.

The Government are not anti-tram. We realise that the tram can be an effective way in which to attract people to public transport and that it may be the best solution. However, it is also expensive and schemes will not be approved at any cost. Again, it is a matter of finding the right solution within the available resources.

Graham Stringer: My hon. Friend is not convincing me at the moment, hard as she tries. If the Government are not against trams, why does the consultation document not include any of the positive cases? The consultation finished on 9 March. I did not mention, for example, that the document does not compare like with like. It compares the revenue costs of buses with the capital costs of trams. How is that fair? Why does not the consultation document include any of the positive cases?

Gillian Merron: My hon. Friend the Minister of State heard my hon. Friend's comments. I confirm again that the Government are not anti-tram but that the right solution has to be found within the resources available. There are occasions when the bus is a better, cheaper, more effective and economic alternative.

I was interested that the hon. Member for Reading, East (Mr. Wilson) talked about the Government playing "fast and loose". I have never known that said of a Government who have given conditional approval to a scheme to improve junction 11 of the M4 and make related improvements to Mereoak junction, which will allow Reading to invite tenders for construction. The Government expect to provide more than £62 million for the scheme, which will ease congestion on the main access from the M4 into Reading. If that is playing fast and loose, many hon. Members would welcome it.

The scheme for Reading station was originally developed by the council with Network Rail. Following further review in the emerging conclusions of the Intercity Express project, a larger scheme than was originally envisaged is now required at Reading to create an interchange that is capable of handling the forecast growth in passenger numbers, including the possibility of new direct airport services. Key stakeholders, including my hon. Friend the Member for Reading, West (Martin Salter), support that view. The Thames valley regional planning assessment for the railway is in the final stages of development and is considering the required upgrade of Reading station. We hope that the required documentation will be published around Easter.

On the Reading inner-distributor road, I, like my hon. Friend the Member for Eltham (Clive Efford), was somewhat confused because it appeared as though the hon. Member for Reading, East wanted local decisions at all times unless they were not the decisions that he supported. To clarify, I am aware that this is a controversial scheme. However, it is proposed in order to address congestion, which we all know needs to be done, and I also emphasise that the Department for Transport is not being asked to contribute any funds. I am aware that Reading borough council is fully apprised of the requirements on it.

I would like to say a few words of clarification about the transport innovation fund. That is extra money allotted for an additional purpose: that fund is not taking money from anyone and no one is forced to apply for it. It has a separate set of requirements and criteria. It is intended to deal with both congestion and productivity. It is important to clarify that, as a misleading or strange impression has been created that TIF is somehow taking money away, but it is not.

We had some discussion of road pricing, on which I am interested to see that the Conservatives have many views. The hon. Member for Epsom and Ewell (Chris Grayling) said:

"Demand management is an option and we will look very seriously at road pricing."

The hon. Member for Tatton (Mr. Osborne) said that the Conservatives were

"sympathetic to the concept of road pricing",

and the right hon. Member for Witney (Mr. Cameron) said:

"Britain now needs a concerted programme of road building, accompanied by the introduction of advanced traffic management methods, including new solutions for road charging based on usage and the time of day".

It seems to me that there is quite a lot of support among those on the Conservative Benches for the transport innovation fund, which I am delighted to discover.

The hon. Member for Beverley and Holderness (Mr. Stuart) referred to Yorkshire not receiving enough money. Well, I must put further questions to the hon. Gentleman. From where would he seek to take the money and how on earth can he reconcile the call for more money for his own region with the various points put forward by his party about plans to share the proceeds of economic growth, which is a code for tax cuts? Indeed, in an article on ConservativeHome, which has since been removed, the hon. Member for Wimbledon called for £20 billion-worth of cuts, and the Forsyth tax reform commission advocated £16 billion-worth of cuts. I understand that hon. Members always want more resources for their own area, but it is incumbent on us to show some responsibility and say where that money will come from.

My hon. Friend the Member for Eltham made the point, as forcefully as always, about the need for a further station in Woolwich under the Crossrail development. I have noted that and I can confirm that the Secretary of State is looking further into the matter and has committed to reporting back to the Select Committee on Crossrail.

This has been an interesting debate. I have not recognised all the reflections on the Government's local transport policy, but I can say without any doubt that more funding and more effective planning is going into local transport today than was the case 10 years ago. The Select Committee supports the principle of local transport plans and I am grateful to it. I also welcome the constructive points that have been put forward. I can confirm that we are aiming and working towards further improvements in our support for local authorities so that they can achieve even better results in serving the people for whom they work. I hope that the House will support that.

9.59 pm

Mrs. Dunwoody: With the leave of the House, I would like to say that we have had a very useful debate. There is a great partnership to be had between local authorities and the Government and we look forward to developing it in the future.

It being Ten o'clock, MR. SPEAKER *proceeded to put forthwith the deferred Questions relating to Estimates which he was directed to put at that hour, pursuant to Standing Order No. 54 (Consideration of estimates, &c.).*

SUPPLEMENTARY ESTIMATES, 2006-07

Resolved,

Department of Health

That, for the year ending with 31st March 2007, for expenditure by the Department of Health—

(1) further resources, not exceeding £94,395,000, be authorised for use as set out in HC 293,

(2) a further sum, not exceeding £1,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.

Resolved,

Department for Transport

That, for the year ending with 31st March 2007, for expenditure by the Department for Transport—

(1) further resources, not exceeding £849,010,000, be authorised for use as set out in HC 293,

(2) a further sum, not exceeding £533,764,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.

MR. SPEAKER *then proceeded to put forthwith the Questions relating to Estimates which he was directed to put at that hour, pursuant to Standing Order No. 55 (1) and (3) (Questions on voting of estimates, &c.).*

ESTIMATES, 2007-08 (NAVY) VOTE A

Resolved,

That, during the year ending with 31st March 2008, a number not exceeding 42,240 all ranks be maintained for Naval Service and that numbers in the Reserve Naval and Marine Forces be authorised for the purposes of Parts 1, 3, 4 and 5 of the Reserve Forces Act 1996 up to the maximum numbers set out in HC 280 of this Session.

ESTIMATES, 2007-08 (ARMY) VOTE A

Resolved,

That, during the year ending with 31st March 2008, a number not exceeding 125,785 all ranks be maintained for Army Service and that numbers in the Reserve Land Forces be authorised for the purposes of Parts 1, 3, 4 and 5 of the Reserve Forces Act 1996 up to the maximum numbers set out in HC 280 of this Session.

ESTIMATES, 2007-08 (AIR) VOTE A

Resolved,

That, during the year ending with 31st March 2008, a number not exceeding 48,360 all ranks be maintained for Air Force Service and that numbers in the Reserve Air Forces be authorised for the purposes of Parts 1, 3, 4 and 5 of the Reserve Forces Act 1996 up to the maximum numbers set out in HC 280 of this Session.

ESTIMATES, EXCESSES, 2005-06

Resolved,

That, for the year that ended with 31st March 2006—

(1) resources, not exceeding £795,801,000, be authorised for use to make good excesses of certain resources for defence and civil services as set out in HC 243;

(2) a sum, not exceeding £4,956,000, be granted to Her Majesty out of the Consolidated Fund to make good excesses of certain grants for defence and civil services as so set out; and

(3) limits as so set out be set on appropriations in aid.

SUPPLEMENTARY ESTIMATES, 2006-07

Resolved,

That, for the year ending with 31st March 2007—

(1) further resources, not exceeding £6,125,169,000, be authorised for defence and civil services as set out in HC 293,

(2) a further sum, not exceeding £7,122,263,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs of defence and civil services as so set out; and

(3) limits as so set out be set on appropriations in aid.

Ordered,

That a Bill be brought in on the foregoing resolutions relating to Supplementary Estimates, 2006-07, and Estimates, Excesses, 2005-06, and the resolutions of 7th December relating to Supplementary and New Estimates, 2006-07: And that the Chairman of Ways and Means, Mr. Chancellor of the Exchequer, Mr. Stephen Timms, Dawn Primarolo, Ed Balls and John Healey do prepare and bring it in.

CONSOLIDATED FUND (APPROPRIATION) BILL

John Healey accordingly presented a Bill to authorise the use of resources for the service of the years ending with 31st March 2006 and 31st March 2007 and to apply certain sums out of the Consolidated Fund to the service of the years ending with 31st March 2006 and 31st March 2007; and to appropriate the supply authorised in this Session of Parliament for the service of the years ending with 31st March 2006 and 31st March 2007: And the same was read the First time; and ordered to be read a Second time tomorrow, and to be printed [Bill 78].

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

TAX CREDITS

That the draft Tax Credits Up-rating Regulations 2007, which were laid before this House on 30th January, be approved.—*[Steve McCabe.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

ENVIRONMENTAL PROTECTION

That the draft Environmental Offences (Use of Fixed Penalty Receipts) Regulations 2007, which were laid before this House on 31st January, be approved.—*[Steve McCabe.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

REPRESENTATION OF THE PEOPLE

That the draft Representation of the People (Scotland) (Amendment) Regulations 2007, which were laid before this House on 6th February, be approved.—*[Steve McCabe.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

CONSTITUTIONAL LAW

That the draft Local Electoral Administration and Registration Services (Scotland) Act 2006 (Consequential Provisions and Modifications) Order 2007, which was laid before this House on 6th February, be approved.—*[Steve McCabe.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

That the draft Scottish Parliament (Elections etc.) Order 2007, which was laid before this House on 7th February, be approved.—*[Steve McCabe.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

HOUSING

That the draft Housing (Tenancy Deposit Schemes) Order 2007, which was laid before this House on 8th February, be approved.—*[Steve McCabe.]*

Question agreed to.

EUROPEAN COMMUNITY DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Standing Committees),

TAXATION

That this House takes note of European Union Documents No. 17066/06, Commission Communication on Coordinating Member States' direct tax systems in the internal market, No. 17067/06 and Addendum 1, Commission Communication on Tax treatment of losses in cross-border situations, and No. 17068/06, Commission Communication on Exit taxation and the need for coordination of Member States' tax policies; and supports the Government's intention of combining a robust defence of the right of Member States to determine their own direct taxation policies in compliance with Community law, with a recognition that national tax authorities, within the EU and elsewhere, will continue to work together both bilaterally and multilaterally to ensure that their direct tax systems work together properly.—*[Steve McCabe.]*

Question agreed to.

MODERNISATION OF THE HOUSE

Ordered,

That Mr. Edward Vaizey be discharged from the Select Committee on Modernisation of the House of Commons and Philip Davies be added.—*[Steve McCabe.]*

EUROPEAN SCRUTINY

Ordered,

That Mr. Richard Bacon be discharged from the European Scrutiny Committee and Mr. Greg Hands be added.—*[Rachel McKenna, on behalf of the Committee of Selection.]*

PETITION

Knife Crime

10.3 pm

Bob Spink (Castle Point) (Con): I rise to present a most compelling petition, signed by well over 20,000 people, including key supporters Vicky Painter, Jessica Shidell, Ann Oakes-Odger, Melanie Hopwood, Charlotte Hall and Sandra Griffiths.

Knife crime can kill young people, but it is too often dealt with by magistrates courts, which can give a maximum sentence of only six months. In reality, that involves serving only three months. That is simply inadequate, and does not provide the necessary deterrent to those who would go armed with blades to commit mayhem. The *Evening Standard* front page tonight declares that 10 people were knifed in London only last night. This illustrates the validity of the petition better than my words ever could. I thank everyone involved in the petition.

The petition states:

To the House of Commons:

The Petition of the supporters of the Knives or Lives? campaign, run by Essex FM, the Essex Enquirer and Essex Police in honour of Westley Odger, Tommy Jones, Andrew Griffiths and Kashif Mahmood, declares that clearer, more robust sentencing guidelines are needed for violent crime and particularly for those who carry out premeditated acts of violence with blades.

The Petitioners therefore request that the House of Commons urge the Government to implement a policy whereby individuals convicted of violent crime, who knowingly carried the weapon to the scene, be awarded harsher sentences to reflect the element of premeditation in carrying the weapon. The Petitioners also beseech this House to advocate the introduction of a mandatory minimum sentence for knife associated crime, including the carrying of a knife without good reason.

And the Petitioners, as in duty bound, will ever pray.

To lie upon the Table.

Passport Interview Centre (Taunton)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Roy.]*

10.5 pm

Mr. Jeremy Browne (Taunton) (LD): The context of this debate is the Government's recent announcement that people will be required to attend one of 69 passport interview centres, scattered throughout the United Kingdom, if they wish to apply for a British passport for the first time. In future all applicants for passports, including those renewing or replacing lost documents, will be required to report to one of those centres. My bone of contention is that Taunton, the town in Somerset that I represent, is not one of the 69 centres chosen.

I want to make two points at the outset. First, my support for Taunton as one of those passport interview centres should not be taken to imply that I am in favour of identity cards—quite the opposite. It is extremely important that we maintain a healthy balance between the power of the state and that of the individual citizen. In a liberal democracy, the Government should be answerable to the people, not the people to the Government. I continue to be mystified and saddened by the inability of many Labour Members of Parliament to understand the importance of a liberal and benign state having proper safeguards against such measures.

Secondly, as a preamble, let me say that I do not have absolute confidence that the new system of passport interviews will work as well as some in the Government might hope. Its implementation has already been delayed: it was meant to come into effect last year, and is now coming into effect this year. A Home Office spokesman was quoted recently in a newspaper as saying:

"Customers who have not been contacted by the IPS"—

the rather Orwellian-sounding Identity and Passport Service—

"within 8 working days from receipt of a completed application form will not need to have an interview."

It is not beyond comprehension that the system might not process everybody as effectively as the Government wish. From 2009, the system is being extended to cover about 4 million applications per year.

My principal interest, however, is in the lack of a passport interview centre for Taunton, rather than in the merits or otherwise of passport interviews per se. It might help the Minister and other Members, who might not have been to Taunton, if I explain why it is so important that such a centre be provided.

Taunton is the county town of Somerset and the home of the county council. It is also the town in Somerset with the largest population, by a significant margin. But even that understates its place in Somerset. As well as being the largest place and the county town, it is a big centre for employment, leisure and shopping. I always think that one can identify such a centre by asking people where their nearest branch of Marks and Spencer is, and for many people, not just those who live in the town, it is in Taunton. Musgrove Park hospital, the largest hospital in Somerset, draws in patients from across the county. Taunton therefore serves a much wider area and bigger population than its own.

Under the current arrangements, people from Taunton will be forced to go to one of four places in rough geographic proximity to the town to be interviewed for a passport. Those places are Exeter, Yeovil—the only one in Somerset, despite being only about two thirds the size of Taunton in population—Bristol or, perhaps, Barnstaple in Devon. According to the Government's reckoning, people should be able to get to one of those centres within about 30 minutes following a journey of about 20 miles, but in this case it was thought reasonable to allow for a 40-mile journey and a journey lasting an hour rather than half an hour.

A theme to which I shall return is that Taunton falls between two stools. It is not a metropolis—it does not provide the ease of communication provided by London and other big cities—but nor is it a remote rural area like the highlands and islands of Scotland. It suffers as a result of falling between classifications according to the Government's criteria.

When the 69 passport interview centres are introduced, people in Taunton may choose to go to the town nearest in straightforward mileage: Yeovil, whose population is 41,871, compared with Taunton's population of 58,241. I apologise for all the figures that I am giving; they are necessary to illustrate my points, but I will try to keep them to a minimum.

Yeovil is 28 miles from Taunton, so a 56-mile round trip would be necessary. The Government estimate that the one-way journey takes 48 minutes by car. Some people in Taunton may prefer to take the 47-minute journey to Exeter, which, being 36 miles away, is slightly further from Taunton, but is slightly quicker to get to because it is on the motorway. In either event, people would make a 56-mile or a 94-minute round trip to reach the nearest interview centre—and that is by car. Many people do not have access to cars.

The bus journey from Taunton to Exeter takes about an hour and 20 minutes if there are no delays, while the bus journey to Yeovil takes about an hour and 15 minutes. Whether people can return to Exeter or Yeovil on public transport within a reasonable period will depend on the bus timetable, but it can safely be said that those who live in Taunton will have to take half a day off from their other duties and activities to travel to Exeter or Yeovil, or, if they prefer, to Bristol or Barnstaple.

Although Taunton is the largest town in my constituency, I also represent a number of other significant population centres. The second biggest is Wellington, with a population of 13,696. People in Wellington would have to travel 28 miles to Exeter, 34 miles to Yeovil and further still to Barnstaple or Bristol, but only seven miles to Taunton. Many people in Wellington work or shop in Taunton. It is routine for people in Wellington to travel to Taunton; it is not routine for them to travel to Exeter, Yeovil, Barnstaple or Bristol—but that is what the new arrangements will require them to do.

Another town in my constituency, Wiveliscombe, with a population of 2,670, is 11 miles from Taunton but, crucially, 29 miles from Exeter and 38 miles from Yeovil and Barnstaple. I say "crucially" because Exeter

is, by the Government's own reckoning, one hour and four minutes from Wiveliscombe by car. That is above the requirement that the Government set themselves for rural communities, let alone what I regard as reasonable for people living in the Taunton area.

I live in the borough of Taunton Deane, as do 102,298 other people. All those people would find it easier to go to a passport interview centre in Taunton than to a centre in any of the other towns. If Members envisage the number of people who would fit into the new Wembley stadium and then add 15,000 or so, perhaps standing on the pitch, they will have an idea of the population of Taunton Deane.

There are other towns outside the borough of Taunton Deane whose populations would also find it easier to go to Taunton than to travel further afield. North Petherton, with a population of 5,190, is only eight miles from Taunton, but its inhabitants will have to travel to Yeovil, which is much further away. Bridgwater, a sizeable town in Somerset and outside my constituency, is just 12 miles from Taunton and handy to get to on the motorway; it has 36,563 inhabitants, and they will have to travel much further—again to Yeovil—for their interviews. Like Yeovil, Chard is in the South Somerset district council area; it has a population of 11,730, but it is closer to Taunton than to Yeovil. In the Burnham and Highbridge area there are 18,922 residents; it is 19 miles from Taunton, which again is closer than the current nearest interview centre, which for them would be in Bristol. Minehead on the Somerset coast has approximately 10,000 residents; it is 24 miles from Taunton, so that is not handy, but it is 40 miles from Barnstaple, its nearest interview centre, which is one hour and 20 minutes away. That is way beyond the Government's travel criteria.

The total population of those places is 82,405. Therefore, there are approximately 102,000 people in Taunton Deane, and approximately 82,000 in some of the significant-sized towns outside Taunton Deane, for whom travelling to Taunton would be more convenient than travelling to any of the current proposed passport interview centres. There are also many people in villages and rural hamlets outside Taunton Deane and outside those five towns who are nearer to Taunton than to any of the current proposed sites. Therefore, for a total of more than 200,000 people Taunton would be a more convenient and useful interview centre for passports than any of the mooted locations.

When I found out about the situation I wrote to the Home Secretary, and I received a response from Mr. Bernard Herden, the executive director of service planning and delivery at the Identity and Passport Service. First, he said that the plan had

"taken into account consultations with authorities and agencies responsible for sparsely populated areas".

No consultations were held with the council covering Taunton and there were no consultations in surrounding constituencies within Somerset. There were consultations with areas such as the highlands and islands of Scotland, but I emphasise again that Taunton suffers from being neither a grand metropolis nor as remote as the islands off the west coast of Scotland, for example.

The second point that Mr. Herden made was that an effort had been made

"to strike a balance between keeping costs (and therefore fees) as low as possible while making journeys to interviews as short as possible".

As I have said, travelling for 47 minutes by car—and a lot longer and further by public transport—to get to an interview is the bare minimum journey time for those in Taunton. Therefore, in my view that balance has not been struck, and more than 200,000 people, including many whom I represent, will also feel that it has not been struck.

Thirdly, Mr. Herden stated:

"In remote, sparsely populated areas...we are putting in place videoconferencing facilities".

I suspect that the Taunton area is not regarded as sufficiently remote or sparsely populated to qualify for video-conferencing facilities, so we are again in the invidious position of falling between two stools: we are not big enough to meet the criteria met by a big city such as Bristol, but not small enough to be given special treatment.

Fourthly, Mr. Herden said that

"we considered both private and public transport".

I am surprised by that, as 47 minutes by car—that is one way, and people are likely to want to come home afterwards—seems to me a substantial journey, but the journey by bus or train is likely to take a lot longer. Many people in my constituency do not have access to a private car, so for them, that mode of transport will be the reality.

Finally, Mr. Herden said in his letter:

"Each location has been selected as part of a mutually supporting network; no individual location can be changed without affecting the whole network."

I do not accept that adding an office in Taunton would cause the collapse of the so-called network. It would increase choice and availability for more than 200,000 people.

I was not consulted about the proposal, but I would happily have run through some of the points that I have made tonight had someone asked me, as the parliamentary representative of the people of Taunton constituency. Nor, as far as I am aware, was there any consultation with Taunton Deane council or Somerset county council.

I do not seek the closure of any of the existing 69 centres, but because of the concerns and criteria that I have raised, the Government could reasonably look to include Taunton as a 70th centre. If that does not happen, people in my constituency will incur considerable personal cost in travelling to and from their passport interviews. That will also take up a considerable amount of their time. People come into Taunton, if they do not already live in the town, to work, to shop, to go to the bank and to take out insurance—all the everyday exercises. They could incorporate into that routine going to a passport interview centre, but instead they will have to spend at least half a day going elsewhere.

I have not estimated the cost to the environment, but there will be one if large numbers of people are required to drive substantial distances instead of visiting a passport interview centre in Taunton, which is not only the county town of Somerset but its largest urban centre.

[Mr. Jeremy Browne]

I appreciate that many hon. Members seek to make representations to the Minister and her Department about what they perceive as unfair treatment of their constituents, but in this case there is a strong and compelling argument for Taunton to have a passport interview centre. It is a natural centre not only for people who live in the town, but for those who travel to it for work and other reasons. I urge the Minister to take my argument in the constructive spirit in which it is intended, and to consider whether it is possible to accommodate the requirements of the 200,000-plus people who live in and around Taunton and who would benefit from having a passport interview centre located in the county town of Somerset instead of having to travel further afield.

10.22 pm

The Parliamentary Under-Secretary of State for the Home Department (Joan Ryan): I congratulate the hon. Member for Taunton (Mr. Browne) on securing this debate and on the sterling job he has just done on behalf of his constituents. The Identity and Passport Service is introducing a number of counter-fraud initiatives as part of the continuing fight against attempted passport fraud and forgery. The changes are critical because of increasing attempted passport and identity fraud.

One of the most significant changes is to the passport application process for first-time adult passport customers. The change, which was first announced to Parliament in December 2004, is designed to help to stop fraudulent applications by improving the integrity and security of British passports.

The United Kingdom is currently one of the few western countries that do not require first-time passport applications to be made in person. The key benefits of the changes will be to help to fight passport fraud and forgery; to help to protect the UK public from identity theft; and to ensure that the British passport stays one of the most secure and respected in the world.

The introduction of passport application interviews will mean that all adults applying for a passport for the first time must attend an interview with IPS in person to confirm their identity. The Identity and Passport Service is an appropriate name for what is a very good service. I stress that the changes do not currently apply to people wanting to renew their existing passport. The requirement for an interview will apply only to those adults who have never previously held a British passport in their own name. That is estimated to affect approximately 609,000 customers a year.

The interview process is normally expected to take about 30 minutes, including an interview of between 10 and 20 minutes. At the interview, customers will be asked basic information about themselves—not deeply private information, but information that only they will know and that can be checked to confirm that they are who they say they are. I should make it clear that people who apply for passports will not have to give any more information than they do now and that the application forms will be unchanged. The interview is not about gathering information and the information used in the interview will be deleted from IPS records shortly after the passport is issued. The requirement to attend an interview will be introduced gradually and I will make further information on that available in due course.

As the hon. Gentleman said, IPS is opening 69 local interview offices across the UK. The majority of customers will be within 60 minutes' travel of an office from their home or workplace. The network of 69 offices has been designed to provide an interview office within 15 minutes' travelling time via public or personal transport for just over half the population of the UK. More than 95 per cent. of the population will live within one hour's travelling time.

The interview offices will not be new passport offices. They will be used only to conduct interviews and will not handle general inquiries or take delivery of passport applications. It is important for the hon. Gentleman to know that the interview offices will be open on Saturdays. I am conscious that he feared that constituents might have to have to give up a whole half-day once every 10 years, but in fact it is quite likely that that will not be necessary. Each day that an office is open, it will be open from 8 am to 6 pm, except for the seven smallest offices, which will open only two half-days a week.

Deciding the location of the new offices was a careful and painstaking task. The hon. Gentleman mentioned that the offices were scattered. Perhaps that was just his way of referring to them, but I can assure him that deciding the location of the offices was not done in a throwaway manner. We needed to balance customers' wishes for the lowest possible additional increase to the passport fee with their wishes for convenient locations. Customer research was carried out in March and April 2004 and in July 2005. The results of both surveys showed that the majority of respondents felt that a journey of approximately 20 miles or half an hour one way, once in 10 years, was reasonable. The research also identified that, as he said, in more rural parts of the UK that expectation increased to approximately 40 miles or one hour's travel time.

The IPS used mapping software and census data to model an office network, which, over several months, was subjected to independent verification by a specialist company and local consultation with authorities that are responsible for more sparsely populated areas. The hon. Gentleman is right: we did not consult Taunton. But we did consult Cornwall county council, Devon county council and a whole list of others. The work that we did used a range of data from the 2001 census, including—this is an important point—information on the distribution of people aged 16 to 34, which is the age range when most adults apply for their first passport. That was broken down by local authority wards.

As I said, initially it is people who are applying for their first passport who will be subject to interview, so mapping where that section of the population live and their travel routes was crucial when deciding the location of the 69 offices. Journey-to-work data that show the proportion of people who use each mode of transport in different areas of the UK were also used. Those data were combined with data on travel costs

and times to model journeys from a total of more than 220,000 population centres, of about 250 people each, to 264 potential locations. I think that the hon. Gentleman is aware that Taunton was included in the 264 potential locations. However, when we whittled the number down on the basis of the information to which I referred Taunton was not in the final 69.

The aim was to design a network that optimised the number of offices to minimise costs and maximise operational efficiency—for example, through lower fixed costs and overheads and greater staff flexibility to handle the peaks and troughs of demand—while selecting locations that maximised the proportion of UK residents who would need to travel no more than 20 miles to their nearest interview office. Not everybody will fall within that limit, and not everyone will be able to reach their interview office within the ideal time, but the overwhelming majority come within what we, and they, consider a reasonable time frame.

Mr. Browne: I understand the criteria and I realise that there cannot be offices everywhere. Inevitably, some people in remote rural communities will have to travel further, but will the Minister give an undertaking to put a pin on the map to show the location of each of the 69 centres? If she does so, she will see that Taunton is in a hole in the middle. It suffers from being quite near four centres, but falls between all of them, yet it is a sizeable population area to be in that predicament. Many other towns may fall into such black holes, but they are much less significant than Taunton.

Joan Ryan: I assure the hon. Gentleman that I took seriously his correspondence with the Department and the agency and the points that I realised he would make this evening, so I brought with me the colourful map I am holding up, which shows all 69 centres. I made sure, too, that I availed myself of information about the distances from Exeter, Yeovil, Barnstaple and Bristol of Taunton, Bridgwater, Wellington, Minehead and Chard. Chard is only 21 miles from Yeovil, but apart from that the range is as the hon. Gentleman suggests and the distance between some places and Exeter, Yeovil, Barnstaple or Bristol is somewhat further than 20 miles. However, none of those distances is excessive.

I want to deal with some of the other points that the hon. Gentleman made. From the conclusions of the research and consultation, the IPS identified 69 locations that provided the right trade-off for efficiency, public travel expectations and the needs of sparsely populated areas. More than 82 per cent. of the population live within 20 miles of an office in the network, and more than 84 per cent. within a 30-minute journey. I accept that the hon. Gentleman is not talking about those areas, but the range of distances in the areas to which he referred is not unusual.

The IPS plans remote interview facilities—to which the hon. Gentleman referred—in 25 locations. Consultations with regional stakeholders are ongoing. Those facilities will accommodate the fewer than 0.7 per cent. of possible first-time passport customers who live more than an hour's journey away from an interview office.

The hon. Gentleman requests that an office be located in Taunton and I understand why he and other Members want an office in their constituency, but we have to balance cost with the number of offices we can provide, so not every town can have an office. The purpose is to provide locations that meet the requirement for best travel times for all passport applicants in each part of the country. The geographical location of offices is designed to meet that requirement. Each location has been selected as part of a mutually supporting network, so changing one location would have a significant effect on the balance.

The measures are essential to protect our citizens from identify theft and to ensure that the British passport remains one of the most secure and respected in the world. We want to do everything we can to ensure that the service is as accessible, and at as efficient a cost, as it possibly can be. On the basis of that and an extensive mapping exercise, this is the solution—

The motion having been made after Ten o'clock, and the debate having continued for half an hour, Mr. Speaker *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned at twenty-five minutes to Eleven o'clock.

House of Commons

Tuesday 13 March 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

Broads Authority Bill *(By Order)*

Order for Second Reading read.

To be read a Second time on Tuesday 20 March.

Oral Answers to Questions

HEALTH

The Secretary of State was asked—

Local Improvement Finance Trust Schemes

1. **Keith Vaz** (Leicester, East) (Lab): What further plans she has for local improvement finance trust schemes in Leicester. [126770]

The Minister of State, Department of Health (Andy Burnham): It is for Leicester City primary care trust to determine its plans for LIFT schemes by developing its strategic service development plan. I am pleased to confirm that it has already opened three new buildings to patients, with another two under construction, and five more in the planning stages.

Keith Vaz: I welcome the Government's huge investment in our health service in Leicester, but what explanation can I give to my constituent, Mr. Mark Golding, whom I met on Saturday and who is suffering from a double hernia? He has waited four months for an operation, even though his surgeon told him that he would have to wait only three months. I do not propose that the Minister or the Secretary of State should conduct hernia operations themselves; in fact, we are grateful to them for not doing so, but how can we convince our constituents that we are making a huge investment when they still have to wait for operations—in my constituent's case, in agony?

Andy Burnham: I am pleased that my right hon. Friend is absolving me from personal responsibility. The only kind of doctor that I have ever been is a spin doctor, as he knows, and I would not trust anyone's care to me. I know that he raised his constituent's case at business questions last week, and I am informed that the waiting time targets have not been breached, as the case is being treated as routine, rather than urgent. If his information is different from that, I recommend that he bring it to the attention of his primary care trust. More broadly, on LIFT, in his constituency investment has been made in the Humberstone health centre and the Charnwood health and social care centre, and I believe that there are plans for a Belgrave health and social care centre. That is a huge investment in the primary care infrastructure in his constituency, and it will bring benefits not only to patients such as the gentleman whom he mentioned, but far more broadly.

David Tredinnick (Bosworth) (Con): Will the local improvement finance trust schemes have any bearing on the pathway project for the future of Leicester hospitals, and what should I tell my constituents now that the east and north wards in Hinckley and District hospital have been shut? Does the Minister think that the LIFT schemes will stretch across the county from Leicester and touch Hinckley?

Andy Burnham: The service at Hinckley is, of course, a matter for local decision, but there is an interrelationship between the facilities that are being developed through LIFT in the city of Leicester and the hospital's trust, because LIFT allows for the development of services much closer to the patient's home. Services that were traditionally provided in a hospital setting may now be delivered in local communities, because of the high quality of the facilities being built in the constituency of my right hon. Friend the Member for Leicester, East (Keith Vaz) and elsewhere. Getting the infrastructure right, so that there is a secondary service, surrounded by high-quality facilities in the community, is a matter for local decision making.

David Taylor (North-West Leicestershire) (Lab/Co-op): The Minister is an honest, shrewd and talented man. How convinced is he that handing over long-term, exclusive contracts to the private sector, so that it owns, manages and finances public infrastructure and services, represents good value for patients and taxpayers, given that there is a growing body of evidence that points in precisely the opposite direction?

Andy Burnham: I am grateful for my hon. Friend's generous comments at the beginning of his question, and I hope that I can assure him that there is a process locally, whereby each scheme is tested and signed off by the district valuer. Before the scheme proceeds, it needs to be clear that it represents good value for money in the long term. LIFT schemes are a different way of funding primary care facilities; they deliver facilities that could not have been delivered under the old ways of funding, because they bring together a broader range of partners, who invest in something far better than GPs or primary care practitioners operating alone could ever have built. There are persuasive and compelling arguments in favour of the LIFT model, because LIFT schemes are transforming health care in some of the most deprived communities, including inner-city communities, of the country.

Alan Simpson (Nottingham, South) (Lab): Will the Minister ask for an audit of LIFT schemes in the Leicester area and elsewhere to assess the number of projects that have been able to incorporate energy-generating systems, rainwater harvesting or recycling measures in their design? Given that they make a fundamental

contribution to climate change measures, it is disappointing that we have experienced so much difficulty in getting those schemes accepted as part of the design brief, so it would be useful for the House to know how successful we have been.

Andy Burnham: My hon. Friend makes an important point. It is fair to say that some LIFT schemes have made a considerable step forward in incorporating energy efficiency measures into their design, but others could have done better. That is an honest response to his question. The health service must make sure that the people who make decisions on procurement have energy efficiency and environmental issues at the top of their concerns as well as the provision of the highest-quality facilities offering modern health care services. My hon. Friend is therefore right to push us on that point. I will take an interest in the way in which LIFT schemes that are under development pay attention to energy efficiency, and I will write to him on the subject.

NHS Turnaround Programme

2. **Mr. Mark Lancaster** (North-East Milton Keynes) (Con): What the accumulated central and local NHS expenditure has been on the turnaround programme. [126771]

The Secretary of State for Health (Ms Patricia Hewitt): The estimated expenditure on the turnaround programme to 31 March 2007 is £10 million in central costs and £36 million locally. This is about 3 per cent. of the forecast in-year savings from the programme.

Mr. Lancaster: Since the Secretary of State's visit to Milton Keynes last summer, the Fraser day hospital has closed, along with a 23-bed surgical assessment unit, and there have been cuts to mental health services, oral health services, language therapy services, podiatry services and counselling services—the list goes on—so does she consider the turnaround programme in Milton Keynes a success?

Ms Hewitt: I am surprised that the hon. Gentleman did not mention the fact that in the past three years the budget for the national health service in Milton Keynes has increased by more than £47 million. In the current two years, it will receive a further £55.6 million increase. I congratulate the staff of Milton Keynes primary care trust and others working in the local NHS who have made difficult decisions this year to reduce their deficit, although they will need longer than this year to do so. I suggest that the hon. Gentleman speak to his hon. Friend the Member for South Cambridgeshire (Mr. Lansley), who said in the House yesterday that primary care trusts

"receive a given amount of public expenditure resources."

He might have said they receive more than ever before. He continued:

"They should live within the overall resource envelope.

He said that a PCT

"has a responsibility not to spend more than the resources that are voted to it through the House."—[*Official Report*, 12 March 2007; Vol. 458, c. 41.]

Does the hon. Member for North-East Milton Keynes (Mr. Lancaster) agree with that, or not?

Mr. Kevin Barron (Rother Valley) (Lab): My right hon. Friend will know that in its report on NHS deficits the Select Committee on Health said that the fact that the turnaround programme had to be introduced was

"a sad reflection on the quality of much management in the NHS over many years."

When does she think that the turnaround teams will leave NHS institutions, which will be capable and competent enough to run services themselves?

Ms Hewitt: I congratulate my right hon. Friend on the Health Committee report that was debated yesterday. The scale of achievement by NHS managers and front-line staff, supported by turnaround teams, is indicated by the in-year position of organisations that had a deficit last year. That deficit has been reduced by £600 million, almost all of which—nearly £500 million—can be attributed to the turnaround organisations, which have supplemented the excellent management in many parts of the NHS. It is up to local organisations to decide when they cease to make use of them.

Mr. Simon Burns (West Chelmsford) (Con): Following the turnaround team's work in mid-Essex, how will the closure of all three intermediate care wards at St. John's hospital alleviate the problem of delayed discharges at Broomfield hospital?

Ms Hewitt: The decisions to which the hon. Gentleman refers are, of course, for the local NHS to make. Delayed discharges are a serious problem, and the local primary care trust must satisfy itself that alternative arrangements are in place, including intermediate care in patients' own homes, to ensure that it does not recur and become worse, as it did when his party was in power.

Paddy Tipping (Sherwood) (Lab): Turnaround teams are important, because they resolve the problem in the current financial year so that there are not even bigger projected problems in the next financial year, 2007-08. Is it not right that individual trusts live within their means so that other partners and NHS trusts are not disadvantaged?

Ms Hewitt: My hon. Friend is right. It was unfair and unacceptable that in the past a minority of overspending trusts were bailed out, sometimes year after year, when other parts of the NHS—mental health organisations or, more often, underspending trusts in parts of the country, especially the midlands and the north—had even worse health problems. That was not fair and it gave the overspenders no incentive to sort themselves out. I am glad to say that with the fair, transparent and responsible financial system that we have put in place, we are stopping that unfairness at last.

Mr. Stephen O'Brien (Eddisbury) (Con): In figures dragged from them last June, Ministers said that the declared central costs of the turnaround programme would be £5 million. Successive freedom of information requests showed that those costs have more than doubled to £11 million, and more recently we managed to extract the information that the local cost of the programme is more than £24 million. The central £11 million plus the £24 million means that the financial incompetence of the Secretary of State has so far cost £35 million, and rising. As the growth deficit of the NHS is forecast to

increase this year, will the right hon. Lady tell us what the turnaround teams have delivered, what the final cost of the programme will be, and above all, at what cost to front-line patient care?

Ms Hewitt: Spending on the turnaround teams has been higher than we originally estimated because we found that more organisations had been overspending—some of them for years—and needed to go into the turnaround programme. The investment in the turnaround programme is a very small proportion of the savings that are now being made. The hon. Gentleman might wish to acknowledge that, as we indicated in the most recent financial report, eight out of 10 hospital trusts and seven out of 10 primary care trusts report an improvement on their in-year position. There has been an enormous improvement in the in-year position, and thanks to the difficult decisions that NHS managers and staff have made, the NHS has got a grip on its finances while continuing to improve waiting times, cancer treatment and other key services. By returning to balance at the end of this month, the NHS will be in a far stronger position for the next financial year and able to make further improvements for patients, particularly in cutting waiting times even faster.

Brain Tumours

3. **John Bercow** (Buckingham) (Con): If she will make a statement on funding for research into brain tumours. [126772]

The Minister of State, Department of Health (Caroline Flint): The Department of Health is currently investing some £170 million a year in cancer research. We have the highest level of patient participation in cancer trials of any country in the world. Through the National Cancer Research Network we are providing the research infrastructure for 20 studies on brain tumours, seven of which are focused on adults and 13 on children.

John Bercow: Given that no fewer than 16,000 people a year are diagnosed with brain tumours, that they are the biggest single disease killing children and that more than half of those suffering aggressive brain cancers die within 12 months, is it not a scandal that the General Medical Council treats brain tumour research as a Cinderella sector and that, as a consequence, life-saving medical breakthroughs are delayed or denied?

Caroline Flint: I pay tribute to the hon. Gentleman, who is Chair of the all-party parliamentary group on brain tumours. He is also here today, I think, to promote March as brain tumour awareness month. I know from his constituent, Sue Farrington Smith, who was one of the founders of the charity Ali's Dream, that the hon. Gentleman has been very involved and shown his commitment in a number of ways. I understand the point that he makes. That is one of the reasons we have tried to increase the funding for cancer research across the board. Significantly, more than 60 per cent. of our total spend on non-site-specific research develops our understanding and ability to treat many different cancers. We have established, as he knows, the National Cancer Research Institute, primarily to identify the gaps and opportunities for future research. That is why I am pleased about the 20 projects that are under way, but clearly this is an area that needs looking at. My right hon. Friend the Secretary of State announced in November that she has asked Professor Mike Richards to develop a cancer reform strategy to build on the 2000 cancer plan and to consider how we can improve cancer services, especially for the less common cancers, of which brain tumour is one, although I appreciate the hon. Gentleman's point about the mortality rate of those who develop brain tumours.

Mr. Lindsay Hoyle (Chorley) (Lab): Does my hon. Friend share my worry that the big problem is early detection? People go to GPs and get passed on for other treatments, when what is needed is early diagnostics to show that they have a brain tumour, of whatever type. Does she agree that we need to give that support and extra funding to GPs?

Caroline Flint: I thank my hon. Friend for raising that point, which was raised with the Minister of State, my right hon. Friend the Member for Doncaster, Central (Ms Winterton), by the hon. Member for Rugby and Kenilworth (Jeremy Wright) in an Adjournment debate last year. In summary, it is necessary to consider early diagnosis. That is why the National Institute for Health and Clinical Excellence updated its referral guidelines for suspected cancers in June 2005. The guidelines are aimed exactly at the people my hon. Friend mentions—primary care health professionals—in order not only to identify patients who are most likely to have cancer but to see how we can identify the early signs and symptoms of cancers in children and young people. In addition, the NICE guidance on improving outcomes is a useful tool for trying, through the cancer networks, to get not only better diagnosis but better care and treatment plans for individuals who are affected by cancer of whatever form, including brain tumours.

Susan Kramer (Richmond Park) (LD): The Minister will be aware that there is a new drug with great potential to deal with brain tumours—Temodal, which, it is hoped, will have NICE approval in June. She will also be aware, however, that approval has been delayed by 12 months because of a statistical error in the first draft of the NICE report. What would she say to my constituent, a 41-year-old father of two, who is dying of a brain tumour that, it is widely accepted, will respond dramatically to Temodal but who cannot receive it because Richmond primary care trust has a policy of not funding drugs that have not yet received NICE approval, despite the fact that everyone knows that that is a matter of only months away? What advice would she give—

Mr. Speaker: Order. The hon. Lady has done well.

Caroline Flint: PCTs have the authority to approve drugs even if they have not received NICE approval. It is always extremely difficult for families who are going through cancer or other diseases, but we have a process to try independently to come to the right conclusions about different drugs and treatments. It is difficult to plan for these things when people are experiencing such diseases and cancers as we sit here today. However, I hope that the hon. Lady will agree that in establishing NICE we have tried to provide the best independent mechanism for thoroughness as well as the opportunity

for appeal, which is why the drug went back to NICE to ensure that NICE can make reasoned and properly thought through recommendations for the NHS. I understand that it is due to report in June this year.

Jeremy Wright (Rugby and Kenilworth) (Con): The Minister has already mentioned the Adjournment debate that was held on 28 March last year, to which the right hon. Member for Doncaster, Central responded. In the course of that response, she was kind enough to indicate that she would be prepared to visit the children's brain tumour research centre in Nottingham. Has there been a ministerial visit, and if so what was derived from it? If there has not yet been a visit, may I encourage her or one of her colleagues to go as soon as possible to speak to Professor David Walker and his colleagues about the valuable work that they do and how the Government might help?

Caroline Flint: I thank the hon. Gentleman for that contribution. My right hon. Friend says that she is not aware of an invite, but of course she is always open to such invitations. We are mindful of the opportunities that we have to improve our knowledge and awareness of how the NHS can provide better services. I am pleased to say that in the past 30 years survival rates have improved for children. However, this is clearly a difficult area that poses different challenges to, say, leukaemia, but requires our attention. That is why we have tried to direct NICE to look for gaps and opportunities to further our knowledge while providing the best diagnosis, treatment and rehabilitation services.

NHS Finance (London)

4. **Mr. Paul Burstow** (Sutton and Cheam) (LD): What representations she has received on the effect on services of NHS trust deficits in London. [126773]

The Minister of State, Department of Health (Andy Burnham): Ministers have regular meetings with MPs and other stakeholders about services in London. We also receive a regular flow of correspondence from across the country, including London.

Mr. Burstow: To balance its books, Epsom and St. Helier University Hospitals NHS Trust is making cuts of £24 million in beds and clinical staff over the coming year. As part of that, it has a programme of cutting one in four beds across the trust. In October this year, it closed one ward at St. Helier hospital and reduced another from 26 to 14 beds, only to decide in December to reverse those decisions and reopen the wards. Surely that is the sort of false economy that undermines and disrupts staff teams, damages morale and puts patient care and safety at risk.

Andy Burnham: Overspending in the health service must be tackled; if it is not tackled, that will store up problems in the health economy of the hon. Gentleman's constituency, to the detriment of patients who live there. It will also put on hold plans to invest in improving the health of people in the east of London who have contributed top slices to the central fund. I would be the first to agree that overspending should be tackled sensitively, without compromising patient care. Having looked at the trust plan to make savings by March 2008, however, I am satisfied that it is taking appropriate steps to recover such overspending. It is making progress, and the hon. Gentleman should support it in doing so. Ultimately, that will benefit his constituents, as well as the rest of London.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): The City and Hackney Teaching primary care trust was top-sliced because it is a good financial performer, as I have often said in the House. Will my hon. Friend tell the PCT and the people of Hackney when the money that was top-sliced from it will be returned?

Andy Burnham: It is precisely because of the rigour in the system and the requirement that overspending be tackled that we can begin to return money for investment to those parts of London where health is poorest. To put that in context, London PCTs will receive an average 8.3 per cent. uplift in 2007-08, compared with an average of 5 per cent. this year. The top slice will also be returned earlier than expected because of the overall improvement in London's finances. The picture is therefore more encouraging, although I do not dispute that difficult decisions needed to be taken to get us into that position.

Mr. Charles Walker (Broxbourne) (Con): Will the Secretary of State use her office to ensure that there is joined-up thinking about planning the provision of hospital services? People in Broxbourne face the closure of Chase Farm hospital in Enfield and of the Queen Elizabeth II hospital in Welwyn, which would remove accident and emergency and maternity services from the north and south of the borough. When planning hospital services, will the Secretary of State ensure that such considerations are taken into account, because Hertfordshire and London are very different, although hospital services for the two areas overlap?

Andy Burnham: I admire the hon. Gentleman's opportunism in asking his question during a question on London, but I accept that his constituents do use hospital services in the London area. It is important to get the right model of care in London to ensure that its health economies are stable in the future. Professor Sir Ara Darzi is currently conducting a review across London to develop the right model of care and the right balance between high-quality tertiary and secondary services and good-quality services in every community. He is therefore taking forward precisely the issues that the hon. Gentleman is asking us to take on board, and he will report in due course.

Norman Lamb (North Norfolk) (LD): The Minister will be aware of the challenge from the Commission for Racial Equality to Brent PCT on the impact of cuts in local heath services, particularly on black and minority ethnic communities. Bearing in mind that, under this Labour Government, health inequalities have been increasing rather than reducing, does he find it acceptable that some of the most vulnerable communities are suffering cuts to vital services—such as district nurses, school nurses and mental health services—in order to clear deficits? Does he plan to do anything about that?

Andy Burnham: I am grateful to the hon. Gentleman for that question, because it is important. As I said to the hon. Member for Sutton and Cheam (Mr. Burstow), it is important that when decisions are taken to recover a financial position, that must be done sensitively and not have a disproportionate impact on any particular section of the community. The Department is working closely with the Commission for Racial Equality to ensure that that is the case. However, I take that important point on board. I shall consider it in relation to Brent and write to the hon. Member for North Norfolk (Norman Lamb), giving a fuller answer to the local situation that he raises.

Voluntary Organisations (Acute Hospitals)

5. **Mark Pritchard** (The Wrekin) (Con): If she will make a statement on the role of voluntary organisations working in acute hospitals. [126774]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): In many hospitals, voluntary organisations play an important part, and are highly regarded, in providing a range of services to patients, staff and visitors.

Mark Pritchard: Will the Minister join me in recognising the excellent voluntary work and major fundraising efforts of the League of Friends of the Princess Royal hospital in my constituency? Does he share my concern that it recently purchased £27,000 of ophthalmic equipment, donated it to the hospital trust and was told by hospital bosses that they could not accept it, even though it was needed, because they did not have the funds to run it? Does he agree that that farcical situation must be urgently investigated? If so, will he meet a delegation from the League of Friends in the near future?

Mr. Lewis: I pay tribute to the work of the Princess Royal League of Friends. It has done an excellent job within the hospital in raising significant amounts of money and providing services over a number of years.

The specific issue must be resolved by the League of Friends, the hospital itself and the primary care trust to ensure that there is sufficient revenue to support the use of the capital equipment. The problem should be resolved at a local level.

Mrs. Madeleine Moon (Bridgend) (Lab): Specialist Parkinson's disease nurses provide clinically effective and cost-effective information, research and specialist care to people on acute wards. Will the Minister use his specialist nurse summit on 1 May to stress to local health boards and trusts that those nurses must not be moved from their specialist role and used in normal duties on general and acute wards? Will he also attend the Parkinson's disease reception on 17 April?

Mr. Lewis: I am always willing to join my hon. Friend at any reception to which she chooses to invite me. I pay tribute to her work on highlighting the important contribution that specialist nurses make within our NHS. It is one reason I decided to host the summit in May. We need to highlight best practice, raise the status of specialist nurses, and make it clear to the health service at a local level that specialist nurses have an important role to play, especially in long-term and chronic conditions.

Mr. Speaker: I call Jim Devine—I mean Jim Sheridan.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): One of the imponderables of life is the value that the voluntary sector brings to our acute hospitals. Does my hon. Friend agree that that same service is provided in hospices the length and breadth of the country, which do a terrific job, and by other organisations such as Erskine, which provides acute services to our disabled ex-servicemen and women returning from theatres of war?

Mr. Lewis: I agree with my hon. Friend, who is the hon. Member who has not resigned—at least on this occasion, Mr. Speaker.

To secure the best possible health care and social care within local communities, it is crucial that we have a partnership between the NHS, local government and the voluntary sector. The voluntary sector often has a distinct and unique role to play in securing personalised, sensitive services that are close to local communities. We should use this occasion to pay tribute to the hospice movement, which does an amazing job in difficult circumstances. We recently made £25 million available specifically for children's hospices. We are reviewing the way in which we provide palliative care to children and are, for the first time, about to make a significant announcement on major capital investment in the hospice movement.

Carers

6. **Mr. Bob Blizzard** (Waveney) (Lab): What action her Department is taking to improve advice and support for those with caring responsibilities. [126775]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): We recently announced the new deal for carers, a package of support including £25 million for short breaks for carers in crisis situations in every council, £3 million towards a national helpline for carers, and £5 million for an expert carers programme. The Chancellor has also announced that we will be holding the most far-reaching national consultation ever on the role of carers. In the months ahead, we will invite carers' groups and the voluntary sector to help us to design a modern vision for caring. That will inform the development of a new cross-government national strategy.

Mr. Blizzard: Does my hon. Friend agree that people living in care homes should have good access to dentists, chiropodists and opticians, even when they have mobility problems and cannot go out? As that appears not always to be the case, will he take steps to require care homes to make proper arrangements for such people, and also to require dentists, chiropodists and opticians to be willing to visit them in the homes?

Mr. Lewis: My hon. Friend has made an important point. This is a two-way process. First, there are the responsibilities of care homes. Standard 8 of the national minimum standards states that a registered person

"promotes and maintains service users' health and ensures access to health care services to meet assessed needs."

That includes access to

"specialist medical, nursing, dental, pharmaceutical, chiropody and therapeutic services... access to hearing and sight tests and appropriate aids, according to need."

Care homes must fulfil their responsibilities, but equally the professionals on the front line must acknowledge their responsibility for ensuring that older people, even those living in residential homes, have the same rights to high-quality health care as those who continue to live in the community. Responsibility must rest with both the managers and owners of residential care homes and the professionals who provide those services.

Mr. Stewart Jackson (Peterborough) (Con): Why are the thousands of people who have important family responsibilities as carers in receipt of state pensions, but unable to claim the carers allowance? When will the Minister have a word with his colleagues in the Department for Work and Pensions to sort out that iniquitous, unfair position?

Mr. Lewis: With all due respect, this Government introduced the annual carers grant for every local authority for the first time in 1999; this Government introduced the right for carers to request flexible working from employers; and this Government, through Parliament, are arranging for carers to be able to claim credits towards their pension entitlements. The cross-government review will take account of the fact that millions more people will fulfil caring responsibilities in the future, because as people live longer they also develop more conditions. Of course we will examine the issue that the hon. Gentleman has raised, but I remind him that the shadow Chancellor of the Exchequer recently made very clear—

Mr. Speaker: Order.

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): When visiting the Portsmouth carers group, I have been struck by the dedication of our young carers. Will the carers programme provide any specific help and support for those dedicated young people, who are performing such a valuable task?

Mr. Lewis: I entirely agree with my hon. Friend. I can assure her that as part of the development of a new national strategy, we will pay specific attention to the needs of the often hidden young carers. Those young people are heroes, who spend the vast bulk of their lives looking after, usually, a dependent parent. Their caring responsibilities may affect their education, their health and their ability to lead the lives that most young people and children, thankfully, take for granted. We need to consider the specific needs of those children and young people and ensure that we give them the necessary and appropriate levels of support.

Ann Winterton (Congleton) (Con): Is the Minister aware that one of the most vulnerable groups of carers consists of elderly people, often parents whose adult children have mental health problems? As part of his review, will the Minister ensure that mental health trusts provide a service to deal with crises? A telephone line may be useful, but it is no use unless there is a dedicated team of people who can go to the home or other place where the crisis is taking place. Will the Minister take action to ensure that vulnerable elderly parents are not disadvantaged further?

Mr. Lewis: I entirely agree with the hon. Lady. Ironically, as people live longer the age of carers increases, and the responsibilities that relatively older and frail people fulfil become more important. We will look into that as part of the review. However, it is also fair to say that in the announcement we made a couple of weeks ago on the new deal for carers, we specifically addressed the question of emergency respite. It has been suggested that that is not what people need, but many carers tell us that on occasions it is the emergency respite that is lacking. I should also mention the investment that we have put into telecare, which ensures that we can make the best use of the most advanced technology in people's homes. That is another support mechanism that is making a real difference to the lives of carers.

Barbara Keeley (Worsley) (Lab): The new deal for carers is very welcome. My hon. Friend mentioned hidden carers, and it is true that many carers do not identify themselves as such and that they do not know to look for the advice and support that is already available and that which will become available. Health professionals can help with that, as they are the people with whom carers have to be in contact. Will the Department of Health make a special effort in the coming months to inform GPs and their teams of that task and to make sure that they perform it?

Mr. Lewis: First, I pay tribute to my hon. Friend for the work that she has done over many years in highlighting the needs of carers with regard to public policy—she has done a tremendous amount. I do not want to upset the Minister of State, my hon. Friend the Member for Leigh (Andy Burnham), who is responsible for negotiations with GPs on their annual contracts, but if I am allowed to express a personal opinion I would say that one of the things that we want GPs to do in a modern health care system is to identify those of their patients who are carers—as GPs are frequently the health care professionals whom carers have the most contact with and confidence in—and then, having identified them, make sure that they get signposted to whatever services they need to support them to fulfil their caring responsibilities.

Sir Patrick Cormack (South Staffordshire) (Con): Is the Minister aware that there is real consternation throughout Staffordshire among carers and others at the decision of the county council to close all its care homes within a year? Will he summon leaders of the county council to discuss the implications of that decision and to satisfy himself that adequate provisions are being made for all the vulnerable people who are currently very anxious?

Mr. Lewis: I understand the anxiety and insecurity felt by the older people affected by that decision, and also by their families and the staff who work in those homes. The local authority must make decisions in consultation with the affected parties. I have previously told my hon. Friend the Member for Stafford (Mr. Kidney) that if it would be helpful I would be willing to meet those who are most affected. However, it is only fair to say that we cannot any longer make decisions about the best way to provide local services from offices in Westminster and Whitehall. What we can do is support that local

decision-making process and make sure that the people who are most affected feel that they are listened to and respected.

John Robertson (Glasgow, North-West) (Lab): My hon. Friend will be aware that many carers are unpaid and need training. What is he doing to ensure that they get the training they need to support their family members and to look after them in a proper manner?

Mr. Lewis: My hon. Friend makes a very important point. As part of the new deal for carers, we announced two weeks ago the creation of an expert carers programme. That will specifically do two things: first, provide training to carers on the practical issues that they need to feel comfortable with and confident about in terms of lifting, handling and supporting whoever they are caring for in their own home; and, secondly, boost the confidence, knowledge and expertise of carers so that they feel that they can fight for the rights of the person whom they are caring for and relate on a more equal basis with professionals. Those will be the two objectives of our expert carers programme. I agree with my hon. Friend that the issue we are debating will become increasingly important, especially given the demographic changes that are taking place in our society.

Sir Nicholas Winterton (Macclesfield) (Con): May I make a plea to the Minister for there to be an entirely cross-party approach to those who have caring responsibilities? The biggest sector comprises those who provide it free—the volunteers. Does the Minister agree that although the Government have done quite a lot to assist them, those who voluntarily undertake caring responsibilities for the young, the old and those who are disabled genuinely deserve a better and fairer deal?

Mr. Lewis: I agree with the hon. Gentleman. We introduced the annual carers grant, we announced the new deal for carers a couple of weeks ago, and we are also giving new rights and a new pension entitlement to carers, but there is a lot more that we have to do. The reality is that our society is changing. People are living longer and in doing so are developing an increasing number of frail conditions, which is asking new questions not only of the Government and the state, but of families. Disabled people, thankfully, are now having fuller and longer lives. The current review, led by the Treasury, on the needs of children with disabilities and their families and carers, is incredibly important. Wherever possible, these issues should of course be of a non-party political nature, but in the end it comes down to hard choices about the level of investment that the Government are willing to make in these services, and whether we are willing to prioritise families and carers in the context of the changing demographics to which I have referred.

NHS (Private Sector)

7. **Andrew George** (St. Ives) (LD): What future role she envisages for the private sector in the NHS. [126776]

The Secretary of State for Health (Ms Patricia Hewitt): The NHS has always used the private sector for many services and will continue to do so where it can help the NHS to give patients even better care and better value for money. By the end of next year, patients needing elective treatment will be able to choose from any health care provider—NHS or independent sector—that meets NHS standards within the NHS price.

Andrew George: When Ministers held the proverbial gun to the heads of primary care trusts and told them to privatise the easiest elective procedures—or else—was the Secretary of State aware that under European competition law she was opening a Pandora's box in that if she wished to run the NHS by market rules, she would have to play by those rules—even to the point that that would perpetually restrict her capacity to intervene to protect the public interest?

Ms Hewitt: I do not accept for one moment the hon. Gentleman's accusation. It is a great pity that he does not recognise the contribution that the independent sector is making at the Bodmin treatment centre, for instance, or—in a different part of his region—at the Shepton Mallet independent sector treatment centre. The latter is not only giving the patients whom it receives very good and much faster care, it has also led Yeovil District Hospital NHS Foundation Trust to change the way it organises its services, making it one of the first hospitals that will achieve for most of its patients the 18 weeks target—and a year ahead of the goal that we set.

Dr. Doug Naysmith (Bristol, North-West) (Lab/Co-op): My right hon. Friend will be aware that successive Secretaries of State for Health have assured the Health Select Committee that the policy of developing the use of the private sector is being pursued to address lack of capacity in the NHS. Can she confirm that that remains the major reason for that policy?

Ms Hewitt: My hon. Friend is right. When we began the new compact with the private sector through the NHS plan in 2000, it was precisely to address the problem of additional capacity. However and as we have made clear in several successive documents—including the 2005 Labour party manifesto—we also use the independent sector where it can help to challenge under-performing parts of the NHS, support patient choice and give patients even better care. The fact is that there has always been private health care in Britain, but the difference is that under a Conservative Government, private hospitals recruited patients on the back of NHS waiting lists and treated only the few who could afford to pay. Today, thanks to our reforms, private hospitals and treatment centres are part of the NHS family. They are helping to cut waiting lists and to treat NHS patients—all of it free at the point of need.

Sir Paul Beresford (Mole Valley) (Con): To continue the theme, the Secretary of State is possibly aware that there is a charitable health trust associated with Epsom hospital. It has put in a bid to the local NHS agencies and authorities to purchase that hospital, and the intention is to run it for NHS, charitable and private patients. It has the backing of the local medical fraternity, and enormous financial backing. Is the Secretary of State willing to meet a very small delegation at or near the end of those discussions, so that it can set out its innovative and expanding programme?

Ms Hewitt: I would certainly be happy to meet the hon. Gentleman to hear about what sounds like an interesting proposal. I will draw it to the attention of the local primary care trust, which will—I am sure—look at it with interest.

Mr. Eric Illsley (Barnsley, Central) (Lab): The independent sector treatment centre in south Yorkshire has done a good job in helping to reduce waiting times throughout the area. It has been able to do so because it has been guaranteed money over and above the tariff, unproblematic cases and a set number of patients. If those advantages are to continue, eventually the centre will be in conflict with NHS hospitals, which will struggle to survive against that unfair competition. Will my right hon. Friend ensure that that situation does not come about and that the independent centres do not threaten the existence of NHS acute hospitals?

Ms Hewitt: All treatment centres take the simpler cases—that is why they are there—whether they are run by NHS hospitals, as the majority are, or by the independent sector. That is what they do, they do it well, and it speeds up care for hundreds of thousands of patients who need elective treatment. My hon. Friend is right that in the first wave of the independent sector treatment centres a premium was paid, although far less than the premium that the NHS used to pay to the private sector when it needed to use it to reduce waiting times. That was needed in the first wave to bring in new capacity, especially from abroad, when it was desperately needed. As I have indicated, what we are seeking to do is to move to a level playing field so that the independent sector and NHS hospitals will all provide care to the same quality and price, and all free at the point of need.

Dr. Richard Taylor (Wyre Forest) (Ind): To assist integration between private sector treatment centres and the NHS, will the Secretary of State look at the practicalities of letting NHS consultants work in the private sector treatment centres even if they are in, for example, orthopaedics, which is currently defined as a shortage specialty?

Ms Hewitt: That is an important issue and one that we keep regularly under review. We have discussed it over the past year or two, especially with the Royal College of Surgeons, and as a result have made some changes to both the shortage and the additionality rules in order to ensure that NHS surgeons and other consultants make their time available to their NHS employer first and foremost. If they have additional time that is not needed by that employer, they may make it available to those parts of the independent sector that are also treating NHS patients within the NHS family.

Sunbeds

8. **Mrs. Siân C. James** (Swansea, East) (Lab): If she will assess the merits of placing advertisements in magazines and media aimed at teenagers about the (a) potential dangers of sunbed use and (b) availability of fake tanning products. [126777]

The Minister of State, Department of Health (Caroline Flint): The SunSmart skin cancer prevention campaign will, we understand, include in its next phase the dangers of sunbed use, especially by those under 18. SunSmart is an integrated public health campaign that includes a high profile, intensive press and PR programme, supported by targeted distribution of public information resources.

Mrs. James: I thank my hon. Friend for that answer. I wish to draw to her attention some research on children under 15 that has been sent to me by two doctors at Singleton hospital. They found that 32 per cent. of girls and 9 per cent. of boys said that they had used sunbeds. I have also had information sent to me by the Killing Cancer charity, which found that 75 per cent. of girls under 15 said that they had used sunbeds. There are many doubting Thomases who say that there is no problem—

Mr. Speaker: Order. Hon. Members must ask questions rather than make statements

Caroline Flint: My hon. Friend has been constructively engaging with me and the Department to share her knowledge, especially her work on the worrying use of coin-operated sunbed parlours. As I have said, SunSmart will consider the next phase of the campaign, and especially how to approach and raise the awareness of those under 18. I have heard what my hon. Friend has said and I ask her to come into the Department to share her information with us so that we can think about how it can be incorporated into the next phase of the campaign. I very much welcome her interest and that of other hon. Members.

NHS Finance

9. **Mr. David Heath** (Somerton and Frome) (LD): What percentage of NHS trusts have (a) deferred operations, (b) made redundancies and (c) restricted provision of treatments in 2006-07 on grounds of reducing costs; and what percentage plan to do so in 2007-08. [126778]

The Secretary of State for Health (Ms Patricia Hewitt): As set out in the most recent financial report, it is now clear that the NHS will achieve the three financial targets set for this year while maintaining key service standards. Achieving financial balance this year means that the NHS will be in a far stronger position in the new financial year and, in particular, will be able to make substantial progress towards achieving the target of 18 weeks maximum from GP referral to hospital operation.

Mr. Heath: That was just typical: I asked three specific questions and received not a single reply from the Secretary of State. I thought that she would at least quote the results of the *Health Service Journal* survey of chief executives of trusts across the country, which revealed that 50 per cent. of primary care trusts are delaying operations; that 47 per cent. of all trusts may have made or intend to make redundancies; and that 73 per cent. of PCTs are restricting access to treatment. Is not the conundrum this—that at a time when there is

record cash going into the NHS and welcome investment in capital projects, we nevertheless have cuts in treatment? How can that be?

Ms Hewitt: At least the hon. Gentleman and his party voted for those extra resources. I am surprised, however, that he did not refer to the fact that the NHS in Somerset will get additional funding of almost £120 million over the current year and next year. That is being reflected in the improvements taking place in Minehead hospital, the new cancer centre in Taunton and Somerset and the new community hospital at Frome. We believe that what we need is fair funding for the NHS—record funding for the NHS—and the best care for patients within the budget available. I know that the Liberal party has never been very keen on sound public finances or value for money, but the Government will continue to ensure that patients get the best possible value from the record investment that we have made.

Charlotte Atkins (Staffordshire, Moorlands) (Lab): Is my hospital trust typical? The university hospital of North Staffordshire announced 1,000 redundancies as a result of its deficit, but ultimately only 150 redundancies resulted, two thirds of which were voluntary. Clearly, any redundancy is a matter of regret, particularly in an area such as north Staffordshire, but where does that leave the Opposition's claims of 20,000 redundancies nationwide?

Ms Hewitt: My hon. Friend makes an extremely important point. In striking contrast to the scaremongering that we get from the Conservative party about 20,000 redundancies over the current financial year there have been just over 1,400 redundancies, the great majority in management and administrative jobs. Although it is of course difficult for the individuals concerned—we are ensuring that the NHS supports them in these difficult times—it is very different from what the Conservative party and some of the media have been telling people.

Tim Loughton (East Worthing and Shoreham) (Con): What the hon. Member for Somerton and Frome (Mr. Heath) failed to mention was that the *Health Service Journal* survey also revealed that seven out of 10 PCT chief executives agreed that patient care would suffer because of restricting access to treatments. Does the Secretary of State think that they should be applauded as good financial planners, encouraged by her Department to fudge the books and please the accountants, or is it a false economy that forces consultants to twiddle their thumbs for several months while sick patients are denied the treatments they need?

Ms Hewitt: I very much regret the fact that the hon. Gentleman completely fails to give credit to the NHS managers and staff who, in a very difficult year, have got a grip on NHS finances and will achieve financial balance at the end of this month, putting the NHS in a far stronger position. May I suggest that he has a word with his hon. Friend the Member for South Cambridgeshire (Mr. Lansley), just two seats along, who told the House only yesterday that it was the statutory responsibility of—

Mr. Speaker: Order.

Acute Sector

10. **Dr. Brian Iddon** (Bolton, South-East) (Lab): What steps she is taking to ensure the effectiveness of management of the acute sector in the NHS. [126779]

The Minister of State, Department of Health (Andy Burnham): The new strategic health authorities provide leadership and support to ensure that trusts operate effectively and deliver improved performance. The NHS Institute for Innovation and Improvement, as its name suggests, helps trusts to introduce best practice and radical new ideas to deliver health care.

Dr. Iddon: Will my hon. Friend congratulate all the staff at the Royal Bolton hospital for saving lives, increasing efficiency and cutting waste by adopting the lean style of management? What can his Department do to spread such best practice throughout the national health service?

Andy Burnham: Staff in the health service are rightly suspicious of politicians or NHS managers who appear to have swallowed a management consultancy textbook. However, I went to the Royal Bolton hospital with my hon. Friend and, like him, I was incredibly impressed by what I saw. The key principle of the lean management process is that staff lead the change. They are empowered to make changes and drive through the programme on the wards. My hon. Friend's hospital trust has seen a 30 per cent. reduction in length of stay for trauma, a 37 per cent. reduction in post-operative mortality and a cut in the processing time for blood samples from five hours to 30 minutes. Those are the huge benefits resulting from staff leading change in the hospital.

Mr. Andrew Lansley (South Cambridgeshire) (Con): The Minister must know that thousands of doctors across the hospital sector are deeply angry at the disgraceful mismanagement of the modernising medical careers system. Three months ago, his predecessor said:

> "Doctors in training in England should...be pretty confident about securing a training post".

Will the Minister renew that assurance now?

Andy Burnham: The hon. Gentleman will know that, on learning of the problems, we immediately set up an independent review led by Professor Neil Douglas, the vice-president of the Academy of Medical Royal Colleges. The findings emerging from the review are already being implemented. We are not seeking to minimise the problems, or saying that they are not causing uncertainty for doctors in training. We accept that, which is why we have taken this swift action and why measures are now in hand to improve the situation. I point out to the hon. Gentleman, however, that these changes were, in origin, agreed with the royal colleges.

Mr. Lansley: For a start, the Minister should apologise to junior doctors for the disgraceful shambles that they have been landed in. He has issued a ministerial statement today about the review, but it does not answer this question: if there are insufficient training posts—and if the assurance that junior doctors should be "confident"

about securing a training post cannot be fulfilled—will the review recommend that additional trust grade posts be converted into training posts in order to address the problem?

Andy Burnham: We will see what the review tells us. Significant changes have been made to improve selection in the second round. People want to see immediate changes so that the situation will improve. We are trying to work our way through the situation to give people more certainty. More broadly, we have to get work force planning right in the national health service to ensure that there are sufficient people in training. If the hon. Gentleman is suggesting that there are simple answers, and asking us to commit to new spending on extra posts, he is sorely mistaken.

Points of Order

3.32 pm

Mr. Charles Walker (Broxbourne) (Con): On a point of order, Mr. Speaker. Could you advise me on how best I can politely educate Ministers about the fact that Chase Farm hospital in Enfield, London, serves more than 100,000 people living in Hertfordshire? Many of my constituents, some of whom vote Labour, would be amazed at Ministers' ignorance on this matter.

Mr. Speaker: The hon. Gentleman seems to be trying to educate Ministers through a point of order, but that was not a point of order.

Sir Nicholas Winterton (Macclesfield) (Con): On a point of order, Mr. Speaker. I genuinely seek your advice and help. According to today's Order Paper, a written ministerial statement is to be made today by the Secretary of State for Environment, Food and Rural Affairs on the draft climate change Bill. Could you advise me on whether this matter should be the subject of a statement here on the Floor of the House, given the importance of the issue and the controversy surrounding the pros and cons of the matter?

Mr. Speaker: That shows you how things have changed. Usually the hon. Gentleman gives me advice; now he is asking me to give him advice. These are matters for Ministers to make a judgment on, and I cannot be drawn into whether a statement should be written or—*[Interruption.]* Someone has a mobile phone, and it is not me. I cannot be drawn into whether it should be a written or an oral statement. That is up to the judgment of Ministers. Of course, if hon. Members feel that that judgment is not correct, they can seek an urgent question.

Employment Retention

3.34 pm

John Robertson (Glasgow, North-West) (Lab): I beg to move,

That leave be given to bring in a Bill to make provision for a statutory right to rehabilitation leave for newly disabled people and people whose existing impairments change; and for connected purposes.

Every year, 25,000 people leave work due to work-related illnesses. Under the Welfare Reform Bill, the Government are committed to achieving an employment rate of 80 per cent. My Bill would ensure that people who develop a disability during their working life, or whose existing disability deteriorates, are supported to remain in employment, where that is practicable.

An example of the sort of person that my Bill would help is contained in the report from the Stroke Association entitled "Getting Back to Work After Stroke". After 13 years of loyal service to her employers, Janet Nicholson was not accommodated back to work after she suffered a stroke. Her employers told her that she had to leave because of her ill health. They would not pay her a pension or discuss any alternative employment opportunities in the company. In the 21st century, in a country that is recognised to be leading the world in caring, that is unacceptable.

The type of employment retention policy with which this Bill is concerned is known as rehabilitation leave, or disability leave. The use of the word "leave" implies that the person in question is keen to get back into work. That is a feature of the Warwick agreement between the Government and the trade union movement, in which it is made clear that everyone has a right to employment. Such a system would mean that people such as Janet Nicholson would not be treated unfairly by their employers, but instead would receive the help, support and encouragement needed to help them back into work. Companies, while being obliged to retain and help the people involved, would receive Government help and assistance.

Smaller companies would need more help, both financially and in terms of training. Larger companies such as BT already do their best to accommodate the unfortunate people who find themselves in the situation that I have described. One successful example involving BT is the case of Martha Wiseman, who had 18 months off work as a result of stress and anxiety and was eventually diagnosed as having clinical depression. By April 2006, she was getting much better, and BT expressed an interest in her returning to work. Gradually, and with her doctor's agreement, she was able to return full time. Martha feels that, over the past six months, she has progressed to being 90 per cent. okay.

Martha says that she was treated very well by BT during her sick leave, and especially by her manager, who met her regularly to keep her in contact with office happenings and progress. Those meetings helped Martha, and her manager gauged how she was doing and when she would be able to return to work. Her manager and BT should be congratulated on the work that they did with Martha.

This Bill is needed to support the Welfare Reform Bill, and all parties agree that the numbers of people who are unemployed and claiming benefit should be

[John Robertson]

reduced. It is illogical to support helping disabled people to get off benefits while allowing those who develop a disability to get laid off with a pension or to be forced into claiming incapacity benefit. That is no help to the worker involved, the company or the country—everybody loses.

My attention was first drawn to this problem by the Royal National Institute of the Blind, which says that about 66,000 registered blind and partially sighted people of working age are not in work. A further 4,000 people lose their sight each year, of whom 1,000 are forced into unemployment. Those figures will not help the Government reach their ambitious target of 80 per cent. employment.

Current Government programmes such as access to work and pathways to work make available a great deal of support and equipment to assist employers who employ people with disabilities. Pathways to work was developed to provide greater support to help people claiming incapacity benefit to return to, or get closer to, the labour market. About 9,000 pathways to work interviews have been conducted, and national rates for voluntary participation have averaged 8 per cent. of all customers interviewed. In Glasgow, I am pleased to say, that figure has reached 20 per cent.

Among the companies that have made use of the Government programmes and piloted schemes implementing employment retention policies are Lloyds TSB, Barclays bank, Royal Mail, McDonald's and BT. They should all be congratulated on their efforts, but there is still more that could be done to encourage other companies to follow their example. That is especially true for those small and medium-sized companies that might encounter financial or training problems. That was recognised by the Minister of State, Department of Health, my hon. Friend the hon. Member for Leigh (Andy Burnham), who has responsibilities for delivery and reform. At the Labour party conference he said that

"maybe there should be a legal right to rehabilitation leave."

There is no maybe about it—there should be such a right.

I am grateful to my right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett) who as Secretary of State for Work and Pensions was looking into introducing such a Bill. He is now a patron of the RNIB, an organisation with which I have been working on the Bill for some time. I was as grateful for my right hon. Friend's backing for my private Member's Bill last year as I am for his assistance now. With his help and guidance we may see the measure passed in the near future.

The Bill also has the backing of the Trades Union Congress and the Scottish Trades Union Congress. Recently, the Disability Rights Commission expressed support for such legislation, encouraging the Government, employers and health services to develop proposals for the disability-related absences that are crucial to an individual's recovery. My last ten-minute Bill on the subject was backed by the CBI and although no one from the organisation has contacted me yet, I am sure that the CBI is still committed to protecting companies and their skilled employees.

We must not fail those trying to cope with disabilities; they need our help and support. In fact, it is the duty of Government, business and communities to support those individuals. Being made unemployed through ill health demoralises the individual's confidence and can often lead to long periods of unemployment and depression. As well as the effect on the individual, there is also an impact on the economy, as many disabled people never return to work. The result is a strain on the state and a burden on pension funds and benefit payments; there can even be additional recruitment costs for employers in replacing and training staff.

Through the Bill, the Government, at relatively little cost, will be able to ensure that any regulatory burden on employers is kept to a minimum. It would be an investment in the short term from which employers and employees would reap the benefits, and in the long term it would be an investment for the Government through benefits savings and tax collected.

I was pleased to be a member of the Public Bill Committee on the Welfare Reform Bill, where we recently discussed in detail a number of issues related to my Bill. However, I was disappointed that unfortunately, despite cross-party support, including that of the hon. Members for Bury St. Edmunds (Mr. Ruffley) and for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander)—both of whom were complimentary about my endeavours to raise the matter in Committee—my proposal for an element of employment retention and rehabilitation leave was ruled out. In Committee, I was informed that my proposal fell within the remit of health, not of welfare reform, but I believe that as it had all-party support it would have been accepted and that the only debate we would be having now would be how to implement it.

The Government have put employment at the heart of their agenda over the past 10 years and have been supported by many Members on both sides of the House. I ask them to take a positive step forward and support the Bill. It would need little investment, which would be paid back many times over, but what would it mean for those affected? It would be priceless.

Question put and agreed to.

Bill ordered to be brought in by John Robertson, Jim Sheridan, Miss Anne Begg, Mr. David Blunkett, Mr. Jimmy Hood, John Bercow, Dr. Alasdair McDonnell, Julie Morgan, Danny Alexander, Mr. Mike Weir and Ann McKechin.

Employment Retention

John Robertson accordingly presented a Bill to make provision for a statutory right to rehabilitation leave for newly disabled people and people whose existing impairments change; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 18 May, and to be printed [Bill 79].

Orders of the Day

CONSOLIDATED FUND (APPROPRIATION) BILL

Order for Second Reading read.

Question, That the Bill be now read a Second time, *put forthwith, pursuant to Standing Order No. 56 (Consolidated Fund Bills), and agreed to.*

Bill accordingly read a Second time.

Question, That the Bill be now read the Third time, *put forthwith, and agreed to.*

Bill accordingly read the Third time, and passed.

STATISTICS AND REGISTRATION SERVICE BILL (PROGRAMME) (NO. 2)

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A (Programme motions),

That the Order of 8th January 2007 (Statistics and Registration Service Bill (Programme)) be varied as follows:

1. Paragraphs 4 and 5 of the Order shall be omitted.

2. Proceedings on consideration shall be taken in the following order: new Clauses 1 to 4; amendments relating to Clause 36; remaining new Clauses; amendments relating to Clauses 1 to 35; amendments relating to Clauses 37 to 73; new Schedules; amendments to Schedules; remaining proceedings on consideration.

3. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion at 9 p.m. at this day's sitting.

4. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at 10 p.m. at this day's sitting.—*[John Healey.]*

Question agreed to.

Statistics and Registration Service Bill

As amended in the Public Bill Committee, considered.

New Clause 1

ACCESS TO THE PRIME MINISTER

'The National Statistician shall have right of direct access to the Prime Minister on any matter involving the integrity of official statistics or a dispute with a government department regarding official statistics.'.—*[Mrs. Villiers.]*

Brought up, and read the First time.

3.45 pm

Mrs. Theresa Villiers (Chipping Barnet) (Con): I beg to move, That the clause be read a Second time.

Mr. Speaker: With this it will be convenient to discuss the following:

New clause 3—*Role and objectives of the National Statistician*—

'(1) The role and objectives of the National Statistician shall include—

(a) producing statistics;

(b) co-ordinating statistical planning and production across government departments; and

(c) promoting consistency in the production of statistics across the United Kingdom.

(2) The National Statistician shall be the Government's chief advisor on statistics, including on matters relating to the planning, production and quality of official statistics.

(3) The National Statistician shall provide professional leadership to all persons within government who are engaged in statistical production or release.'.

Amendment No. 42, in clause 5, page 3, leave out lines 18 and 19 and insert—

'(b) employed to operate independently of the Board with scrutiny and oversight of the role provided by the Board.'.

Amendment No. 8, in clause 6, page 3, line 38, leave out 'Board' and insert 'National Statistician'.

Amendment No. 9, in clause 7, page 4, line 21, leave out subsection (1).

Government amendment No. 48

Amendment No. 1, in line 22, after 'safeguarding', insert 'for the public good'.

Amendment No. 43, in clause 8, page 4, line 39, at end insert—

'(4) The Board shall have responsibility to monitor and assess the performance of the National Statistician against the assigned responsibilities.'.

Amendment No. 10, in clause 18, page 8, line 17, leave out 'Board' and insert 'National Statistician'.

Amendment No. 11, in line 19, leave out 'Board' and insert 'National Statistician'.

Amendment No. 12, in line 21, leave out 'Board' and insert 'National Statistician'.

Amendment No. 13, in line 23, leave out 'Board' and insert 'National Statistician'.

Amendment No. 14, in line 25, leave out 'Board' and insert 'National Statistician'.

Amendment No. 45, in clause 28, page 12, line 17, at end insert—

'(5) The National Statistician is to be the Government's principal advisor on statistics and shall provide professional leadership to all persons engaged in statistical production and publication.'.

[Mr. Speaker]

Amendment No. 15, in clause 29, page 12, line 19, leave out 'Board' and insert

'executive office created under the provisions of subsection (5), below'.

Amendment No. 39, page 12, line 27, at end insert—

'(3A) The National Statistician shall—

(a) promote the coordination of statistical planning and production across government; and

(b) promote the production of statistics that are consistent across the UK.'.

Amendment No. 46, line 28, after 'may', insert 'not'.

Amendment No. 47, line 29, leave out 'not'.

Mrs. Villiers: New clauses 1 and 3 and amendments Nos. 8 to 15 in this group seek to clarify the respective functions of the new statistics board and the National Statistician. I am happy to say that they have much in common with amendments Nos. 39, 43, 45, 46 and 47 from the Liberal Democrats. There is little in the Bill about the role of the National Statistician. Dr. Ivan Fellegi, who is one of the most highly respected statisticians in the world and who is chief statistician of Canada, told the Treasury Committee that the weak role assigned to the National Statistician in the Government's proposals was "a major shortcoming". The Select Committee felt that the proposals needed major strengthening on that point and the Opposition agree.

We would like the Bill to clarify and strengthen the role of the National Statistician in three key areas. First, it should be the National Statistician, not the board, who should be responsible for the production of the Office for National Statistics statistics, so that executive and supervisory functions are separated. Secondly, the Bill should emphasise the National Statistician's duty to co-ordinate statistics in order to mitigate some of the inevitable drawbacks of our decentralised system for statistics. Thirdly, we wish to see the National Statistician's status and authority as the leader of the Government's statistical services acknowledged and enhanced by the Bill.

If I may, I will speak to new clause 1 at the conclusion of my remarks, since it is interlinked with my third point and various elements of the other amendments in the group. I turn first to new clause 3 and amendments Nos. 3 to 15. We believe that the National Statistician, rather than the board, should be responsible for the production of official statistics, but not for all official statistics—only for those now produced by the ONS. We do not call for an end to the decentralised model that currently operates in the United Kingdom for producing statistics, but we do seek to ensure that there is a separation between those responsible for producing statistics and those responsible for regulating and scrutinising that production process.

In a number of instances, as we have acknowledged throughout the debate in Parliament, the Bill represents a step in the right direction—a step that we believe is too timid, but, nevertheless, one that will in the main help to enhance the credibility of Government statistics. However, in this context, we believe that the Bill involves a step backwards. It removes one of the limited existing safeguards in relation to the Government statistical system. The Bill proposes to merge the Statistics Commission and the ONS. Under the Bill, the commission's function of scrutinising statistics and the ONS's function of producing them will both be carried out by the new statistics board. The Opposition believe that losing a fearless and independent watchdog and combining scrutiny and production functions will significantly undermine the effectiveness of the Government's proposals. Amendments Nos. 8 to 15 seek to take the board out of direct involvement with statistical production. They remove key production functions from the board and vest them in the National Statistician, leaving the board tasked with scrutinising her activities and those of the ONS, and to a lesser extent those of the departmental statistical services.

Alun Michael (Cardiff, South and Penarth) (Lab/Co-op): I am following the points about independence and objectivity with great interest. What does the hon. Lady think is the purpose of statistics?

Mrs. Villiers: Statistics have many purposes, one of the most crucial of which is informing decision making in government, in local government—I know that that is a matter of importance to the right hon. Gentleman—and in business. Statistics allow international organisations to assess the performance of the UK economy. Official statistics have a range of vital functions.

Let me turn to the objective of our amendments. There is considerable confusion in the statistical community about the way in which the Bill allocates functions and responsibilities to different entities, especially regarding the allocation of functions between the board and the National Statistician. In short, it is not easy to say exactly who will do what and who will be accountable to whom. When I asked the Financial Secretary to give the Public Bill Committee an example of a similar institutional structure that was in operation in the UK or internationally, he was not able to provide one and said that there were no direct comparators. He effectively acknowledged to the Committee that the proposal in the Bill represents more or less uncharted territory.

On Second Reading, the Minister was asked a question about the person to whom queries about the way in which the census deals with matters relating to the Sikh community should be addressed under the new structure. He said that such a technical query relating to methodology would be dealt with by the National Statistician at present, and that that would be unlikely to change under the proposed structure. However, the Bill expressly provides for the board to have a role in considering that type of methodological question. It is true that the Government have tried to provide for a separation of the functions of the board by creating a new statutory head of assessment. They claim that that will mean that production and scrutiny functions will be kept separate during day-to-day operations. However, such a separation is inconsistent with clause 29(1), which makes the National Statistician the chief executive of the board. That measure leads one to expect that she will have an executive remit on all the board's activities, whether they are assessment or production. We have tabled amendments to address that situation.

The problem of the blurring of the functions of the board and the National Statistician is exacerbated by clause 29(4), which gives the board the right to substitute its decision for that of the National Statistician. I

believe that that problem is highlighted by Lib Dem amendments Nos. 46 and 47. The Government's attempt to provide for an internal split of responsibilities is insufficient to deal with the concerns expressed by many during the consultation about the conflict of interest to which the structure proposed in the Bill will give rise. As the North East Regional Information Partnership has pointed out, the board "will not be detached". In short, the board will be judge and jury in its own case.

The problem is best illustrated by considering what would happen if a complaint about a decision were made by a member of the public. At present, someone making a complaint about a decision made by the ONS can go to the Statistics Commission, if the ONS refuses to respond to his concern. Under the new structure proposed in the Bill, a complainant will take his concerns to the board. However, the board would have been responsible for making the decision about which the complaint had been made. In a real sense, the board would have been the entity that made the decision, given that the Bill merges the ONS into the board. The board would thus be asked in such a situation to rule on whether its own decision was correct. The chairman of the board could regularly find himself in the embarrassing position of having to issue a rebuke or correction to himself. If the board decided that the approach was correct, a complainant could well feel that the failure to impose a sanction resulted from not an impartial assessment of the correctness of the approach taken, but the board's desire not to admit fault in its statistical production. No doubt the statistical production kitemark is being produced with the board's imprimatur. The Royal Statistical Society has pointed out that it is difficult to envisage how the board will be able to command public confidence in its impartiality in such a situation.

The practical problems with such arrangements have been debated at length in the House in the context of the BBC. Many people, including the Burns panel, have stated that arrangements whereby the BBC regulates its own output are unsustainable. The conflict that we are discussing is even more stark than the conflict in the case of the BBC, as the BBC's regulatory function is confined to its own output, whereas the board's remit is wider. It would be difficult for the Statistics Commission to hold the statistical system to account as effectively as it has done if it had responsibility for running the Office for National Statistics, too.

The concern was expressed repeatedly during the consultation. To take just two examples, Jill Tuffnell, head of research for Cambridgeshire county council, said on behalf of the Central and Local Government Information Partnership that a much clearer divide was needed between scrutiny and operational functions. The statistics users forum stated that it did not believe that it was good governance, or conducive to restoring or maintaining public trust in the system, for the same body to be responsible for the delivery of statistics and for ensuring quality and adherence to standards. It said that the proposed removal of the Statistics Commission would eliminate a check on the system and replace it with a system that at least appears to be weaker.

We hope that the Government will listen to the concerns of the experts who use official statistics every day, and we can see small signs of movement in Government amendment No. 48. In Committee, the Government had the embarrassment of having to vote down an amendment tabled by my hon. Friend the Member for Sevenoaks (Mr. Fallon) about the purpose of the board. The amendment said that the board should seek to ensure that the statistical system served the public good. I was surprised that the Government sought to vote down an amendment of that sort, but they have tried to remedy the problem in amendment No. 48. However, although that amendment might give us more of a clue about the objectives of the board, it does nothing to deal with the structural problems that I outlined.

Rob Marris (Wolverhampton, South-West) (Lab): I might have got lost somewhere in the hon. Lady's amendments, but I understand the separation that she seeks to achieve through them. I might have missed something, but having read her amendments, I do not think that they would remove the National Statistician from the board. If I am right about that, and her amendments would leave the National Statistician on the board, is that not a contradiction in her argument? I do not think that she has tabled an amendment to remove the National Statistician from the board; why is that?

Mrs. Villiers: I did not table such an amendment. To be honest, I puzzled over the issue in Committee, but on balance I think that there is an argument for keeping the National Statistician on the board. I acknowledge that if one took a purist approach, perhaps one would want complete separation, and that would involve taking the National Statistician off the board. I concluded that if I were to propose such a complete and radical rewriting of the Bill, it would not get anywhere, so with compromise in mind, I tried to target the functions that cause the most problems, but I acknowledge that that is not an ideal approach.

John Bercow (Buckingham) (Con): I heard my hon. Friend's explanation of her thinking. Does she think that there is a qualitative difference between the National Statistician being a member of the board, and her being its chief executive, which, I understand, is what the Government propose?

Mrs. Villiers: Yes, certainly. My amendments reflect my particular concerns about clause 29, which makes the National Statistician chief executive of the board. The clause makes explicit her executive role in relation to the board's activities, and I think that that is the issue of greater concern. That is why I tabled an amendment to address that point, but did not go as far as tabling an amendment to take the National Statistician off the board altogether.

I shall now turn to the second of the three points to which I referred at the start of my remarks. It relates to new clause 3(1)(b) and (c), and the Liberal Democrats' amendment No. 39. The Opposition believe that it is crucial that the National Statistician is given the explicit remit of co-ordinating the Government's statistical system. The plea for co-ordination has been made strongly by a number of groups, including the Royal Statistical Society and the statistics users forum. The decentralised system has a number of important strengths, but it comes with in-built disadvantages, too. In cases in which critically important statistics are produced by different Departments, there is a self-evident risk of inconsistency, duplication and inefficiency. In the 1990s, for example, I am told

[Mrs. Villiers]

that it took an enormous effort to get the neighbourhood statistics project off the ground because it pulled in data from so many Government sources.

The new clause provides a strong co-ordinating role for the National Statistician, which would help to minimise inefficiency and duplication. It would provide momentum and political drive for co-ordinated projects such as neighbourhood statistics, and it could provide critical direction and coherence for the diverse work of the Government's statistical systems.

4 pm

We believe that that co-ordinating role should extend to the promotion of the consistency of statistics across the UK. Concern about the fragmentation of data has been expressed by many organisations, including the Society of Business Economists. The problem did not start with devolution, but devolution has certainly heightened concerns about the inconsistency of statistical data across the UK. There is an increasing pull from devolved assemblies to fragment statistics, but there is an insufficient counter-balancing pull from the centre to promote consistency, which led to serious problems in the 2001 census, according to John Pullinger, who was heavily involved in that census and is now chief of the Royal Statistical Society national statistics working party. According to the statistics editor of the *Financial Times*, Simon Briscoe, the census left the Office for National Statistics enfeebled by the pressure to fragment data across the UK. The RSS told the Treasury Select Committee that the problem was serious and worsening.

It should be a matter of concern to the House that academics such as Dr. Kadhem Jallab of Tyne and Wear Research and Information have pointed out that differences in the index of deprivation have made it impossible to compare levels of poverty in Newcastle and Glasgow. Alison Macfarlane, professor of perinatal health at City university, told the Treasury Committee that she had to source information from 18 different data sets to compile what she described as a very basic set of maternity indicators. May I make it clear that the Opposition do not seek to impose a one-size-fits-all model on the UK? Of course, the devolved areas will wish to produce statistics tailored to their particular needs. Different regions and local areas may well wish to do the same, but if statistics are collected and compiled on similar topics, consistency should be encouraged wherever possible. If wise and informed decisions are to be made on the impact of health, education, housing and social deprivation on the whole of the UK, we need a core of statistical indicators common to the entire country so that we have empirical evidence on which to base those decisions.

Rob Marris: Amendment No. 9 would leave out clause 7(1), but how would new clause 3 improve clause 7(2)—I do not think that the hon. Lady tabled an amendment to remove that provision. The explanatory notes are as helpful as ever, and paragraph 47 on page 8 refers to "timeliness and comparability". Surely, her proposal is already in the Bill?

Mrs. Villiers: We wished to amend clause 7 to provide space for new clause 2, which was not selected. The amendment is probably no longer relevant, because it is linked to new clause 2. I hope that the rationale is clear to the hon. Gentleman.

Rob Marris: Perhaps I did not make myself clear. Amendment No. 9 would remove clause 7(1). The objectives that the hon. Lady seeks to achieve in new clause 3 appear to be addressed by clause 7(2), which she is not seeking to remove. I suggest that the new clause is, in fact, redundant, because the objectives that it seeks to achieve are encompassed in subsection (2).

Mrs. Villiers: I am grateful for the hon. Gentleman's clarification. Clause 7 refers only to the board. The change that we would like to see is the National Statistician having a remit to drive forward consistency and co-ordination of statistics. I apologise if I did not understand the hon. Gentleman's point initially. The Bill provides for the board to perform certain functions, but we need a clearer steer that the National Statistician should be involved with them. That is the purpose of this group of amendments.

The Opposition's new clauses and amendments highlight a number of important duties for the National Statistician to carry out, but there can be few of greater importance than the third and last point that I shall raise in relation to this group. New clause 3(3) and Liberal Democrat amendment No. 45 propose that the National Statistician should be acknowledged in the Bill as the Government's chief adviser on statistics and should provide professional leadership to all in the Government's statistical service.

New clause 1 would give the National Statistician direct access to the Prime Minister. If the reform is to succeed, the National Statistician's writ must run throughout the Government's statistical services, not just in the Office for National Statistics. In a decentralised system, we need a strong figure to promote good practice and ensure that Departments do not slip below the appropriate ethical and professional standards in the production and release of statistics.

Ensuring that the National Statistician has the ear of the Prime Minister and access to the Prime Minister, and ensuring that Departments know that she has the personal backing of the Prime Minister, is key to giving her authority to maintain high standards of integrity and impartiality in relation to departmental statistics, and to help her eliminate the mistreatment and manipulation of statistics, which the Bill is designed to stop.

The National Statistician's leadership role is crucial. Departmental statisticians should account to her, as well as to their direct bosses. They should look to her for a lead on technical matters, but more importantly, they need to be able to look to the National Statistician for support in maintaining the highest standards of statistical quality and integrity. When they are under pressure from their line managers in Departments to compromise on those standards, they should be able to refer to the National Statistician for guidance and backing.

It is critical that the power and the status of the National Statistician should act as a counter to the political pressure on departmental statisticians that might be exerted by Ministers and policy officials. That is one of a number of reasons why the Opposition

amendments in this group could do so much to strengthen the reform and make it work to protect Government statisticians from political interference.

John Bercow: Will my hon. Friend give way?

Mrs. Villiers: Certainly. I was about to conclude, but I give way to my hon. Friend.

John Bercow: I am grateful to my hon. Friend for generously giving way, particularly in the circumstances of her approaching her denouement. Clearly, there is an important distinction between the technical quality of statistics and the question whether they are duly representative. I did not have the privilege and the salivating experience of serving on the Standing Committee, so I hope that my hon. Friend will understand my ignorance on this point. What if, to put it in simple terms, the National Statistician has a particular view about what ought to make up the basket of items that constitute the basis of the retail prices index, and the Chancellor or the Prime Minister takes a different view? Will we get to know that the National Statistician has a view? Will it be in the public domain? Can we debate the issue and hold Ministers to account on the matter?

Mrs. Villiers: One of the changes introduced by the Bill is to pass responsibility for the RPI from the Chancellor of the Exchequer to the board. I hope that the National Statistician would be involved in exactly the kind of technical decision to which my hon. Friend refers. It is important, as he says, that those decisions are made transparently and that we can debate them. It is a positive feature of the Bill that it will transfer powers over the RPI and such decisions to the board. It is important that those decisions should be taken, in effect, by the National Statistician. My hon. Friend's question illustrates the problem that we are dealing with, in that the Bill provides for the board to take the decision, whereas the National Statistician has the technical expertise to do that.

I hope that the Minister and the House will consider the amendments, which would considerably strengthen and clarify the institutional structures set out in the Bill and improve our chances of restoring trust in official statistics.

Alun Michael: Anybody who believes in an evidence-based approach to public policy must welcome the Bill and our debate. I am sure that the hon. Member for Buckingham (John Bercow) was disappointed to miss the opportunity of serving on the Committee, which was one of the best that I have had the pleasure of taking part in. The Minister made good responses, took away and reflected on some of the important issues that were raised, and has responded positively.

In that context, I particularly welcome amendment No. 48, in the name of the Chancellor of the Exchequer, which gives a clear sense of direction and purpose for the board and for the chief statistician. Statistics are now clearly defined as being there to "serve the public good", which is an important principle to have in the Bill. The definition of "the public good" is particularly useful in its reference to

"informing the public about social and economic matters".

That means that it is about informing general public policy debate, and I have no doubt the standard of that debate will thereby be improved. It also gives the board the remit of ensuring that statistics are used in

"assisting in the development and evaluation of public policy."

That sets in a proper context the duties of the board as originally stated in the Bill. I give three cheers for what the amendment achieves. Earlier, the hon. Member for Chipping Barnet (Mrs. Villiers) confirmed, in response to my intervention, that she sees statistics as having the purpose of informing decision making. I welcome that, because it means that Members on both sides of the House are clear about the wider purpose of statistics. Amendment No. 48 is not controversial in that sense, but sometimes an uncontroversial amendment is nevertheless very important. This amendment means that the Minister has responded positively to our discussions in Committee.

New clause 1 is not really a matter for legislation, although the authority of the chief statistician is very important, as underlined by the hon. Member for Chipping Barnet. New clause 3 rather misses the point, because it treats statistics as if they are an end in themselves, but of course they are not. Similarly, amendment No. 24, which we come to in a later debate, refers to "statistical purposes". The crucial point is that statistics need to be useful and to help to inform the public debate; indeed, that is the most important development in the Bill as it comes before us today.

I know from personal experience and from discussion with those working at a local and a regional level that good-quality data and the ability to share and use it effectively is an essential aid to public services. That applies across a wide spectrum of activity, be it developing local economies, tackling crime and disorder, understanding what is needed to improve community cohesion, or the effective delivery of health and social care. It is worth saying that all those apparently separate issues are closely inter-related when dealing with policy at the most local level.

My own experience at ward and sub-ward level as a youth and community worker and a local councillor before entering Parliament, as endorsed and reinforced by my experience as a Member of Parliament, is that people rarely take seriously the evidence that exists in statistics. By "people" I mean local people, those in institutions, professionals, and those who are responsible for public policy. A comprehensive approach that overlays nationally available figures from the census and other sources with specific local statistics, including figures on health, criminal activity, unemployment and so on, can provide powerful evidence of the need for change.

4.15 pm

I have seen such an evidence-based approach, led by a doctor and scientist in Cardiff, reduce violent crime and lead to Cardiff becoming one of the safest cities, which has been of no small benefit to the NHS as well as to potential victims. I have seen an evidence-based approach help to give the youngest children a start in life. I have seen it focus a variety of agencies on a realistic joint programme in a deprived area. I have seen it enable us to measure the effectiveness of intervention, instead of wringing our hands about how difficult it all is. Those are important products of the proper use and application of statistical information.

That practical use of statistics can be almost invisible even at local authority level, never mind at the more rarefied levels of academic research. That is why I am keen to ensure that the needs of those who believe in action research—or the link between research and action—the needs of the grass-roots workers who can make such a difference to the health of the local community, and the needs of the community itself receive proper attention as the system for improving statistics is developed. As an MP and a Minister, my experience has been that many national statistics are collected to be consistent and objective over many years but not to tell us anything that is useful or that informs the development of public policy.

Amendment No. 48 would therefore give the board the clear function of improving the use as well as the gathering of statistics. For those working at a local authority level and below, we need to maximise the value of our investment in statistics by ensuring that four or five principles are pursued. The National Statistician and the board need to champion the development and use of national and official statistics for local policy and public service delivery purposes, as implied in amendment No. 48. The National Statistician and the board must strive to ensure that statistics can be and, wherever sensible, are collected and presented on a consistent basis at local as well as national aggregated level.

John Bercow: I both understand and appreciate the thrust of the right hon. Gentleman's remarks. May I put it to him, however, that it would probably be an unwise assumption—and it may not be his—that one should simply allow a trickle-down of national figures to the local level? For example, in the field of special educational needs, it is not much good expecting an individual local education authority simply to extrapolate and form its policy on the basis of national averages. What we need to move towards is a situation in which LEAs are expected as a matter of course properly to conduct and update audits of their own community, the better to inform both their policy and perhaps their lobbying of Government.

Alun Michael: I absolutely agree with the hon. Gentleman's comments. My point is not that everything needs to be done at the most local level, but that if information is not collected and available in order to be aggregated upwards, we will not have the instruments to interpret what is happening, whether at a regional or higher level. I agree that the information must then be used at the appropriate level. My basic point is that if the information is available right down at the grass-roots level, where some of the real problems of society are to be discovered, we can aggregate upwards in a way that suits any service. In relation to issues of disability and special educational needs, he is right that a more strategic level is appropriate.

At all levels, the ability to cross-reference and use statistics to describe and understand the complexity of modern society is invaluable. For example, identifying and helping vulnerable children is much aided if people working locally can bring together health, education, crime and social care data to create a fuller picture. That does not provide a complete answer, but it is a powerful diagnostic tool. That implies a need to collect information at the most local level.

The National Statistician and the statistics board actively need to foster the best and widest use of public investment in statistics for public benefit purposes. That is why I am delighted that Government amendment No. 48 makes that clear. They need to tackle any unnecessary blockages to that end, commensurate with genuine data protection and confidentiality requirements. For example, they should work to remove unnecessary barriers to data access and sharing; they should ensure that the definition of "approved researcher" includes those working in local authorities and other local service providers, as well as those undertaking policy work and practical interventions for organisations in the third sector; and they should ensure that there is a robust, simple and non-bureaucratic system to provide ease of access for approved researchers.

My particular concern is to ensure that statistics are fit for purpose in terms of their effective use at local and sub-regional level, as well as at national and regional level. Statistics are not an end in themselves, but the means to an end, such as crime reduction, improved quality of life or better service delivery. I hope that that will be translated into action by the National Statistician and the board, so that there is a proportionate but effective focus on ensuring that relevant national and official statistics provide evidence of, for instance, local variations and different service needs. That would be greatly welcomed by all those concerned with local policy developments and service delivery, and it will reflect well on the Government and Parliament. It is in that context that I appreciate the thought that my hon. Friend the Minister has given to the matter and the way in which he has tabled amendment No. 48.

It is always best to keep the wording of any Bill as simple as possible, which is why I did not press some of the amendments that I moved in Committee to a vote. Underlining something by making the wording too emphatic can, by implication, make other things seem less important, or even exclude them by implication. So I did not press some of the amendments, especially given the Minister's welcome assurances in Committee that the measures set out in the Bill embrace the need for statistics to aid local and, indeed, very local policy making. He has carried his words in Committee into action by tabling amendment No. 48. I both welcome it and commend it to the House.

Dr. Vincent Cable (Twickenham) (LD): I agree with the right hon. Member for Cardiff, South and Penarth (Alun Michael) that there are many good aspects to the Bill. We all welcome the move towards strengthening the independence of Government statistics. I also agree that there are some things to which the Government have listened. Amendment No. 48 may reflect that. I think that it subsumes what the hon. Member for Sevenoaks (Mr. Fallon) was trying to achieve, and that is progress.

There has, however, been no movement on the main issues of substance, and I entirely agree with the arguments developed by the hon. Member for Chipping Barnet (Mrs. Villiers). There are serious deficiencies in the Bill, and some of them lie in the area covered by this group of amendments. They stem from the basic strategic judgment that the Statistics Commission and the Office for National Statistics can be combined. The Government make a good case for that on one level. There is something

to be said for combining two quangos in one on cost and efficiency grounds, providing it is clear that the roles are properly demarcated—the Chinese walls are clearly defined—and that the different jobs are clearly specified.

One of the problems from the outset has been that it is not clear that those distinctions are being properly made. The hon. Lady quoted the Treasury Committee on the need for the role of the National Statistician to be spelled out with more detail and clarity than is the case. That still remains an issue. More worryingly, the Bank of England expressed the view at an early stage in the consultative process that the role of the National Statistician was unclear under the Government's proposals. That still remains the case.

Julia Goldsworthy (Falmouth and Camborne) (LD): Does my hon. Friend agree that one of the other concerns is that the role of the National Statistician has effectively been downgraded as a result of the proposals? That is why the principal role of the amendments is to ensure oversight of the production of statistics and the people generating them, as a way of preventing that role from being undermined.

Dr. Cable: Yes, that is right. The National Statistician is an enormously important job and the Bill should reflect that explicitly.

We are particularly concerned to take on board the constructive criticisms of the Royal Statistical Society and the Statistics Commission, which argued that there must be a "demonstrable separation of powers" between the National Statistician and the non-executive members of the board. There is no fundamental reason why they should not work together as part of the same structure, provided that that separation of powers is made absolutely clear.

Our amendments are designed to complement the arrangement favoured by the hon. Member for Chipping Barnet, and I do not think that they conflict with it. They have specific aims, the first of which is to define the roles of the National Statistician and the board. Amendment No. 42 states that the National Statistician is to be

"employed to operate independently of the Board with scrutiny and oversight of the role provided by the Board."

That makes it clear that delivery and scrutiny are separate functions, even within the board itself. Amendment No. 43 states that the National Statistician must be accountable to the board, whose role will be to monitor and assess his or her performance.

Amendments Nos. 39 and 45 are designed to deal with the point raised by my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy), in defining more fully, and stressing the importance of, the National Statistician's role. They make it clear that the National Statistician is the Government's principal adviser on statistics, and that he or she is there to give professional leadership to Government statisticians as a whole. They also make it clear that the National Statistician's role is to co-ordinate statistics across Government, and to promote them consistently across the United Kingdom. I do not think that any of those definitions conflicts with the way in which the Government see the National Statistician's role; they merely make it explicit.

Amendments Nos. 46 and 47 are, perhaps, particularly crucial. They concern the placing of the word "not", which is rather important. Clause 29(4) currently states

"The Board may direct the National Statistician... not to exercise a particular function, or... as to how he"

—although in this case it should be "she"—

"should exercise a particular function."

That cuts across what should be the Bill's aim, which is to separate the functions of the National Statistician and the non-executive members of the board.

Adam Afriyie (Windsor) (Con): I did not serve on the Committee, but I think that the hon. Gentleman's point strikes at the heart of the matter. If the National Statistician, or the body producing the statistics, is in any way controllable, and can be ordered by the Government to remove a set of statistics or review the way in which statistics are presented, surely the independence that is the Bill's aim falls apart?

Dr. Cable: The hon. Gentleman is absolutely right. What I am not clear about—perhaps the Minister will clarify it—is whether that is due to an oversight, or deliberate. Subsection (4) states explicitly that the board can intervene to direct the National Statistician as to how he or she carries out the operational part of his or her task. That is clearly wrong, and I do not think it is what the Government intended.

Having reflected on what the subsection could mean in practice, I discussed with a former National Statistician how it would have applied in the context of the Railtrack classification. I was told that that decision had been extremely difficult and complex, and that a whole manual of national accounting must be consulted when such decisions are made. Had the Bill been in force at the time of the Railtrack decision and had a non-executive member of the board been involved in the operational side of it, someone with a different opinion could have applied for a judicial review, because the non-executive board member would have been wholly unqualified to deal with such a difficult, technically demanding function.

Probably only two or three people in the United Kingdom are competent to handle such decisions, but there are people overseas who could perhaps be involved in an advisory capacity. The purpose of the board, in its supervisory role, would be to ensure that good practice was followed—that the overseas advisers were enlisted, and that the National Statistician followed the correct procedures. In no circumstances should the non-executive members of the board be involved in such decisions. As the proposed legislation is currently drafted, the door is open for there to be intervention in operational matters. That would not only be contrary to the spirit of the legislation, but it could leave the Government open to expensive and damaging litigation.

4.30 pm

I urge the Minister to think carefully about the current drafting of the clause, as it is wholly contrary to the spirit of the Bill. What I have said lays bare the difficulty that Opposition Members are having in respect of trying to make sure that the legislation properly defines the scrutiny role of the board as opposed to the operational role of the National Statistician.

Mr. Michael Fallon (Sevenoaks) (Con): I shall shortly speak to amendment No. 1, which stands in my name, and Government amendment No. 48, which has, I think, been tabled in response to it. However, I shall begin by addressing new clause 1, tabled by my hon. Friend the Member for Chipping Barnet (Mrs. Villiers).

I support the new clause, and I will be surprised if the Minister does not agree to it. It is extremely important that there be the right of direct access to the Prime Minister. Lord Moser, who served four Prime Ministers, was emphatic in his evidence to the Select Committee that that is an essential weapon in the armoury of any National Statistician who is involved in any dispute with either the senior statistician or, indeed, Ministers in other Departments.

So the Government have not accepted a broader supervisory function for the National Statistician, the right of direct access is all the more important. Not only does it reinforce the leadership role that my hon. Friend has sketched in new clause 3(3), but if the Government are not going to concede a supervisory function, there should certainly be that safeguard for the National Statistician. When it is necessary—which will be very rarely, as Lord Moser made clear—it is essential that that right exist.

It is also important to have that right of direct access to the Prime Minister because it is direct. It is not to be exercised through the Cabinet Secretary. That is important, because the department will be retained within the aegis of the Treasury. It will not be transferred to the Cabinet Office. It will not be brought any closer to the Prime Minister. For that reason, the right of direct access is particularly important.

The National Statistician might get into a serious dispute—for example, with the Chancellor himself. The Treasury is the Department that will fund the new board and appoint its members, but there could be a dispute about a matter. Let us speculate about what could be the subject of such a dispute: the definition of private finance initiative liabilities, for example, or the cost of public sector pensions, or the net investment rule. As there could be a dispute, the National Statistician must have the right of direct access to the Prime Minister.

I also support new clause 3, which sets out the proper role for the National Statistician and the board. It is extraordinary that that is not done in the Bill itself. We found that out in Committee. We had to supply amendment after amendment in order to insert into the Bill that key leadership role. Perhaps to make her amendment more compliant and to give it a chance of success, my hon. Friend the Member for Chipping Barnet has not included the key word "supervisory" in it, but that is the matter that we are talking about. In the end, the National Statistician must be able to exercise some leadership role across the Departments—across the statistical divisions of those Departments. That is why new clause 3 is so important.

I note that my hon. Friend's drafting covers all statistics and not simply official statistics. I support that; it is important. She specifies a clear duty of co-ordination across the different Departments of State and also the promotion of consistency between the territories, which we might hear a little more about later in our debate.

The National Statistician must be not only head of profession, but the champion of statistics—and also of the public good, which I will address. That means that she must have an interest in the way in which statistical functions are carried out not only in her own office but in the statistical divisions of each of the Government Departments. She must be interested in whether they have the necessary funding, for example, or whether they are devoting the resources that are required, or whether the right priorities are being set inside those Departments to deliver the statistics that are needed. I support new clause 3.

Rob Marris: Does the hon. Gentleman not agree that, in the light of the aims that he has just referred to, new clause 3(1)(c) is somewhat infelicitously worded? It does not mention the production of official statistics—the issue that he directly referred to—so if it were passed, the National Statistician could have the very strange role of promoting the production of consistent statistics from private companies, charities and so on.

Mr. Fallon: I certainly prefer the term "statistics" to "official statistics" because, as we debated endlessly in Committee, it covers a wider range of data. It had not occurred to me that new clause 3(1)(c) as drafted might refer to the production by companies of private or commercial statistics. However, it makes pretty clear exactly what is required—that statistics, if they are to be produced by the different territories, must be as consistent as possible. My hon. Friend the Member for Chipping Barnet is right to want to give that duty to the National Statistician.

I turn, if I may, to my amendment No. 1 and Government amendment No. 48. Let me say straight away to the Minister that he has kept his word. In Committee, we introduced the concept of "public good", and he has offered up a definition of it and acted to put it on the statute book for the first time. I thank him for that. It is important, as the right hon. Member for Cardiff, South and Penarth (Alun Michael) said, to get that wider objective on the statute book. Any criticisms that I now make of the Minister's drafting should not detract from the general welcome that I give to getting those words in.

In amendment No. 48, the Minister refers to

"the production and publication of official statistics that serve the public good."

That is all very well, but on looking at that phrase more carefully, we note that he is referring to

"statistics that serve the public good",

rather than to statistics whose purpose is to serve the public good. That is not simply a nit-picking point. It implies, of course, that some official statistics will not be serving the public good—that another set of statistics is not involved with the public good. That is a little unfortunate, and perhaps the drafting can be improved in that regard.

Alun Michael: Does the hon. Gentleman not accept that some statistics might be needed because of the requirements of international institutions, for instance? Such statistics would be for the purposes of international comparison, and would not therefore have to meet the test of "public good" in a local or national context.

Mr. Fallon: Yes, I do, but given the way the amendment is drafted, a whole series of other statistics that we do not know about might not be included in the definition.

Secondly, subsection (2) of amendment No. 48, which defines "public good", includes this wonderful paternalist wording that could have been written by a civil servant in the late 1940s. The public good is defined in the context of

"informing the public about social and economic matters",

and of

"the development and evaluation of public policy."

In other words, the Minister is defining public good as the good of Whitehall. My amendment is a little simpler and a little more forthright. It makes it clear that the whole exercise should simply be for the public good, and that we should not try to confine it to what is in the best interests of Whitehall.

However, I want to be charitable today to the Minister. He has included in amendment No. 48 the one phrase that perhaps saves him—"includes in particular". So the amendment does not exclude other issues; it could go wider, and I believe that it should.

Alun Michael: I am trying to understand the hon. Gentleman's objection to the wording. Serving the public good surely depends on a wider test of the public good than what Whitehall considers it to be. The second element specifically mentions

"informing the public about social and economic matters".

Again, those must be wider and more objective than what civil servants and Whitehall consider to be of interest.

Mr. Fallon: That may be, but the point that I am trying to make is that this particular drafting is Whitehall-centric. It is about how Whitehall will be

"informing the public about social and economic matters, and...assisting in the development of...public policy."

That is not a reference to the right hon. Gentleman's local community, to Cardiff city council, but to those who are in charge of public policy. My point is that there is a much wider public interest—that of all of us who are citizens in an informed democracy. We have the right to accurate information and independent, rigorous and truthful statistics. If the public are to measure the performance of those who govern them, it is essential that statistics—and the public good—be defined more widely. Statistics belong to all of us, not simply to Whitehall or Ministers.

Alun Michael: Will the hon. Gentleman give way?

Mr. Fallon: No, I am not going to give way again.

I support new clauses 1 and 3 and I welcome, with the criticisms that I have made of it, amendment No. 48. Even at this late hour, the Minister should have another look at the simpler and more forthright version that I have set out in amendment No. 1.

Mr. David Gauke (South-West Hertfordshire) (Con): I wish to make two brief observations on this group of amendments. The first relates to the comments made by the hon. Member for Twickenham (Dr. Cable) about amendments Nos. 46 and 47. Similar amendments were discussed in Committee and I shall repeat an observation that I made then, because it still holds true. Both those amendments are very helpful, but flawed.

They are helpful because they expose one of the difficulties in the Bill. Essentially, the Bill provides details of the role of the statistics board, but does not especially say what the role of the National Statistician will be. Clause 29(2) states that the National Statistician may exercise certain functions of the board. However, clause 29(4) allows the board to reserve powers for itself instead of allowing the National Statistician to assume all the powers of the board, which I think would be the result of amendments Nos. 46 and 47. That would not be desirable, but the amendments are helpful because they identify the flaw in the Bill, which is that we do not know what the role of the National Statistician will be. We will have a board, and that will do certain things, and some of its powers will be delegated to the National Statistician, but the Bill does not give much guidance on that point. New clause 3 is also helpful as it attempts to define the role and objectives of the National Statistician.

My second observation relates to the fact that since the Committee stage the Treasury Committee has visited the Republic of Ireland. Those of us who went, including my hon. Friend the Member for Sevenoaks (Mr. Fallon), met the Irish statisticians, who made several observations to which I am sure we will return during the course of the afternoon. The Irish statisticians identified an example of some of the pressures on them. The question arose as to whether cigarettes should be included in determining inflation and the equivalent of the retail prices index. Health campaigners argued that cigarettes should be excluded on health grounds. The view of the statisticians—rightly, in my opinion—was to resist that argument, because the point of statistics, as we have discussed this afternoon, is to provide a true figure. Such questions of morality should not be part of the decision about what is included in a particular statistic. The Irish statisticians were able to resist that pressure. In looking at the Bill, it is a worthwhile test to assess that everything has been done to ensure that the statisticians are in a position to resist that type of extraneous non-statistical pressure to influence statistics.

4.45 pm

New clause 1, which deals with access to the Prime Minister, also relates to the status of the National Statistician—an issue referred to by my hon. Friend the Member for Sevenoaks. It is important that the National Statistician should be a respected major figure in public life.

New clause 3 relates to the role and objectives of the National Statistician. The fact that those are made clear and are now an integral part of the Bill will help the National Statistician to retain the necessary integrity and strength to resist any pressures. Amendment No. 48, which relates to the role of the board, also assists in that process. Once again, I agree with my hon. Friend the Member for Sevenoaks that that specification is helpful and welcome. The public good test is definitely worth applying to the Bill as a whole. As I say, both new clauses 1 and 3 would be beneficial to the Bill in achieving that objective.

The Financial Secretary to the Treasury (John Healey): As at each stage of consideration of the Bill, we have had a very well informed, informative and

[John Healey]

useful discussion—in this case, of a group of two new clauses and a series of amendments. Before dealing specifically with the new clauses and amendments tabled by the Opposition, I would like to speak to Government amendment No. 48, which has been tabled for consideration in the light of the debates and strong case made in Committee in support of similar amendments—tabled then by my right hon. Friend the Member for Cardiff, South and Penarth (Alun Michael) and by the hon. Member for Sevenoaks (Mr. Fallon). The provisions are also a response to the points raised in Committee by my hon. Friend the Member for Wolverhampton, South-West (Rob Marris). I appreciated the three cheers that my right hon. Friend the Member for Cardiff, South and Penarth gave for the amendment. He is right that it is important and I hope that he is also right that it is non-controversial. I also welcome the support of the hon. Member for Sevenoaks and others who have spoken in the debate.

The new provisions in amendment No. 48 strengthen the board's overarching objective, requiring it to promote and safeguard the production and publication of official statistics that serve the public good. Although I am not seeking to define exhaustively the many ways in which official statistics serve the public good—a point that the hon. Member for Sevenoaks was anxious to hear me make—clause 7 highlights some of the key ways in which official statistics do so. They help inform the public about the economy and society in which they live; they play a crucial role in the development and evaluation of public policy at all levels—national, regional or local— and they are official statistics, the statistics of the Government.

The amendment is designed to include clearly in the board's statutory objectives an important point of principle, which was always the Government's intention, though perhaps not explicitly stated—that the availability of comprehensive, high-quality official statistics produced according to good practice is not an end in itself, but that statistics exist to serve the public good in the widest sense.

Official statistical information is a rich and vital source of information in any modern democracy. It serves everyone from school children, local community groups and business to academics, the voluntary sector, researchers in a wide range of organisations and, of course, the Government themselves. The amendment is an explicit reflection of the Government's belief that official statistics exist for the public's benefit, and not solely to inform and assist the Government in their work.

By including the revised objective, the board will be required to give recognition and consideration to the ways in which statistics serve the public good in carrying out the functions for which it is responsible, such as monitoring and reporting on quality, comprehensiveness and good practice, as well as drawing up and assessing statistics against the code of practice. I hope that Members will agree that the amendment strengthens the Bill and that it represents a welcome step forward.

I shall now turn to the new clauses and amendments tabled by other hon. Members. In many ways, they illustrate an attempt to alter the core model of governance that we have adopted in the Bill. They cover matters that we discussed in detail in Committee, and touched on at some length on Second Reading as well. However, it is worth retreading some of that ground on Report, and trying to elaborate on the issues in a way that I hope will enable us to deal with some of the concerns behind the amendments and new clauses.

To summarise, our model for setting up the statistics board and its relationship with the National Statistician and the executive statistics office involves the creation of the new independent statistics board that is at the centre of the Bill. That reflects our commitment to two central principles. The first is to devolve, where appropriate, ministerial power in statute to credible institutions set up independently and given a remit by Parliament and the Government. The second principle involves leadership by a board, which means sharing accountability across a group of individuals with a range of skills and expertise who report directly to Parliament rather than to me as the Minister. It is our belief that that is a better approach than vesting all authority in one individual. It is consistent with best practice in corporate governance, be that in the private or the public sector. It also reflects the importance of statistics in terms of involving more than simply a matter of technical excellence in production. It is therefore important that a board of broader composition reflects the wider range of users and the purposes of statistics.

From the point at which we first started collecting import and export data more than 400 years ago, and from when we conducted the first population census about 200 years ago, the decentralised system of statistical collection and production has been viewed as a strength of the UK system. Given the unique features of our long-established and strongly supported decentralised system of statistical production, we wanted to establish a single oversight board to set standards, to scrutinise the statistical system, and to provide the top layer of governance for what is at present the Office for National Statistics but which, in the context of the Bill, will be the independent national statistical service.

A key reason for doing that was to avoid creating what might otherwise be competing independent centres of statistical expertise, which might ultimately confuse and undermine confidence in the system. Under our chosen model, the board will be able to draw on the professional advice of the independent statutory National Statistician, rather than requiring its own separate independent professional adviser, which clearly would be the case were we to set up two separate centres or institutions.

I would point out to the hon. Member for Chipping Barnet (Mrs. Villiers) that we are creating a model that is best suited to the purposes of the UK statistics system for the future, but we are not entering entirely uncharted territory. At the core of the new system lies a familiar model—the unitary corporation or board responsible for discharging the functions conferred specifically by the Bill.

Normally, a board delegates functions to its executive arm. In this case, however, the executive authority is conferred directly to the executive office. That is not unusual: officers of Her Majesty's Revenue and Customs can exercise the functions of HMRC commissioners. What is unusual is the requirement for the board to have regard to the National Statistician's advice. That requirement recognises the National

Statistician's professional status. Moreover, the board must set out in a report to be laid before the House any instances of when it departs from the technical and professional expertise and advice offered by the National Statistician. In many ways, the model and approach being adopted in the Bill will be familiar to those who understand the role played in Government Departments by accounting officers.

Effectively, the Bill removes Ministers from the accountability structure for the ONS—in all the hours of debate on the proposals, I have not yet heard anyone argue that I should keep my current job in that regard—but the oversight role is absolutely fundamental. That is why the new statutory board will undertake the role currently performed by Ministers.

Stewart Hosie (Dundee, East) (SNP): The Minister is talking about oversight, but clause 29(4) states:

"The Board may direct the National Statistician...not to exercise a particular function, or...as to how he should exercise a particular function."

Does he agree that the board's role therefore goes beyond mere oversight? The Bill states that the board must "have regard" to the National Statistician's professional advice, but does not clause 29(4) drive a coach and horses through that?

John Healey: I shall explain in a little while how the person who is legally accountable to Parliament for a particular decision must have ultimate responsibility for the function. I hope to make it clearer how that will be discharged, but I will certainly welcome a further intervention from the hon. Gentleman if he is not satisfied with my explanation.

We have ensured that, within the single structure that we propose, there is a clear separation between the production and scrutiny responsibilities. The Treasury Committee urged us to do that, and I believe that the Bill largely achieves it. The National Statistician is required to establish the board's executive office, and appoint its other members and staff. We expect the office to undertake the statistical executive production activities on a day-today basis, just as the ONS does now.

Mrs. Villiers: The Minister says that the National Statistician will, in effect, run the executive office—in other words, that that office will effectively take on the function of the ONS. If so, why will he not accept amendment No. 15, which would make the National Statistician the chief executive of the executive office, rather than of the board as a whole?

John Healey: Because the amendment would restrict and diminish the important role of the National Statistician. The Bill reinforces her status in some important ways and makes her role clear. It also gives her role statutory backing in a way that has not been the case previously.

5 pm

The assesament function, on the other hand, will be operationally independent of statistical production within the executive office. A statutory postholder—the head of assessment—reporting directly to the board will lead the assessment function and all staff working on assessment. Statistics produced by the executive office—in other words, the current ONS—will be assessed according to the same standards, processes and rigour as statistics produced anywhere else in the Government. Given the importance of the board's establishing its credibility and reputation as an assessment body, I have no doubt that it will insist on applying the highest standards to statistics produced by the National Statistician's executive office, despite suggestions from Opposition Members that that may not be the case. It certainly will be the case, because nothing less will do—as will be apparent, should there be any suggestion of dual standards in the application of assessment and approval functions conducted by the board.

Rob Marris: I understood my hon. Friend to say that the executive office would be roughly akin to the current ONS. I seek his assurance that he will look into whether there is adequate funding for the ONS now, and the executive office in due course, to carry out those tasks. My hon. Friend may be aware that the Public and Commercial Services Union—the trade union for many ONS staff—is worried about Gershon cutbacks, Lyons relocations and things such as the closure of the public search room at the Family Records Centre and race equality proofing in the distribution of posts outside London. Will my hon. Friend make sure that the new executive office is adequately resourced?

John Healey: My hon. Friend is right: the PCS is concerned about such issues in relation not only to the ONS but across Government. I understand the union's concern, but on the other hand the Government have to set those important objectives across all Departments. He may remember from previous proceedings on the Bill that I gave a commitment that our approach will be to take the funding of the new independent statistics board out of the normal comprehensive spending review process. We shall put it on a five-year footing, with an annual formula approach. I assure him that I am considering very carefully indeed the resource requirements so that the new independent statistical system led by the statistical board can do the job we are asking it to do.

New clause 1 seeks to establish that the National Statistician will have direct access to the Prime Minister on any matter involving the integrity of, or a dispute with, a Department regarding official statistics. As the hon. Member for Sevenoaks informed the House, we had a long debate about the proposal in Committee but, as I said then, I do not accept that it is a necessary addition to the Bill. It is not always widely appreciated that the National Statistician holds a rather exceptional position and currently has right of access to the Prime Minister, through the head of the civil service, specified and formalised in the terms of the framework for national statistics. I have been unable to discover a comparable post in which such right of access is formalised in that way. It is not the case for the chief medical officer, the chief scientific adviser, the head of the Government's legal service or the head of the Government's economic service. There is no precedent for going further and codifying such right of access in legislation.

Let me make it clear that we intend the National Statistician to continue to have that right, but it is neither appropriate nor necessary to put it into

[John Healey]

legislation. Exposing, cross-examining or dealing with any Department or Minister who may be failing to follow the advice or requirements of the statistics board is the role of the board; and it is for the board to report the matter publicly to the House.

I hope that Members recognise that it will be the role of the House and of Parliament to play a more active part in holding Ministers and Departments to account, in a way that is consistent with what this House and the other place are set up to do. In the Bill, we reinforce the potential for Parliament to play that part in holding Ministers and Departments to account.

Mr. Fallon: I am still not quite clear about the right of direct access. The Financial Secretary says that it exists at the moment, or that he intends it to exist, but how can it exist as a right if it is not statutory?

John Healey: The hon. Gentleman, better than anyone in the House at present, will understand the nature of the framework for national statistics, which we introduced in 2000. He will recognise—because we are legislating now—that that is not a statutory framework. Nevertheless, the access that the National Statistician has through the head of the civil service is set out under the terms of that framework. That is the simple answer to the hon. Gentleman's question.

New clause 3 apparently seeks to clarify the roles, responsibilities and objectives of the National Statistician as compared with the board. Although I understand some of the thinking behind it, in my view the proposal is unnecessary. I hope that I will be able to demonstrate to the hon. Member for Chipping Barnet and others that it is likely to subvert, not strengthen, the governance model and to blur, not clarify, the lines of accountability.

I want to say clearly to the hon. Member for Falmouth and Camborne (Julia Goldsworthy) that the National Statistician's role under the Bill and the new system is not being downgraded. I hope to go on to explain that it is also not unclear. First, let me deal with the question of the National Statistician's role and status. It is hard to argue that, taken as a whole, the Bill and the proposals for the new system downgrade the role, as opposed to strengthening it. For the first time, it will be a statutory post. The National Statistician will be the chief executive of what is currently the Office for National Statistics. She will continue to be the chief statistical adviser to the Government and to the board on all professional and statistical matters. She will be head of the Government statistical service. She will be a full member of the board, sharing responsibility with the other board members for the ultimate decision making, rather than, as now, advising me as the Minister ultimately responsible to Parliament. Finally, the post will be a higher status Crown appointment, rather than, as now, a post that is appointed simply by Ministers. I hope that that will settle once and for all the suggestion that the hon. Lady has recycled from others and that was often made at an earlier stage in our consultation.

On the question of clarity, the hon. Member for Twickenham (Dr. Cable) is right: there is no intrinsic reason why the National Statistician cannot operate in the same organisation as a scrutiny or assessment function if we get the arrangements right. I hope that if I say a little more about how the board and the National Statistician's duties will operate in practice it may allay some of the concerns that have prompted the remarks this afternoon and the amendments and new clauses. Once the board is established, I fully expect the chair of the board and the National Statistician to set out in more detail some of these points in published documents that outline their ways of working and their respective overall goals and objectives. These are not matters for statute or matters to pin down precisely at this point. The matters for statute relate to establishing legal responsibilities and clear lines of public accountability.

In its role and capacity as the top layer of governance for the statistics office, we expect that the board will primarily provide strategic oversight and set the direction. As I have said, it replaces the role that I currently undertake in relation to the Office for National Statistics. I am clearly not involved in the day-to-day operations. The majority non-executive board will similarly provide support for, and exercise a challenge function in relation to, the National Statistician and her executive team. That is a well established and usual role for non-executive members of boards.

I would expect the board, as I do now, to contribute to, comment on and sign off several of the long-term strategic documents and plans, such as high-level business plans for statistical production. I would also expect it to play a central role in making decisions about managing high-level risks. Examples of that might be plans for the census, plans for improving the statistics that are available to track migration and population in this country, or even several of the issues raised by my hon. Friend the Member for Wolverhampton, South-West (Rob Marris), such as questions of relocation and where the headquarters of the ONS should be located in future. We expect the board to sign off the code of practice and assessments. However, the work done to prepare the code and undertake the assessments would be carried out not by the board, but under the guidance of the National Statistician and the head of assessment respectively.

The chair of the board will clearly be a significant figure under the new system. I would thus expect that person to provide strategic leadership and a clear vision for the board. I would expect the chair to help to ensure that the board collectively holds the National Statistician and his or her staff and the head of assessment to account for delivery. I would also expect the chair to act as a public spokesperson and ambassador for the board with the Government and the wider statistics community and in the public area. Finally, and importantly, I would expect the chair of the board to be called before any parliamentary Committees to report on, and account for, the activities of the board.

I have outlined the five roles that we see for the National Statistician—or the five ways in which the position is being reinforced. The National Statistician will have a number of key complementary roles. Let me give a little more detail to put some meat on the bones of what I have said before. As the board's chief professional adviser, we would expect the National Statistician to advise the board on statistical and professional issues, including the content of the code of practice. We would expect the National Statistician to support the board in the discharge of its scrutiny functions by advising on technical matters, such as the use of classifications, definitions and methodologies. Of course, as I have

said, although the board might take a decision not to follow the professional or technical advice of the National Statistician, it will be required to report on that publicly, including to the House.

I would expect the National Statistician, as the board's chief executive, to establish a management team and staff the executive office to undertake statistical production and many of the current activities of the ONS. I would also expect that person to provide leadership to that office, which might well be established as an executive agency of the board as the ONS is an executive agency of the Treasury. The National Statistician might thus provide managerial and operational leadership, including on such matters as pay and rations. Finally, as the head of the government statistical service, I would expect the National Statistician to be leading the professional development of staff across government and taking responsibility for the recruitment and development of a sufficient supply of good quality professionals to staff our government statistical service.

Adam Afriyie: In business and every other walk of life, the ultimate power that any individual—or perhaps Minister—has over any organisation is the ability to appoint and dismiss members of a board or an organisation. Who will have the ultimate power to appoint people to the board?

John Healey: As I said earlier, the appointment of the chair of the board will be made ultimately by the Crown, on the advice of the Prime Minister. All appointments will be subject to the established procedure of the Office of the Commissioner for Public Appointments.

5.15 pm

In her role as the head of the government statistical service, the National Statistician would have responsibility for guiding the heads of profession in the Departments on the full range of professional matters. The Bill establishes a clear, single accountability structure, under which the board and all who work for it will strive to achieve the same high-level objective of ensuring the availability of good quality statistics that serve the public good. Accountability will be provided by the board. New clause 1 and the amendments are more likely to muddy the lines, and to put that confusion into statute, than to help.

Adam Afriyie: I am grateful to the Minister for giving way again so generously. I asked who would appoint members of the board, and I think that I heard him say that it was the Crown, but clause 3(2)(b) says:

"at least five other persons appointed by the Treasury."

Will he confirm that the Treasury will make the majority of appointments to the board?

John Healey: The chair will be appointed in the way that I explained, but members of the board will be appointed through the established OCPA process. They will be appointed formally by the Treasury, because under the Bill the Treasury has residual functions that are required of the Government, relating to the independent statistical system and the independent statistics board.

Turning to amendments Nos. 8, 10 to 14, 46 and 47, we expect the National Statistician to undertake executive functions, including statistical production, through the executive office that the National Statistician is required to establish. Under clause 29(2), the National Statistician can exercise all the board's functions, with some limited exceptions, so as to ensure a clear separation from the board's assessment function.

There is another protective lock on the professional primacy of the National Statistician's role. The National Statistician will advise the board on all statistical matters. If the board overrules the National Statistician's advice on technical issues, it will be required to publish the reasons and report them to Parliament. That is the importance of the National Statistician's role as the board's chief professional adviser.

Ultimately, the National Statistician and the executive office exercise the functions of the board under the board's direction. The board will be the legal entity statutorily responsible for the exercising of the functions established in the Bill. That provides the Government with a structure that allows corporate oversight of executive and assessment functions, while allowing us to maintain a single centre of expertise for statistics. As I said, the board replaces the role that Ministers currently play in overseeing and supporting the National Statistician, and it is therefore the board, not Ministers, who will be held to account for delivering the statutory functions of the Bill.

If the board is given statutory responsibility, and is accountable for delivering those functions, it must ultimately have responsibility for them, even though in most cases the board will have the functions discharged by the National Statistician and her executive office. I repeat that I believe that we have introduced the right system, overseen by the board. Ultimately, accountability will be shared by a group; it will not rest with one individual, albeit an individual as distinguished and well qualified as the National Statistician.

Amendment No. 39 would require the National Statistician to promote statistical planning and production across Departments. As we discussed in Committee, one of the Bill's great strengths is the fact that the devolved Administrations have all decided to join in with the new arrangements. The Government recognise that consistent, UK-wide statistics are important, beneficial and desirable. The consistency will mean that statistics about the devolved countries can be combined to produce UK figures; it will mean that if there were different Administrations, we could compare their circumstances. As I made clear in Committee, some divergence is to be expected. That is a product of devolution—not just the recent devolution settlement but the different legal, political and administrative systems and policies that are in place in the four nations, many of which existed before devolution. It may therefore not be appropriate or desirable for statistics to be as consistent as possible.

Amendment No. 45 would require the legislation to state that the National Statistician should be the Government's chief adviser on statistics and "provide professional leadership" to all persons working on statistics in government. I have dealt with the status of the National Statistician and her important range of roles. I have already said that we intend the National Statistician, as now, to be the head of the government statistical service, providing professional leadership to people working on statistics in government. In the decentralised system that we have chosen to retain, it is inevitable that statisticians will continue to work in

[John Healey]

Government Departments. It is not appropriate to legislate within the civil service structure for lines of accountability between staff working in a Department and the National Statistician working in another Department. We do not do that with the government economic service, government scientific services or the government legal service. The question is not about professional status or authority but simply whether it is right or appropriate to legislate for lines of professional accountability across Departments.

Julia Goldsworthy: In the next group of amendments, we will look at the code of practice, which makes it clear that standards should be adhered to in the production of national statistics. If there is a chain of accountability to the board and ultimately to the National Statistician, is it not logical to provide a professional chain of accountability for statisticians working on national statistics in ministerial Departments?

John Healey: There is a strong professional connection and a line of accountability on professional matters. The amendment poses the question of whether it is appropriate to legislate for those circumstances, and my argument is that it is not.

Finally, amendment No. 15 seeks to make the National Statistician chief executive of the executive office, rather than the chief executive of the board. I do not accept that that is necessary or helpful, as I made clear in Committee. The board, as a corporate body, needs a chief executive, as the hon. Member for Chipping Barnet will accept. The chief executive need not be operationally involved in every aspect of the board's activities to discharge that responsibility, and the Bill ensures that she is not. There are detailed provisions in the Bill on the role of the National Statistician specifying, for example, where her advice must be followed by the board, and activities in which she cannot be involved. She cannot, for example, approve the final form of a code or take part in the assessment of statistics produced by her office. Those provisions give the clearest possible guidance to the National Statistician and the board on their respective roles.

In Committee, I made the point—and it has been made again today—that it is relatively common for Parliament to authorise a body to undertake a dual role. A local authority, for instance, is empowered both to promote development within its boundary and to grant planning permission. When it does so, it must structure itself to perform both functions as best it can, bearing in mind its overriding responsibility to act fairly, impartially and without bias. The fact that the chief executive may have to distance themselves from the conduct of a planning application does not disqualify them from being responsible as chief executive of the planning department for ensuring effective governance and operations. There are similar examples in central Government. The Department for Transport, for instance, may wish to develop transport networks, and it may be required, too, to consider orders that permit developments under the Transport and Works Act 1992. Similarly, the fact that the National Statistician is expresaly distanced from decisions relating to the board's own statistics assessment does not bar her from ultimate responsibility as chief executive to the board. In many cases, public policy and individual decisions can present a certain amount of tension, but there is no reason why they cannot be accommodated in a single organisation, or why they should be less transparent because of that fact, especially where proper separations are established, as is the case in the Bill.

I hope that the hon. Member for Chipping Barnet and others who tabled amendments and new clauses will reflect on the response that I have given to their concerns and will not press the amendments. I hope that they will support Government amendment No. 48.

Mrs. Villiers: I do not propose to press the new clauses and amendments in this group to a Division. We had a chance to divide on them in Committee and we have a fair idea what the decision of the House is likely to be. However, we remain concerned. I am grateful to the Minister for his lengthy response to our arguments. It is helpful to have a clearer picture of the various roles. His statement this afternoon will be useful to those in the statistical community who are worried about that, but he has not answered all our concerns.

The Minister dismissed the proposed separation of executive and scrutiny functions on the grounds that that would necessitate the creation of two competing centres of statistical expertise. The amendments seek a compromise which would not require that. Even if the functions were separated and there were two boards, the practical difficulties would not be insurmountable.

The Minister also said that he was confident that the board would be able to make impartial decisions on the activities of the ONS, regardless of whether the board was ultimately responsible for those decisions. In many respects I share the Minister's confidence. I believe that the board will be able to do a good job, but we are talking about restoring trust. If the board is the entity responsible for making the decision that it reviews, that may undermine the credibility of its decision-making process.

It is the perception rather than the actuality that will be a problem. That is highlighted by the point that the Minister made very clearly—that the board is the legal entity that is responsible even for all the delegated functions, including production. So the awkward situation arises where, for example, if someone wanted to make a complaint about the ONS, various options would be open to them. One might be to make a complaint to the board. They might also consider judicial review. Which body would be the subject of review in the courts? The board itself would be the relevant legal entity. The board could find itself adjudicating on a complaint which was ultimately directed at itself in the High Court. There are continuing tensions, despite the attempt to separate internally the functions of scrutiny and production of statistics.

Finally, I reiterate the point made by the hon. Member for Falmouth and Camborne (Julia Goldsworthy). The Minister said that it was recycled, but the fact that a point has been made before does not mean that it is not valid. As the Minister confirmed, the National Statistician has access to the Prime Minister. She has a remit to co-ordinate and she is the Government's chief adviser on statistics. She performs those functions at present.

The Bill is designed to put the statistical services and their structure on a statutory footing, yet the key functions that the National Statistician currently performs are left out. The hon. Member for Falmouth and Camborne makes a good point, in that the omission of those important functions is effectively a downgrading of the status of the National Statistician. I am sorry that the Minister does not support our amendments and new clauses. I beg to ask leave to withdraw the motion.

Motion and clause, by leave, withdrawn.

New Clause 4

LEGAL OBLIGATION TO OBEY THE CODE OF PRACTICE

'The Board, the National Statistician, government departments, the Scottish Administration, Welsh Ministerial authorities, Northern Ireland departments and any other person acting on behalf of the Crown in the production or publication of official statistics shall—

(a) comply with the Code of Practice for Official Statistics; and

(b) consult the Board on matters of interpretation of the Code where appropriate.'—*[Mrs. Villiers.]*

Brought up, and read the First time.

Mrs. Villiers: I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker (Sir Michael Lord): With this it will be convenient to discuss the following amendments: No. 16, in clause 10, page 5, line 11, leave out 'National' and insert 'Official'.

No. 17, page 5, line 19, at end insert—

'(4) In drafting the Code and supervising compliance thereto, the Board shall have regard to the duties set out in section 26 of this Act.'.

No. 44, line 19, at end insert—

'(4) All those who produce National Statistics must conform to the Code of Practice unless the Board accepts and publishes any case for deviation, consulting the Board on matters of interpretation as necessary, and reporting any breach of the Code to the Board.'.

No. 18, in clause 12, page 6, line 15, leave out

'At the request of the appropriate authority'.

No. 19, page 6, line 16, leave out 'National' and insert 'Official'.

No. 20, line 17, leave out 'in relation to any' and insert

'by the authorities responsible for producing'.

No. 21, leave out lines 19 to 22.

No. 22, leave out lines 29 to 44.

No. 34, line 44, at end insert—

'(9) The Board shall have the authority to initiate an assessment process to designate any set of official statistics as National Statistics with the provision that the board must inform the appropriate authority before initiating the process.'.

5.30 pm

Mrs. Villiers: New clause 4 and amendments Nos. 16 to 22 would extend the full rigour of the reforms to all official statistics. We agree with the Royal Statistical Society, which stated in a letter to the Chancellor last year:

"The new arrangements should cover all official statistics not just those which are currently the responsibility of ONS or labelled National Statistics.

If statistics produced by the major policy departments on topics such as crime, education, health and social security are omitted, then this will erode public confidence, rather than enhance it."

Our amendments would abolish the confusing two-tier system between national and other official statistics. They would give the board the authority to regulate the statistical activities of all Government Departments by applying the code of practice across all Departments. They would address one of the most significant weaknesses in the Government's proposals. It is startling that the Bill does not oblige anyone to comply with the code of practice, despite the Government's promise to put the code on a statutory footing. New clause 4 would remedy that by imposing a legal obligation on Departments to obey the code of practice. I am pleased to see that the Liberal Democrats' amendment No. 44 would go in the same direction.

As the Minister stated in Committee, the Bill as drafted does not give the board a supervisory or regulatory role at all, but gives it a function that is "much softer in nature"—one of assessment and audit, not supervision. As drafted, all the Bill does is require the board to produce a code and to empower it to carry out assessments of particular statistics against the terms of that code. As Professor Tim Holt has pointed out, the Bill leaves it to Ministers to decide whether the code of practice is to apply to them, because clause 12 leaves it in their hands to nominate statistics for assessment by the board as national statistics. It is up to them whether the board can carry out even the limited assessment function permitted it by the Bill. That specific point—the starting of the assessment process—is addressed by the Liberal Democrats' amendment No. 34, which would enable the board to initiate an assessment. That would provide a welcome limit on ministerial power in this area and would be an improvement on the Bill, but it does not go far enough.

Only the imposition of a legal obligation on Departments to obey the code would give the board the authority to ensure that good practice is observed right across Government. At present, clause 7 gives the board the objective of promoting and safeguarding good practice, but not the authority with which to do that effectively. In Committee, the Minister stated repeatedly that he expected the board to promote the code as a model of good practice, but only if the amendments were accepted would the board have the supervisory and regulatory tools to ensure that the code is applied and obeyed across Government. As drafted, the Bill leaves the board only with the power of exhortation—the power to name and shame Departments that transgress. In the Treasury Committee, Dr. Fellegi pointed out that that is little different from the current powers of the Statistics Commission and status of the existing code of practice.

The Government have admitted that the current structures are inadequate to restore trust in official statistics. Leaving Ministers to determine which of their Department's statistical activities are subjected to the code and to the scrutiny of the board will leave the coverage of the reforms patchy and inconsistent. The British Society for Population Studies has described the national statistics system as having been

"applied in a piecemeal way to individual datasets".

[Mrs. Villiers]

If it is left to Ministers to decide which statistics are brought into the national statistics system and subjected to the code of practice, many important indicators could be left out of the scope of the reforms. I am informed by the Library that in the seven years since the 2000 reforms, there has been a net addition of only 25 new national statistics. Distinguished statisticians such as Lord Moser have described that aspect of the Government's proposals as a significant flaw.

If this reform is to succeed, it must, as the Statistics Commission has stated and the Minister has acknowledged, address the whole Government statistical system. There is no good reason why any lesser regime should apply to Departments than to the ONS. That makes no logical sense when it is acknowledged that the more significant problems have occurred outside the work of the ONS. As the British Urban and Regional Information Systems Association has pointed out, the social statistics produced by Departments on crime, education and health are part of the very currency of political debate in this country. If the reform subjects those to a lesser degree of rigour and scrutiny than other official statistics, it will fail in the goal set by the Government. As the Statistics Commission has sagely pointed out, that will risk public confidence in such statistics being undermined rather than strengthened by the Bill.

We are not talking about trifling, insignificant exclusions: a number of important and politically sensitive figures are currently outside the scope of national statistics. I do not propose to trouble the House with the long list that I read out in Committee, but I shall pick 12 or so examples. Excluded statistics that would not be covered by the code of practice under the Bill as drafted include: figures on the end-of-month prison population count; quarterly figures for cancelled operations and time spent in accident and emergency; annual figures on NHS bed availability; business survival rates for firms still registered for VAT after three years; annual progress reports on the UK fuel poverty strategy; and armed forces medical discharges. Many important statistics from the devolved areas fall outside the national statistics framework: in Scotland, alcohol-related, health and mortality statistics on various topics and cancer audits and waiting times; in Wales, figures on detentions under the Mental Health Act 1983, and data on cervical screening and exclusions from schools. Those are significant figures that deserve impartial treatment.

In Committee, the Financial Secretary based his counter-arguments on a claim that some statistics were more important than others. In essence, he asserted that not all statistics were important enough to be subject to the code of conduct. That argument has several flaws. First, if it is worth collecting and relying on a statistic, surely it is worth doing it according to standards of impartiality, objectivity and accuracy, as set out in the code of practice.

Secondly, it is difficult to know in advance which statistics will be significant, and which will not. For example, on Second Reading, the Financial Secretary referred to the egg bulletin as not significant enough to warrant application of the code of practice. As various salmonella scares have shown, however, statistics relating to the safety of food, including eggs, can be of critical importance.

Thirdly, the decision as to which statistics are significant enough to merit the application of the code of practice is simply too important to be left to Ministers. In Committee, the Financial Secretary rightly placed great emphasis on the boundary between important statistics and those that he dismissed as insufficiently significant to merit compliance with the code. He said that that

"cuts to the heart of the proposals in the Bill and the concerns that some have expressed."—*[Official Report, Statistics and Registration Service Public Bill Committee,* 23 January 2007; c. 207.]

He is right: it does. Under the Bill as drafted, the boundary between national and other official statistics marks the boundary of the scope of the reforms. The Financial Secretary wishes that boundary to be determined by Ministers, so that they can say, in effect, to the board, "thus far and no further".

The Financial Secretary said in Committee that he hoped and expected that the system put in place by the Bill would evolve. Given the approach that he takes, we know who will decide the nature and pace of that evolution: the very Ministers whose intervention this whole reform is designed to reduce. That aspect of the Bill significantly undermines the good intentions of the reform and retains significant ministerial power over official statistics. In Committee, the Financial Secretary said that he felt there would be a

"stronger incentive...for Ministers to look actively at submitting additional departmental statistics for approval as national statistics where they are central to the policy functions or delivery of programmes for which those Ministers are responsible."—*[Official Report, Statistics and Registration Service Public Bill Committee,* 8 January 2007; c. 33.]

If he really believes that, he lives in a happier and less cynical universe than the rest of us. As Dr. Fellegi pointed out to the Treasury Committee, the possibility of enhanced and exacting scrutiny can hardly be much of an incentive to opt into any system. Anyway, if Ministers were so keen to take on that kind of scrutiny, why are the Government so resistant to calls for the expansion of the scope of the code of practice to cover all statistics?

The second assertion that the Minister advanced in Committee was that the Opposition's approach was

"a certain recipe for rendering the board ineffective."—*[Official Report, Statistics and Registration Service Public Bill Committee,* 23 January 2007; c. 205.]

That is predicated on a misunderstanding of how the new clause and amendments would work in practice. They would not require the board to carry out an individual assessment process in relation to each and every number produced by a Department. Instead, they would give the board the power to monitor and supervise the activities of Departments when they produce and disseminate statistics. We want the code to apply to people, not numbers. The new clause and amendments would transform the code from a box-ticking exercise to be carried out in relation to a particular set of statistics into a code of behaviour to guide the people who produce statistics—the statisticians and officials who produce and handle statistics at the ONS and in Departments.

Assessments can be part of that supervisory process, but there is nothing in the amendments that would place an obligation to carry out an assessment on any one particular statistic unless the board considers it to

be proportionate and sensible so to do. After all, the Financial Services Authority has a 10,000 page, 6 ft wide rule book that it applies to the entities that it regulates, but it does not oblige the authority to check every transaction to regulate compliance effectively.

The Minister's third assertion was that imposing the code on all Government statistical activities would lead to a disproportionate burden, but why can we not trust the board to produce a code that does not impose disproportionate burdens? It has an explicit duty to minimise compliance cost under clause 26. To make that duty even plainer in this context, amendment No. 17 would require the board to have specific regard to that duty in drafting the code and supervising compliance with it. The underlying thrust of the reforms is that we can trust the board to take crucial decisions relating to the production and release of statistics. In that case, why is the Minister so reluctant to trust it to take a common-sense, proportionate approach to drafting the code and to its impact on statistics of differing degrees of importance.

In Committee, the Minister described the approach taken in this group of amendments as "extraordinary and absurd". Although he may disagree with the principle, he is wrong to dismiss as absurd and impractical a position that has the support of such a long list of experts in statistics. As well as Lord Moser, the RSS, the Treasury Committee, the Statistics Commission and others to whom I have referred, virtually all those who expressed a view during the consultation wanted the scope of the Bill widened significantly. That includes organisations such as the Audit Commission, the Market Research Society, Professor Denise Lievesley of the Health and Social Care Information Centre, the First Division Association, the British Urban and Regional Information Systems Association and the Greater London authority data management group. Even the Government's own chief social researcher, Sue Duncan, has expressed a degree of sympathy on this point.

The House should have some sympathy for the Financial Secretary. He is in a difficult position. His hands are clearly tied by his colleagues who want to limit the scrutiny that the board can exert over its departmental activities. His hands are tied by Ministers who are determined to keep the board away from certain sensitive statistics. If he is sincere in his wish to give genuine independence to statistical services, I urge him to stand up to his colleagues and take his reform to its logical conclusion; to allow the board to throw light on the statistical activities that Ministers would rather were kept in the shadows; and give the board real teeth to supervise the production and release of all official statistics, not just those that Ministers permit them to assess.

Julia Goldsworthy: I shall speak mainly to amendment No. 34. The heart of the debate is whether there should be a two-tier system of official and national statistics. The Liberal Democrats have a bit more of a relaxed view on that than the hon. Member for Chipping Barnet (Mrs. Villiers). Obviously it is important to ensure that the best standards are adhered to; on the other hand, are national standards really necessary for statistics collected from a survey of grey squirrels or the like?

5.45 pm

We accept that there are different levels of statistics. However, as was pointed out by the hon. Member for Chipping Barnet, the devolved statistics are often the most controversial and often involve the greatest problems. The public are often particularly suspicious about the quality and authority of such data. Crime statistics have been especially controversial, as have statistics on health and education. The question is, how can we avoid such controversy?

Amendment No. 34 is fairly simple. Its aim is to confer some symmetry to the way in which national statistics are considered, and to decisions on whether statistics should be designated as national statistics. In Committee, the Financial Secretary said:

"I would expect the board, as part of its statutory duty under the Bill, to comment on the comprehensiveness and coverage of official statistics and"

—more important—

"to comment also on any official statistics that it believes should be national statistics."—*[Official Report, Statistics and Registration Service Public Bill Committee,* 18 January 2007; c. 152.]

Amendment No. 34 proposes to take that a step forward. It makes the point that if it is possible for Ministers to submit statistics to be designated as national statistics, the board, for the purpose of symmetry, should be empowered to initiate the process. That is fairly straightforward, and I think that it can be justified on the grounds that it is symmetrical and does not allow Ministers the veto power that the Bill currently gives them.

While I am minded to support the hon. Member for Chipping Barnet if she presses her new clause to a vote, the key issue for us is not whether there should be two tiers of statistics, but that there should be symmetry, and that at the very least Ministers' powers under clause 12 should be matched by the board's powers to initiate the process. That would prevent the perpetuation of the problems of the past, when statistics have been deemed to be lacking in credibility and have not won public support because of apparent ministerial interference.

I think that our amendment is reasonable. Our intention is to help the Minister, because I suspect that when the Bill goes to the other place, a view similar to that of the hon. Member for Chipping Barnet will be outlined. I hope that he will consider the amendment in a spirit of compromise.

Mr. Fallon: New clause 4 is extraordinary, in the sense that we should not have to insert it into the Bill. It was always a weakness in the original framework for national statistics that the code was voluntary: no one had to comply with it. It is true that the Statistics Commission was able to pick out the worst reported, apparent or real breaches of the code in each year, and to name and shame particular Departments. It always seemed to be the same Departments, those dealing with health and housing, and the Scottish Executive was cited as well. They are all there in the annual reports of the Statistics Commission.

The naming and shaming of Departments is not in itself an insignificant process, but it is extraordinary that just when we are putting all this on to a statutory basis, the code of practice should remain voluntary. In other words, no one need comply with it. I consider that a serious weakness in the Bill: it means that the code of practice for statistics across Whitehall will have fewer teeth than the highway code that we must all observe when we drive our cars.

[Mr. Michael Fallon]

My hon. Friend the Member for Chipping Barnet (Mrs. Villiers) would be right to press her point, and I hope that she will do so.

Mr. Gauke: It has often been asked during the Bill's passage why the code of practice will not apply to all official statistics, and I still do not feel that we have had a satisfactory answer. We should also ask what impact the Bill will have on official statistics that are not national statistics. We received an answer of sorts in Committee from the Financial Secretary. He said that

"we also expect the code to be one of the board's main vehicles to promulgate the standards and definitions that it is required under clause 9 to produce and promote across all official statistics. I stress the importance of that point, which has perhaps not been clear before".

He was right to stress that because it had not been clear before. The Financial Secretary went on:

"It is important to note that, although the code's formal status is as a statement of practice against which national statistics or candidate national statistics will be assessed, we expect the board to promote it as a code of good practice across all official statistics."—[*Official Report, Statistics and Registration Service Public Bill Committee*, 18 January 2007; c. 151.]

That raises a particular difficulty because there is, of course, no sanction. The board is able to threaten nothing against the producers of statistics if they are in breach of the code, because the sole sanction in the Bill is that a statistic will either be assessed as a national statistic or it will not. That is a weakness. There is no sanction against official statistics and the producers of official statistics if they fail to meet the required standard, which is regrettable.

My hon. Friend the Member for Chipping Barnet (Mrs. Villiers) made an important point about the argument that we cannot have a large number of official statistics being treated as national statistics and the code applying to them, because that would impose too much work on the statistics board. That is a strange position to adopt because we do not usually produce laws or regulations and then simply say, "Well, if too many people could breach it, we won't bother to enforce it." The board should apply the code as it sees fit in those areas where it considers that to be proportionate and appropriate, but everybody should try to comply with it. The other position is rather like saying that one should obey the speed limit only where there is a speed camera, and that as it is not practical to have speed cameras everywhere we will not have speed limits in places where we do not have them. That is a flawed approach, and that is why new clause 4 is eminently sensible and necessary.

Stewart Hosie: When the Bill was published, many people wanted to support it not because it would necessarily bring every statistic into the realm of national statistics, but because it would at least increase the efficacy of every statistic by bringing it into the code. The hon. Member for Chipping Barnet (Mrs. Villiers) is right that there was little incentive for Ministers to bring certain statistics—perhaps some of the more dodgy ones—within the remit of the code on national statistics. I have used the example of Government Expenditure and Revenue in Scotland—GERS—throughout our series of debates about this matter. GERS was invented as a political construct at the outset, and there was a disincentive to have a code for it. It was inaccurate because it was designed to be inaccurate.

I am very taken with new clause 4 as it does not force every statistic into the remit of national statistics, but it does force all statistics to adhere to a proper code, which is an eminently sensible thing to do when we want to have information that has efficacy, that we can all trust and that can be guaranteed.

I shall refer to the example of GERS yet again, but I will not repeat the many criticisms that I have previously made of it. Instead, I shall address a recent event. A Scottish Parliament Committee inquiry discovered that Dr. Andrew Goudie, the Scottish Executive statistician, considered not publishing the report this year because of the inaccuracies contained in it, particularly the near £500 million inaccuracy in the allocation to Scotland of UK non-identifiable expenditure. If such statistics are at least forced into the code, we would end up with a situation in which never again does a senior statistician consider withholding the publication of a document because it is flawed. Instead, we would have statistics that we can all trust and rely upon. We might not have absolute unanimity on the way that statistics are measured, but at least in Scotland, England and the regions of England we would have figures that we could trust.

Mr. Alex Salmond (Banff and Buchan) (SNP): As I recall, Dr. Goudie gave, in his submission to the Scottish Parliament, a clear indication that one of the difficulties that his team was operating under was that the Treasury had failed to release some of the information that he required in order to examine the accuracy of the particular set of non-identifiable spending statistics. Could it possibly be that the Treasury failed to give information to the Scottish Executive statisticians?

Stewart Hosie: Perhaps it is for the Treasury to answer that. What I do know from the publication of the most recent GERS—that of 2004-05—is that the 2003-04 income tax survey results had to be used, thereby making the already invalidated document even more wrong than it had been in previous years. I thank my hon. Friend for his intervention, and say to the hon. Member for Chipping Barnet (Mrs. Villiers) that we like new clause 4, we like the idea of statistics being accurate and being forced into adhering to a code, and if she wishes to press the new clause to a Division we will certainly support her.

Mr. Brooks Newmark (Braintree) (Con): I, too, shall speak briefly in support of my hon. Friend the Member for Chipping Barnet (Mrs. Villiers). I am a great believer in Schumacher's saying that small is beautiful, but I am also I am a great believer that simplicity is beautiful. However, it is in the Treasury's DNA to make things more complex when they only need to be made simpler. I do not understand the false dichotomy that the Treasury insists on setting up between what it calls official statistics and national statistics. The Bill appears to entrench a two-tier system, which cannot but undermine public trust. As my hon. Friend has said, it cannot be a coincidence that the statistics that the Government choose to be official rather than national statistics are those that relate to matters such as crime, health and education. The Government have decided that all the

important matters that our constituents care most about should be stuck in a bucket called "official statistics" and not "national statistics". New clause 4 would remove that false dichotomy between national statistics, which must adhere to a code of practice, and official statistics, which do not.

Opposition Members—I include SNP Members—agree that the code of practice should apply regardless of the origin of the statistics. Furthermore, the statistics board must have sufficient powers to coerce Government Departments, or else Ministers will simply ignore it, or at the very least the board must have the right to assess which statistics should count as national statistics.

John Healey: The debate on this subject has been shorter than debates on it in previous proceedings, but it has nevertheless been useful. I hope that Members will accept that statistics produced and published by government—by more than 200 Crown bodies—differ in levels of importance and that the Bill has a wide definition of official statistics. The definition of official statistics that we have used is wide in order to allow the board to monitor and report on the ever-increasing range of official statistics and official statistical information that is being produced across government. For that reason, it is important that we give the board a starting point for its process of assessment and approval. That starting point is those statistics that are designated as national statistics—a concept that has been established since the reforms of 2000. We are also giving the board, and the system, a way to evolve in the future, as the board will report on its views about the comprehensiveness and coverage of the system and official statistics can be nominated to the board for assessment.

6 pm

I should point out to the hon. Member for Braintree (Mr. Newmark) that there is no false dichotomy: there are already two-tiered—indeed, multi-tiered—official statistics. He surely would not argue that figures such as population data, the gross domestic product and unemployment figures are of equal status and importance to other official statistics produced by the Government and covered by the definition in the Bill, such as the income derived from unclaimed lost property or the number of TV licences held by particular Departments. Surely the crucial feature is not that all official Government statistics be assessed and approved, as the hon. Gentleman seems to be arguing, but that all the most important ones, designated as national statistics, are. It is for that reason that I do not accept amendment No. 18.

Mr. Newmark: The point that I was trying to make is that the Treasury is obsessed with making matters more complex, not simpler. All that I am asking it to do is to try to simplify the system. Creating a two-tier system makes matters more complex.

John Healey: On the contrary, there will be clearly identified and published national statistics and the board will be charged with drawing up a code of practice, with assessing the production and handling of those statistics against its standards, and with approving them as national statistics. That will make the system clear and efficient rather than adding confusion and complexity, and it will allow the board to concentrate on what is most important, namely, giving the Government, the public and a wide variety of other data and statistics users greater confidence that the most important statistics are given the most scrutiny by the board, and giving them the confidence to rely on those statistics.

Mrs. Villiers: The Minister still seems to misunderstand my new clause and amendments. They do not require the board to carry out a detailed assessment of every statistic produced by the Government, and we acknowledge that there are different levels of importance within statistics. What we are saying is that everyone in government who is responsible for producing and disseminating statistics should comply with a code of ethics and good practice.

John Healey: I think that we are making some progress. The hon. Lady will recognise that clause 8 sets out the board's objective and allows it to monitor the whole sweep of official statistics and to comment in specific or general terms on any concerns that it has. She will remember that I made it clear in Committee—indeed, she quoted from those proceedings—that we expect the code of practice established by the board, particularly for the purpose of assessing and approving national statistics, to be the general standard and to become the wider expectation of the way other official statistics are handled. However, the crucial issues are the recognition that some statistics are more important than others, that the board devotes the proper and fullest attention to those that are most important, and that we are establishing a flexible framework at the outset that can evolve in the light of experience and of the changing needs of our society and economy regarding statistics.

We are starting with a list of almost 1,300 statistics already designated as national statistics, which will change over time. Additional statistics can be put to the board for assessment and if it judges them to be up to scratch—if they satisfy the standards that the board sets in its independently drawn up and approved code—they can be independently approved as national statistics.

In a decentralised system, responsibility for submitting statistics for assessment must ultimately lie with Ministers. We are responsible for making policy and, as such, we are arguably best placed to know which statistics are most critical to the development, delivery and evaluation of the policies for which we are responsible and accountable. We are also accountable, ultimately, for allocating and managing resources within the Department, including resources devoted to statistical production. I see this as essentially and primarily a policy and resource decision. It is more appropriate for Ministers to take such decisions, rather than the board, which is why I do not accept amendment No. 34.

Peter Bottomley (Worthing, West) (Con): Has the Minister consulted the Statistics Commission on how the Government could respond to this idea? If it said that the wording of the new clause merely needs to be tidied up, and that it is perfectly all right to accept the sense of it, will he go back to the commission before he abolishes it and find a way forward to which all parties in this House can agree, instead of Ministers simply saying that what they want is what is going to happen?

[Peter Bottomley]

John Healey: I have not had any formal submissions from the commission on this proposal, although I do not know whether the hon. Member for Chipping Barnet has. It played an active part in the consultation and many of the proposals in the Bill reflect the concerns and points that it raised. It is also working in great detail on proposals for the new code of practice. That work will be extremely valuable to the board and its chair once it is set up and it has to finalise the code of practice for which it will be statutorily responsible.

As I have said, the process set out in the Bill will provide a strong incentive for Ministers to look actively at submitting additional departmental statistics for approval as national statistics. That independent stamp of approval will be important—indeed, central—in giving credibility and confidence to the policy functions and delivery for which Ministers are responsible. If I seem a little too optimistic in my view of how Ministers might react, I should point out that the board, through the Bill, has a responsibility to judge and report its view of the comprehensiveness and coverage of the statistical system. In discharging that responsibility, I fully expect it to take a view on whether statistics not currently designated and approved as national statistics should be so designated. I also fully expect Parliament to play a much stronger role in choosing to call to account Ministers or Departments that do not follow that advice. That seems to me a very public, very important and proper parliamentary form of accountability and scrutiny that reinforces the system, going much further than what the hon. Member for Sevenoaks (Mr. Fallon) characterised as the current "name and shame" system.

Julia Goldsworthy: Clause 12(2) explains that if the board determines that the code has been complied with, it can designate statistics as national statistics.

Rob Marris: It says that it "must" do so.

Julia Goldsworthy: I thank the hon. Gentleman for that correction. If the code has been complied with, it "must" designate them as national statistics, but

"otherwise it must decline so to designate them."

Am I right in thinking that if a statistic is declined for designation as a national statistic, it is downgraded to an official statistic, and that it is then up to Ministers to decide whether it is put forward again for consideration as a national statistic? Will the Minister confirm that the ministerial veto still exists in these cases, and that the board will not have the power to compel Ministers to put such a statistic forward for such consideration, even though it might previously have been a national statistic?

John Healey: The hon. Lady's understanding is partially correct. Any statistic that the board has subjected to an assessment process that fails to meet the standards or to abide by the terms of the code of practice will not be eligible for approval and will not get the board's approval as a national statistic. In those circumstances, it will no longer be a national statistic.

Stewart Hosie: It has been suggested that the House should have a greater role in holding Ministers to account when, for example, the board determines that some statistics should be national, but they have not been put forward. Given that there have been detailed criticisms of Government Expenditure and Revenue in Scotland in this House since 1995—for 12 years—and that the Treasury is looking into some of the detailed problems only this year, what confidence can we have that, after a 12-year wait to get one accurate statistic, any number of others of equal importance in other parts of the country will be considered any quicker?

John Healey: The short answer is that we are setting up an entirely new system, based in statute, with a powerful independent board to drive the system, so there is a greater potential role for this [illegible]—and Parliaments in the devolved nations—in holdi[illegible]isters and Departments to account in respect of thes[illegible]tters.

I shall deal now with new clause 4. Under [illegible]e 8, the board has a statutory duty to moni[illegible]he production and publication of official statistics and the power to comment on concerns about the quality and good practice in relation to those statistics. I must tell the hon. Member for Chipping Barnet, however, that I remain of the view that it is simply not appropriate to impose in a blanket way the full provisions of the code on those working in literally hundreds—certainly above 200—Crown bodies that may produce statistics that fall under the definition of official statistics.

As I said in Committee, the range of statistical information produced by the Government falls into the definition of official statistics in the Bill. It is extensive, increasing and constantly changing, particularly with more statistics now increasingly derived from management and administrative systems such as the delivery of benefits or education and not just from the traditional statistical methods of surveys and censuses. Those statistics genuinely pose additional challenges as the primary purpose of the system that produces the data is not in itself statistical.

It would be disingenuous and unrealistic for us to argue that all such statistics would be able to meet at all times and in full the standards set out in the code of practice, including any and all of the quality standards that the board may choose to impose. Surely the key is having an active programme of assessment that concentrates on the most important statistics for all users so that we will all know that the board has independently adjudged and assessed those statistics against its standards and that those standards have been met. Surely that is a more effective, more transparent and, ultimately, more accountable and stronger system of ensuring the quality and integrity of statistical outputs.

I hope that the hon. Member for Chipping Barnet will not press her amending provisions to the vote. If she does, I must ask my hon. Friends to resist them.

Peter Bottomley: I believe that the Minister will want to review the debate. If he loses the vote, I hope that he will accept it. If he does not, will he please go to the Statistics Commission and explicitly ask for its view. Do not wait, but ask for it.

Mrs. Villiers: I am very disappointed that the Minister persists in restricting the remit of the board merely to promoting the code of practice as a model of good behaviour, effectively leaving the only

enforcement power as naming and shaming of Departments that do not comply with it. For that reason, I shall press new clause 4 to a Division and urge the House to support it.

Question put, That the clause be read a Second time:—

The House proceeded to a Division.

Mr. Deputy Speaker: I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 207, Noes 289.

Division No. 74] **[6.13 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Philip
Djanogly, Mr. Jonathan
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Huhne, Chris
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Lait, Mrs. Jacqui
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Lidington, Mr. David
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Hugh
Rogerson, Mr. Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, Mr. Alex
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spicer, Sir Michael
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Syms, Mr. Robert
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vara, Mr. Shailesh
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Mr. David Evennett and Mr. Mark Lancaster

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Begg, Miss Anne
Benton, Mr. Joe
Berry, Roger
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen

Byrne, Mr. Liam
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cunningham, Mr. Jim
David, Mr. Wayne
Davidson, Mr. Ian
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Eagle, Maria
Efford, Clive
Ennis, Jeff
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Flynn, Paul
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackinlay, Andrew
Macleggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andrew
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Smith, John
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Tony Cunningham and Jonathan Shaw

Question accordingly negatived.

Clause 36

Confidentiality of Personal Information

6.30 pm

Julia Goldsworthy: I beg to move amendment No. 40, in page 14, line 40, at end insert—

'(1A) Personal information under subsection (1) shall not be used except in relation to the exercise of any of the functions of the Board and the National Statistician.'.

Mr. Deputy Speaker: With this it will be convenient to discuss the following amendments:

No. 41, in page 14, line 40, at end insert—

'(1A) Personal data may be disclosed by the National Statistician under subsection (1)—

(a) to approved researchers;

(b) to other authorities for uses consistent with the functions of the Board and the National Statistician under the provisions of sections 48 to 50;

(c) with the consent of the person to whom it relates;

(d) under a community obligation for statistical purposes; and

(e) to service providers under the provisions of section 38.'.

No. 24, in page 15, line 12, at end insert

'and only where the information is being made available for statistical purposes'.

Government amendments Nos. 60, 27 and 61.

Julia Goldsworthy: Once again, we are trying to be helpful with these amendments. We believe in the principle that individuals and companies must have absolute confidence that any information they provide when national statistics are collected will not be used in a way that is disadvantageous to them. Consequently, all those who receive and manipulate the data must be governed by the same set of rules.

The Royal Statistical Society has raised concerns that, as drafted, the Bill fails to provide effective protection to confidential information or to ensure that anyone who discloses or uses such information unlawfully is subject to clear penalties. Moreover, Len Cook, the former National Statistician, has said that there is no consistent protection of individual records at the moment. For example, household survey records are not protected by existing legislation such as the Census Act 1920 or the Statistics of Trade Act 1947. In many areas, the confidentiality of personal information is protected only by custom and practice. The amendments would rectify that.

Amendment No. 40 makes it explicit that personal information should be used only

"in relation to the exercise of any of the functions of the Board".

The amendment therefore specifies how the information must be used, and how it must not. Amendment No. 41 deals with how personal data are disclosed by the National Statistician under clause 36(1). It ties in with other clauses to achieve consistency throughout.

In principle, we think that there are great advantages to sharing as much data as possible, but people need to be confident that the information will not be abused. The amendments pay attention to the experience in Canada, whose chief statistician gave evidence to the Treasury Committee. He explained that the Canadian Statistics Act gave Statistics Canada unrestricted access to all administrative records held at any level of Government and any organisation. However, he also said:

"Of course, the other side of that coin is extremely strong confidentiality guarantees, which are spelled out and which allow no exceptions. Not even the intelligence community, not even the police, not even the courts in the course of a prosecution can have access under the Statistics Act."

The Government amendments propose some reasonable exceptions in relation to court access to information.

Mr. Charles Walker (Broxbourne) (Con): Will the hon. Lady explain what type of personal information is covered by the amendment?

Julia Goldsworthy: As Len Cook has said, the problem is that there is no consistency about how information can be used. For example, personal information provided to the census is covered quite robustly, but survey data are not.

Government amendment No. 61 exempts the intelligence services from the provisions in the Bill, but that is a very narrow area. Our amendments are a constructive attempt to remove ambiguity. People must be certain that the information that they provide will be kept confidential. If the Bill is clear about how that data can be used, and how such data absolutely cannot be used, it will help to build public confidence in our system of statistics, and data can be employed in a more useful way.

Mr. Mark Hoban (Fareham) (Con): I rise to speak to amendment No. 24, which picks up the theme raised by the hon. Member for Falmouth and Camborne (Julia Goldsworthy) about the need to safeguard the confidentiality of personal data supplied in a variety of forms to the board.

Clause 36 sets out the parameters for the disclosure of personal information supplied to the board. It does so by creating the general presumption that such information cannot be disclosed, and then by setting out, in subsection (4), the circumstances where it can. The first such exemption, in subsection (4)(a), is where there is a legislative requirement that permits or enables personal information to be provided to others. Our amendment No. 24 would limit the data that could be accessed by other Departments to information that had been made available for statistical purposes. Therefore, data supplied through surveys for statistics put together by the ONS board could be used by others only for the same purposes.

One of the reasons behind the Bill is to promote the integrity of statistical data. If people believe that information can be shared generally with Government Departments, they may choose not to complete statistical returns. That will undermine the completeness of the data set, and the quality of the statistics produced by the ONS board.

There are precedents for amendment No. 24. For example, clauses 40 and 41 deal with NHS registration data, which are supplied to the board on the understanding set out in subsection (5) of those two clauses. They state that the data

"may only be used by the Board for the production of population statistics."

That gives us a precedent that we can follow in relation to other data.

The hon. Member for Falmouth and Camborne said that much personal information is protected only by custom and practice. The ONS code of practice in respect of the confidentiality of statistics includes a commitment that the

[Mr. Mark Hoban]

"National Statistician will set standards for protecting confidentiality, including a guarantee that no statistics will be produced that are likely to identify an individual unless specifically agreed with them."

However, the code of practice contains the following caveat:

"Where information identifying individuals must be given up by law, it will be released only under the explicit direction and on the personal responsibility of the National Statistician."

Clause 36(4)(e) refers to a court order, but legislation has led to the disclosure of information in other circumstances. Annexe A to the protocol on data protection and confidentiality contains a list of a dozen fairly wide exemptions to the prohibition on release. For example, on census data, exemptions relate to census records that are more than 100 years old and to prosecutions under the Census Act 1920. There are specific and well-defined exemptions to the prohibition on sharing personal information.

My concern, however, is that clause 36(4)(a) will open up the scope for wider sharing of confidential personal information to other parts of the Government and go beyond the exemptions set out in the protocol on data protection and confidentiality. It would be helpful if the Minister explained whether there is any intention to share data beyond the categories set out in the protocol. It is important that we follow, where we can, the precedents set in clauses 40 and 41, to give people who complete surveys confidence that their data will remain confidential except in limited circumstances, principally related to statistical purposes. If we do not provide that safeguard, there will be erosion of people's trust that the data they supply will remain confidential, which in the long term could undermine the completeness and quality of official statistics.

Rob Marris: Survey data have been mentioned by several Members, including the hon. Gentleman and the hon. Member for Falmouth and Camborne (Julia Goldsworthy). Are not such data covered by clause 36(1), which gives a blanket block on release, subject to some of the other provisions of the clause? Surely an individual's information would be protected.

Mr. Hoban: The hon. Gentleman raises an interesting point, but the devil is in the detail. Subsection (4) lists the exemptions to the general prohibition and my concern is that paragraph (a) in that subsection is sufficiently widely drafted that people will not have confidence that their data will be used only for statistical purposes. Our amendment No. 24 would narrow the scope of the provisions and replicate the existing restrictions under clauses 40 and 41. The hon. Gentleman is right about the broad principle, but I am concerned that the exemptions could be used to promote or enable more data sharing.

Rob Marris *rose—*

Mr. Hoban: The hon. Gentleman is poised to intervene again, so I shall give way.

Rob Marris: My thanks to the hon. Gentleman.

My understanding is that existing legislation is already covered by clause 36(4)(a), but that proposed legislation for additional exceptions would be a matter for Parliament at the time. When considering such legislation, it would be for Parliament to decide whether to allow further exemptions on to the statute book. Historically acquired exemptions are already set in statute; future exemptions would be debated in Parliament if and when they were proposed.

Mr. Hoban: The hon. Gentleman makes a valid point, but this is our once in a generation opportunity to legislate on statistics. In other Bills that permitted data sharing, my proposal would be the sort of provision that gets tucked away at the end and rarely has proper scrutiny in the House. The Bill is valuable because it codifies existing custom and practice on confidentiality, so it is important to take this opportunity to make clear how we expect data to be used.

I turn now to Government amendments Nos. 60 and 61, which the Financial Secretary will address in some detail. It is rather difficult to make comments about them before hearing his speech, but given the way our debates are structured there is no other choice. I understand that the intention behind the amendments is to continue the current practice whereby the intelligence service has access to information from the ONS. I have some questions for the hon. Gentleman about the continuation of that access and whether we need amendments Nos. 60 and 61.

6.45 pm

Given that clause 36(4)(e) permits the sharing of personal data when there is a court order and that (4)(f) enables the statistician to release data for the purposes of criminal investigation, are those powers not sufficient to enable the sharing of the data required by the intelligence services without the amendments that the Government propose? Secondly, within the constraints of the debate, will the Minister tell us what type of data is currently being accessed by the intelligence services? I realise that the issue is sensitive, but it would be helpful to know what he intends the provisions to cover. Is there any intention to broaden the type of personal information currently shared?

What protocols cover information passed to the intelligence services, and will they remain after the Bill gains Royal Assent? There must already be a process governing the sharing of data between the ONS and the intelligence services. Can the National Statistician veto the supply of information to the intelligence services? Will she be able to do so when the Bill has been enacted? One gets the impression that she can do so under the existing protocol. It is important that the Minister clarify, where possible, why the amendments are needed.

The thrust behind amendment No. 24 and the concerns raised about amendments Nos. 60 and 61 are to ensure that we have adequate controls on the confidentiality of data and that any changes made under the Bill do not weaken it, thus leading to survey respondents and others doubting the continuing confidentiality of that information.

John Healey: This group of amendments relates to the confidentiality and data-sharing provisions of the

Bill. As I said in Committee, the confidentiality clause works with the data-sharing provisions later in the Bill—at clause 44 and subsequently—to ensure, first, that existing data flows can continue; secondly, that specific exemptions can be granted, subject to strict safeguards; and, thirdly, that there are stronger sanctions for disclosure than at present, so that breaches of confidential information obligations will be punishable by up to two years' imprisonment. The clause balances the need for flexibility in future data sharing and the need to protect the basis on which any personal data might be used by the board.

Before turning to the amendments tabled by the Opposition, I beg to move amendments Nos. 27, 60 and 61—

Madam Deputy Speaker (Sylvia Heal): Order. I remind the Minister that at this juncture we do not require him to move those amendments. That will be necessary in a few minutes' time.

John Healey: I beg your pardon, Madam Deputy Speaker. I meant to say that I wanted to speak to amendments Nos. 27, 60 and 61 before turning to the amendments tabled by Opposition Members.

Amendments Nos. 60 and 61 permit disclosure of personal data by the board to the Security Service, the Secret Intelligence Service and GCHQ in the interests of national security. In effect, that replicates the current position, which is understood and accepted to be that where the intelligence services can make a principled case for access to information—in cases where there is no specific statutory bar on disclosure of the information—restrictions on disclosure could be overridden in the public interest. The current position could not continue without our amendments, because the Bill does what it is designed to do; it tightens the provisions for data sharing, allowing the board in future to consider disclosure only in the specific circumstances set out in the exceptions under clause 36(4).

If clause 36 remained as currently drafted, the board could face a criminal prosecution if it made a disclosure in the interests of national security. Amendment No. 60 will ensure that the statistics board is not restricted in making a disclosure to the security services in the future, should that be regarded as necessary for the purposes of the national security.

I recognise that the amendment may raise questions and I apologise to the House for its being tabled on Report, rather than being part of the Bill's consideration in Committee. We have spent a considerable time ensuring that we adopt the right and proportionate approach. The hon. Member for Fareham (Mr. Hoban) asked whether paragraphs (e) and (f) of clause 36(4) cover the needs in such circumstances. The intelligence services have pointed out that the criminal investigations exception, for instance, does not permit the sharing of information by the board in circumstances in which there may be a need to identify potential suspects following a tip-off that does not in itself provide sufficient grounds to launch a criminal investigation. Given that there is already an exemption for criminal investigations or proceedings in clause 36(4)(f) and the fact that ONS can at present make disclosures for the purposes of national security if a good enough case is made, it is difficult to argue that national security disclosures should not be permitted.

Let me make a couple of other points that I hope the hon. Gentleman and other hon. Members will find helpful. There is a process that means that the ONS currently, and the board in future, will be in a position to decide not to disclose information. I hope that the points that I will make will help to settle any wider concerns that there may be. First, the amendment will allow, and not compel, disclosure by the board. There would be a discretionary gateway under which the board would be free to disclose information, if it was satisfied the disclosure fell within the terms of the Bill. Secondly, in practice, as would happen now if ONS were to receive such a request, the intelligence services would have to make the case for disclosure and the board would have to consider the matter on a case-by-case basis. Thirdly, it would be for the board to decide whether a particular disclosure was permissible under the Bill. I can therefore assure the House that the provision would not give the intelligence services the ability to go on a general fishing trip. The onus would be on the intelligence services to demonstrate their case. We expect that, in practice, they would need to submit a business case to the board to support each disclosure request, just as they, and criminal investigators or police authorities, would do now if they wanted such information.

Furthermore, I can assure the House that the amendment is considered compatible with the Human Rights Act 1998. Although it may engage article 8—the right to privacy article—of the European convention on human rights, because it provides the discretion to disclose information to the intelligence services, any interference can be considered justified under paragraph 2 of that article. Any disclosure that occurred could be justified as being in accordance with the law and necessary in a democratic society for a legitimate aim. May I turn to amendment No. 27?

Rob Marris: An excellent amendment.

John Healey: I am glad that my hon. Friend is in his place. This is what I call the Marris amendment. It responds to a point that my hon. Friend made in Committee. He suggested, to some dismay in the parliamentary counsel offices, that clause 36 was "infelicitously worded" and that we could helpfully consider clarifying subsection (5). I am pleased to offer the amendment as a way of tidying up what he spotted in the Bill. His concern may not be immediately clear to the rest of the House, so I should explain that the subsection as it stands states, that an

> "'approved researcher' means an individual to whom the Board has granted access to personal information held by it for the purposes of the statistical research."

As he pointed out in Committee, it is unclear whether the phrase "for the purposes of statistical research" grammatically qualifies the noun "access" or the verb "held". I hope that the amendment clarifies that.

I will turn to what might be regarded as the more substantive amendments that were tabled by the hon. Member for Fareham and the hon. Member for Falmouth and Camborne (Julia Goldsworthy). The hon. Lady is right in many ways. The provisions and safeguards for the disclosure of data are not currently consistent and that is part of the purpose of these parts of the Bill. The hon. Gentleman based his remarks on a concern that, if

[John Healey]

data were shared generally within Government, respondents to surveys might be increasingly reluctant to provide the data that we all require. Clause 36(1) is important because it contains a strong general prohibition on the sharing and disclosure of personal information. My hon. Friend the Member for Wolverhampton, South-West (Rob Marris) called it a blanket block.

There was concern about the interplay with clause 36(4)(a), in the context of sharing information with other Departments. Essentially, subsection 4(a) is an exception to subsection (1). It allows the sharing of data in circumstances in which the House has already considered and enacted provision for such data sharing to take place. In many respects, it would not be appropriate—and perhaps not possible—for the Bill to override the will and settled determination of the House in a variety of other legislation.

The particular concern, however, was clearly for the future and related to the sharing of data within Departments. The desire of the hon. Member for Fareham in relation to amendment No. 24 is to restrict the provision to apply to disclosures for the purposes of the board, or in other words the purposes of data handling. He may remember the discussions that we had in relation to clause 44. It provides for arrangements to see increased data sharing—to the board from Departments and to Departments from the board—in circumstances in which those personal data-sharing arrangements are clear, agreed and specific, the data sharing takes place only for statistical purposes, and supplementary regulations subject to the affirmative procedure are brought before the House, so that the House will have the chance to scrutinise and approve any such arrangements in the future. In that way, we will be able to strike what I started by saying was the balance between the desire to see data sharing for specified and justified purposes, and a concern to see personal data protected with proper confidentiality safeguards.

Amendment No. 24 would modify clause 36(4)(a), which permits disclosure by the board when

"it is required or permitted by any enactment".

The amendment would mean that that would apply only when the information was being made available for statistical purposes. I hope that the hon. Gentleman accepts that we do not want to limit the provision to allow disclosure only for statistical purposes because that may prevent existing data-sharing practices that occur in the specific cases where Parliament has previously debated and decided that data sharing is in the public interest. For that reason, I hope that he will not press his amendment.

Amendment No. 40 would allow personal information that was held by the board, its employees, or any other person who had received such information from the board to be used only to pursue the board's functions. I must say to the hon. Member for Falmouth and Camborne that the provision would limit the board too much because if there were other legitimate interests at stake, the board would not be able to disclose. For example, it would not be able to disclose for the purposes of criminal investigation or in response to a court order. Both those exceptions are identified in clause 36(4). She will appreciate that although those purposes are outside the functions of the board, they are necessary, important and in the public interest.

7 pm

The purpose of amendment No. 41 is not quite clear to me. It seems to have been designed to allow the National Statistician to disclose personal data in specific circumstances, but if that is the case, the amendment is redundant, because the same exceptions regarding the confidentiality prohibition that cover the National Statistician, as a member of the board, are in place under subsection (4). I am not certain whether it is the hon. Lady's intention that the amendment should remove three of the exceptions in subsection (4): that in paragraph (d), which will allow the board to disclose personal information that has lawfully been made public; that in paragraph (e), which will allow data to be shared if the disclosure occurs in pursuit of a court order—clearly, if the board was subject to a court order and there was no exception to allow the confidentiality restriction to be lifted, board employees would be subject to conflicting legal demands—and that in paragraph (f), which will allow for disclosure of personal information for the purposes of criminal investigations or criminal proceedings.

I hope that I have been able to give a full explanation of the Government amendments and our concerns about the Opposition amendments.

Rob Marris: My hon. Friend referred to regulations that will be made under clause 44 and said that they would be subject to the affirmative procedure. Will he remind me where in the Bill it says that regulations made under clause 44—the power is quite wide—will be subject to the affirmative procedure?

John Healey: I suspect that my hon. Friend will find the information in the explanatory notes.

Rob Marris: I have not; I have looked.

John Healey: If my hon. Friend has failed to find the information, I can assure him, as I assured the Committee, that it is our intention to use such a procedure. I will ensure that he is directed precisely to the relevant reference, if he and I cannot immediately find it at this point in our proceedings.

Julia Goldsworthy: I thank the Minister for his contribution. The intention behind amendments Nos. 40 and 41 was to try to clear up any ambiguity that might exist about the extent to which clause 36 will apply. I hope that our debate on the Floor of the House has helped to clarify the matter and to address several concerns that have been drawn to my attention.

When we tabled the amendments, our motivation was to attempt to reinforce the spirit of what the Bill tries to achieve. Ultimately, we want to ensure that the integrity of statistical data is not compromised so that we can encourage the production of data of the highest possible quality. Some of the evidence that Finnish representatives gave to the Treasury Committee showed that public confidence in data would allow broader data sharing across government. Indeed, that could make the collection of statistical data cheaper, in

addition to bringing about other benefits. I think that the Minister's speech will have done a lot to reassure people who brought concerns to my attention.

John Healey: I welcome the way in which the hon. Lady is responding to the reassurances and information that I was able to give her. I agree that the debate has been useful in clarifying the situation. Will she help me by accepting that the regulation-making powers in the Bill are usefully set out for my hon. Friend the Member for Wolverhampton, South-West in clause 62?

Julia Goldsworthy: I am sure that the whole House is pleased to hear that additional clarification.

It was our intention not to try to block any existing exceptions, but to try to rationalise them, where there is no consistent practice. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendments made: No. 60, page 15, line 19, at end insert—

'(fa) is made, in the interests of national security, to an Intelligence Service,'

No. 27, page 15, line 23, leave out from 'access' to end of line 24 and insert

', for the purposes of statistical research, to personal information held by it.'.—*[John Healey.]*

New Clause 5

PRE-RELEASE ACCESS TO OFFICIAL STATISTICS

'(1) The Board shall prepare, adopt and publish a Code of Practice for the pre-release of official statistics.

(2) The Board may at any time revise the Code of Practice for the pre-release of official statistics and, if decides to do so, must publish the Code as revised.

(3) In preparing or revising the Code of Practice for the pre-release of official statistics, the Board must consult—

(a) the authorities responsible for the production and release of official statistics falling under the provisions of section 6(1)(a), and

(b) such other persons as it thinks fit.

(4) The Code of Practice for the pre-release of official statistics shall have regard to the following matters—

(a) the circumstances in which, or descriptions of statistics in relation to which, pre-release access may or may not be granted;

(b) the persons, or descriptions of persons, to whom pre-release access may be granted;

(c) the period, or maximum period, during which pre-release access may be so granted;

(d) the conditions subject to which pre-release access may be granted.

(5) The Board shall publish annually—

(a) a list of statistics to which pre-release access has been granted under the provisions of the Code of Practice for the pre-release of official statistics and the dates of publication; and

(b) a list of all persons granted pre-release access under the provisions of the Code of Practice for the pre-release of official statistics.

(6) The Board, the National Statistician, government departments, the Scottish Administration, Welsh Ministerial authorities, Northern Ireland departments and any other person acting on behalf of the Crown in the production or publication of official statistics shall—

(a) comply with the Code of Practice for the pre-release of official statistics; and

(b) consult the Board on matters of interpretation of the Code where appropriate.'.—*[Mr. Hoban.]*

Brought up, and read the First time.

Mr. Hoban: I beg to move, That the clause be read a Second time.

Madam Deputy Speaker: With this it will be convenient to discuss the following amendments:

No. 23, page 5, line 20, leave out Clause 11.

No. 35, in clause 11, page 5, line 21, leave out 'may not' and insert 'shall'.

No. 36, page 5, line 32, after 'granted', insert

'up to a maximum of two hours before general release'.

No. 37, in clause 17, page 8, line 11, leave out subsection (4).

Mr. Hoban: I will speak to new clause 5 and amendment No. 23, which would remove clause 11 from the Bill.

The Government have set out in the Bill a series of measures to improve people's confidence in national statistics because they are aware of people's concerns about the existing system. One of the principal areas of concern is the use to which pre-release access is put. There is worry that, because of pre-release access, Ministers and civil servants have the power to shape the presentation of data, or, to use the words in Committee of the hon. Member for Hove (Ms Barlow), who is sadly not in the Chamber, to give "the statistics ... serious treatment."

We spent some time in Committee discussing pre-release access, so I do not need to repeat in detail the arguments and examples that were cited to illustrate the problems surrounding such access to statistics. However, let me cite one quote that we heard in Committee, which characterises people's concerns about pre-release. Liam Halligan, the economic editor of *The Sunday Telegraph* has said:

"I can tell you from personal experience that pre-release is constantly used by the government to divert the media away from numbers which make for uncomfortable reading. It allows pre-emptive spin, with government departments sometimes putting out data designed to contradict evidence about to be revealed by the industrious, independent boffins from the ONS."

There is thus a strong belief that pre-release is used to enable the Government to manage the news agenda—to divert attention from what some might call the inconvenient truth.

It is fair to summarise our debate in Committee by saying that there was broadly a consensus that pre-release access to market-sensitive statistics was appropriate for Ministers. However, there was a sharp distinction between those who thought that the mechanics of pre-release access should be determined by the board, and those who felt that that was a matter for the Government. There was a distinction between Committee members who opted for a permissive approach to pre-release in the amount of time given to Ministers and civil servants to consider the treatment of statistics, and those who preferred a shorter period of access for a much tighter group of people.

New clause 5 represents a more robust approach to pre-release than the Government seek, because it would

[Mr. Hoban]

give the board, not the Government, the power to draw up the code on pre-release, albeit after consultation, rather than leaving it to Ministers to draw up regulations that would subsequently be approved by Parliament.

Our new clause gives the board the power to define:

"(a) the circumstances in which, or descriptions of statistics in relation to which, pre-release access may or may not be granted;

(b) the persons, or descriptions of persons, to whom pre-release access may be granted;

(c) the period, or maximum period, during which pre-release access may be so granted;

(d) the conditions subject to which pre-release access may be granted."

Those are all vital issues that affect how pre-release is used.

Clause 11 requires the issue to be addressed in a code, but our new clause 5 goes further: it would require the board to publish a list of statistics that are subject to pre-release, and the people to whom pre-release access is given. Those two measures will add to the transparency surrounding the release of statistical data. They pick up on the concerns expressed by my hon. Friend the Member for Sevenoaks (Mr. Fallon) in Committee. He spoke of the difficulty of finding out who had access to statistics prior to their release. He cited an example in which, although 40 people had prior access to unemployment data, he was able to find that out only by trawling websites.

The new clause would put into primary legislation a commitment that the Financial Secretary made before Committee about the as yet unseen secondary legislation. He said that the secondary legislation would cover the two issues that I have addressed, but it is unfortunate that, although the Bill has reached Report, we have yet to have sight of that draft secondary legislation. Pre-release arrangements are lax, and they provide a framework that enables people to use the time before the public release of data to put a gloss on those data for the media. They soften the media up before data are published.

By asking the board to define the code, we are giving it the power to produce guidelines that will enhance the integrity of the publication of statistics. That will enhance the credibility of the process for users, and it will give the statistics a chance to speak for themselves, rather than being obscured by spin and presentation. When giving evidence to the Treasury Committee, the Financial Secretary himself said:

"I would certainly accept that the pre-release arrangements contribute to the perception of interference in statistics."

Our proposals would ensure that the arrangements for pre-release were determined independently of Government but in consultation with them and the devolved Administrations, and they would tackle the perception of interference with statistics.

Pre-release is one of the crucial issues to do with the Bill, and it determines the way in which people perceive the process to work. Although the Government have made some progress by seeking to formalise the arrangements through secondary legislation, subject to the affirmative procedure, it is important that the power to determine the mechanics for pre-release should be in the hands of the board. The board has been given many powers in the Bill, but it should be given one further power: the power to ensure that it can set in place the mechanics for pre-release.

It is only by tackling such issues that we will start to mitigate some of the cynicism about the Government's production of statistics. If the board is given the powers that we propose, it will put the release process at arm's length from the Government. It will ensure that more people have confidence in the statistics that are published, and that we move away from the current position, in which it seems that whenever sensitive statistics are produced, a process of softening-up takes place. To reflect on the comments made by Liam Halligan, people's attention is diverted from figures that might prove inconvenient to the Government, and directed towards more favourable figures. It is important to let statistics speak for themselves; they should not be subject to pre-emptive spin.

Dr. Cable: I shall simply say a few words in support of the amendments in this group that are in my name and the name of my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy). Essentially, they support and complement the comments of the hon. Member for Fareham (Mr. Hoban). The subject of pre-release is, certainly at this stage of our proceedings, the cause of one of the biggest differences between the Government and the Opposition, and there is a degree of frustration about our inability to make progress in clarifying the safeguards surrounding pre-release.

7.15 pm

So far, the Government have defended their position on the rather fundamentalist grounds that pre-release is justified in principle, and therefore a whole raft of current practices are justified. Today, we will not dispute the principle of pre-release; there is good reason for it in certain instances where highly sensitive economic data are concerned, and for limited periods. When the statistical community has commented on the practice, it has usually conceded that point. For example, the Statistics Commission acknowledged in its submission that

"There is a recognition...that for key data series there will be a need for Ministers to have...some advance warning",

but it went on to say:

"In most countries, the prior access is about half an hour—that's a huge difference and it does mean all sorts of mischief gets done".

The issue, therefore, is not the fundamental principle of pre-release, but the time and the circumstances surrounding it.

The hon. Member for Fareham quoted Liam Halligan's eloquent piece on the subject, but to take another topical example, comment was recently passed on the British crime survey. The Government are in the habit of releasing crime data statistics and accompanying them with the comment that they are "the best source" of data. Professor Adrian Smith of Queen Mary college, University of London, one of the Government's chief advisers on statistical matters, produced a scathing criticism of that interpretation of crime data. He notes that it

"flies in the face of common sense."

That same professor produced an excellent report for the Government on mathematics education, so he is clearly not at odds with the Government on

fundamentals. He makes the point that there has been a simple misuse of economic statistics through the pre-release process.

The question is how best to define the boundaries of pre-release. In our exchanges in Committee, there was a to-ing and fro-ing of arguments about other countries' practices. I cited what I thought was probably the best example of good practice: the United States. I quoted the Royal Statistical Society as saying that the President of the United States had half an hour's warning of key economic data, and I said that that demonstrated how tough and restrictive its arrangements were. The Minister subsequently wrote to me—I am grateful for his letter—to correct the Royal Statistical Society and me, and rightly so. He pointed out that the President of the United States has overnight access to data. Clearly, even the best experts can get things wrong.

The Minister's letter proves his point in a way, but in a wider sense it does not, because the letter makes it clear that in the American experience, pre-release is not only restricted to overnight access, rather than 40 hours, but it is restricted to a very limited range of statistical indicators, and very few people in the United States have any access to the data. He made his point, but he reinforced the perception of the promiscuous way in which the British pre-release system is used and abused, across the Government.

The other example of a fairly permissive system is Canada; most other countries have either no or very little pre-release, but the Canadians allow overnight access to data, which is reasonably generous. However, they also restrict considerably the uses to which pre-release can be put. They limit considerably the number of people who have access to the data, and they limit its use by non-statisticians. Therefore, the question is not the principle of pre-release—we concede that there is a case for it, for the purposes of this argument—but how to apply proper boundaries to it.

I suspect that when the debate gets to the House of Lords, a strong case will be made by people who have much more direct experience of the matter than we do. I should like to quote Lord Moser, who has been cited on several occasions, and who takes a hard line on the subject. He argues that

"pre-release should basically be abolished."

He goes on to say that he thinks pre-release should be

"perhaps something over one hour, so that the minister can be prepared to answer questions... I would leave it to the new board to decide whether there should be any exceptions. My own view would be to start from no exceptions."

I suspect that when the Bill reaches the other place there will be amendments along the lines that he suggests.

We propose something less radical, so I hope that the Government would find it easier to live with. First, we propose amendment No. 36, which, by interposing a couple of words in clause 11, would effectively make pre-release subject to the professional judgments of the statistics board, rather than subject to the current opaque arrangements, the details of which we have not yet seen.

Secondly, we would provide for pre-release of up to two hours. By international standards, that is generous—it is twice as generous as the period recommended by Lord Moser. It provides a limitation or cap on pre-release data, so the Government should not find it too difficult to accept. It is in a spirit of compromise that we suggest acceptance of the principle of pre-release while imposing boundaries on the process itself and the time.

Rob Marris: We discussed this subject extensively on Second Reading and in Committee. I welcome my right hon. Friend the Paymaster General to the Chamber. I was pleased that on Second Reading and in Committee the Financial Secretary said that he would review the operation of the Government's framework, assuming that it is accepted tonight, in 12 months' time. However, I must tell my right hon. Friend—I believe that she will reply to the debate—that I find the general sense of the Opposition's proposals attractive. A pre-release period of 40.5 hours for non-market and market-sensitive information is far too long. I do not know whether it should be as short as two hours or 30 minutes, as suggested by the hon. Member for Twickenham (Dr. Cable), but a 40.5-hour period for non-market-sensitive information—that is my understanding of the regime—is far too long. If the amendments are not accepted, I encourage my hon. Friend the Financial Secretary to undertake a thorough review in 12 months' time, because the present time limit is too long.

Mr. Gauke: The arguments against the Government's approach on pre-release have been made throughout proceedings on the Bill by Members on both sides of the House. I welcome the contribution of the hon. Member for Wolverhampton, South-West (Rob Marris), and I look forward to seeing him in the Lobby. The Government's arguments may be delivered by a different voice, but I suspect that they will be familiar.

I wish to return to the subject of the Treasury Committee's visit to the Republic of Ireland, to which I referred earlier. We met members of the Central Statistics Office in Dublin who, unprompted, raised concerns about the Bill, specifically the proposals on pre-release. They pointed out that under the office's code of practice, it decides the rules of pre-release—it is not left to the Government, and there is no carve-out. It is odd that the thing that causes the most concern—the perception of ministerial interference, which damages the credibility of statistics—is the very thing on which there is a carve-out in the Bill, which allows ministerial control. The Irish statisticians were concerned about that, and they reflected the view of the international statistical community. I did not know that there was such a community, but it is concerned about the Bill, especially the pre-release provisions. It is not surprising that strong concerns have been expressed by Members on both sides of the House, so I hope that the Government will reconsider their position.

John Healey: We have had a brief and succinct debate that, in many ways, retreads the detailed arguments that were made in Committee. May I thank the hon. Member for Twickenham (Dr. Cable) for his remarks about my letter? It is important, as I said in Committee, to make sure that everyone has precise, accurate information about international comparisons. I appreciate the concerns expressed by my hon. Friend the Member for Wolverhampton, South-West (Rob Marris), particularly about the length of pre-release access. He clearly supports the principle of pre-release,

[John Healey]

and he accepted that we propose to tighten the system, but he urged us to go further. I welcome, too, the contribution of the hon. Member for South-West Hertfordshire (Mr. Gauke), who brings his expertise as a member of the Treasury Committee to bear on our discussion. I acknowledge the contribution of the hon. Member for Fareham (Mr. Hoban), although I would not necessarily choose to quote as an authority on the subject the editor of *The Sunday Telegraph*.

It is encouraging that there is consensus on the principle of pre-release access. Indeed, there was consensus on our proposals in the Treasury Committee report on the Bill. It is accepted that provision is required to codify access and make it clearer, and more enforceable and consistent. Beyond that, there are differences in two principal areas. First, what is the best way of making that provision and, secondly, what are the appropriate time limits to set on pre-release access? I hope that I can deal with the detailed points that have been made on both issues and, in doing so, explain the Government's approach and the step forward that we have taken. We are setting up, in the Bill in general and in these provisions, a new system that can evolve in the light of experience and of the emerging and changing demands of the statistics system. I can reassure the House, as I did in Committee, that we will review the operation of pre-release arrangements 12 months after their introduction.

There is clear, international acceptance of the principle of pre-release access to statistics. Indeed, I explained in Committee:

> "Pre-release access allows the Government to account for the impact and implications of policy when important new statistics are released."—*[Official Report, Statistics and Registration Service Public Bill Committee*, 23 January 2007; c. 188.]

That is at the heart of the case for pre-release arrangements. The public have a right to expect, and the British media have come to demand, that Ministers account for the impact and implications of policy when statistics are released—not hours afterwards or in the days that follow. The provision therefore provides an important safeguard, as it enables the Government to consider, particularly in the case of market-sensitive data, any contingency measures that may be needed alongside a statistical release to guard against a disproportionate or costly market or public reaction.

Rob Marris: May I point out, as I did in Committee, that it is not only a question of market-sensitive information? It might be a question of health-sensitive information. If statistics come to light that suggest that there is a rapidly developing health problem, such as avian flu, in one part of the country, Ministers and the Department—in this case, it would be the Department of Health—would have a chance to react and put measures in place so that when those statistics came into the public domain, there would not be as much panic, if I can put it that way, because Ministers could say that they were aware of a cluster of avian flu cases, and had taken steps to address the issue. It is not simply a question of market-sensitive information.

John Healey: As is often the case, my hon. Friend is right. In many respects, these are "in case" provisions. If he consults the record, he will see that I said that measures are needed so that, if necessary, we can take steps or release further information alongside a statistical release to guard against a disproportionate or costly public as well as market reaction.

I acknowledge that the hon. Members for Fareham and for Twickenham accept the principle of pre-release, but they both advocate the acceptance of amendments that aim to allow the board to determine pre-release arrangements. Let me make it clear, as I have done before, that I and the Government disagree with that approach. I shall explain.

7.30 pm

Mr. Newmark: I do not mean to throw the Financial Secretary's words back at him, but he said in Committee that Parliament, not the board, should ultimately approve the rules and procedures relating to the pre-release of statistics in the final form prior to publication. If so, why not put pre-release on a statutory footing in the Bill now, instead of avoiding the issue and hoping that it will go away?

John Healey: The hon. Gentleman served on the Committee. If he hears me out, he will hear me emphasise again that we do propose to put the pre-release arrangements on a statutory footing, because of their special importance. Unlike the proposals from the two Opposition Front Benches for those arrangements to be captured in the code of practice, we propose an approach that sets them out in statute, in regulation, not in a code that is backed by but not set out in statute, as advocated by the hon. Gentleman's party.

Given the importance of pre-release for the rightful accountability of Ministers to Parliament and the public, as I described, and given the recognition that concerns about pre-release arrangements and pre-release practices have contributed to public scepticism about the way the Government handle data, a special provision that brings the detail of arrangements back before the House and captures them in regulation that will be subject to the affirmative procedure of the House—in other words, debated before they may be approved by the House—is the proper approach, rather than saying that this is a matter for the statistics board, its code of practice and its sole decision. A code that was backed by statute but not spelled out in statute would arguably have less force.

Given the importance of pre-release, the Bill has been drafted to ensure that the pre-release arrangements as they are currently set out and operated will be tightened, as well as being given special status in the new system. What I announced previously remains the Government's firm intention—the Government will tighten the current pre-release arrangements. The length of time that pre-release is available will be aligned at 40.5 hours for all national statistics, not just market-sensitive statistics. The new, tighter arrangements will be set out, as I said, in secondary legislation. I also announced that the order will include principles to provide guidance for Departments and to ensure that pre-release access is limited to those individuals who require the data for operational reasons.

Consistent with the Government approach of designing a general statistical system that can be developed in light of experience, I have given the House

an undertaking that we will review the operation of the system 12 months after its introduction.

Rob Marris: I am grateful to my hon. Friend for his continuing generosity in giving way, and I am grateful to him for the assurances on the review, which will prompt me not to vote for any of the amendments should a Division be called. However, will my hon. Friend address new clause 5(5), which is about the board publishing an annual list of statistics to which pre-release access has been granted, and an annual list of persons to whom pre-release access has been granted? From what we have been told, particularly by the hon. Member for Sevenoaks (Mr. Fallon), it seems to be difficult for members of the public or parliamentarians to gain information about who has that authorisation and which statistics fall into that category.

John Healey: The present arrangements involve the publication of the list of national statistics and of the arrangements that Departments have in place for pre-release. My hon. Friend makes a valid point. The arrangements are somewhat patchy and variable between Departments. Part of the purpose of introducing a new, tighter system is to ensure that it is more consistent across Government. I have made it clear and will repeat in a moment that I expect the board to monitor carefully and to make its findings publicly available, in order that it and others can assess whether the terms of the new system for pre-release are being met.

I believe strongly and argue to Members participating in the debate that it is important—unlike the rest of the code, the content of which will be backed by but not prescribed in statute—that clause 11 provides for legislation to prescribe the principles and rules for access to official statistics in their final form ahead of publication. As has been acknowledged in the debate, I wrote to members of the Committee in advance of the Committee's discussions about this, setting out my expectations as to the types of issues that those principles would seek to deal with. I have placed a copy of that letter, dated 19 January, in the Library of the House so that others may more easily consult it.

The issues are similar if not identical to some of those identified in the amendment tabled by the hon. Member for Fareham. Unlike the proposals from the Opposition Front Bench, the order developed under the Government's proposals, by virtue of the current clause 62, will be subject to further scrutiny, discussion, and approval under the affirmative resolution procedure of the House. That will ensure strong parliamentary scrutiny of and input into the proposed arrangements, with Parliament's consent being required before any order becomes binding. Given the importance that all Members attach to the pre-release arrangements, that seems an appropriate approach.

Importantly, and again unlike the proposals from the Opposition Front Benches, compliance with the new arrangements will be independently assessed and reported on, including to the House, by the board. Over time, this will help to ensure that the arrangements are consistently interpreted, consistently applied, better understood and more transparent, with a stronger role for Parliament in ensuring that Ministers and Departments are properly abiding by the terms of the arrangements that the House has authorised.

I expect that over time, as they become well established, the new arrangements, together with the creation of a central publication hub to separate statistical releases from policy statements, will reinforce trust and confidence in official statistics and in the new and tighter pre-release arrangements.

On the substance of new clause 5, which the hon. Member for Fareham proposes would replace clause 11, I have already explained why the Government remain certain that Ministers, rather than the board, should be charged with preparing the new pre-release arrangements. Our proposals, unlike those in new clause 5, provide for independent assessment of compliance with the rules and for the parliamentary scrutiny of the arrangements before they come into effect.

Clause 11(4) lists a number of subjects that may be provided for in the new order. As I explained, it is the Government's intention that the secondary legislation should include rules and principles covering those topics. As I have also explained in some detail, the Bill provides for the scrutiny of these arrangements. It is for Parliament to have the capacity to ensure that the new arrangements are suitably comprehensive. Setting out such a list in a prescriptive fashion on the face of the Bill would add nothing.

The requirement on the board to publish information on who receives pre-release access is contained in subsection (5)(b) of new clause 5. It is a good example of the over-prescription of the contents of pre-release arrangements tied up in statute in primary legislation. Under the current protocol on release practices, Departments are required to publish lists of who is entitled to privileged early access and for how long for each statistical release. That is the point that my hon. Friend the Member for Wolverhampton, South-West made. I expect that to continue in the new system and to be clearer and more consistent.

When one considers that the last significant primary legislation on statistics was in 1947, the risk of codifying in the Bill arrangements that may prove too inflexible or inappropriate at this stage, and in this detail, is obvious to all. We may not wish to, or be able to wait a further 60 years to alter any primary legislative steps that we take in this narrow and detailed area. I also expect the secondary legislation covering the rules and principles for deciding the number of officials in each Department who receive pre-release access to tighten these arrangements and to make them more consistent across Government.

Subsection (6) of the new clause would require statistical producers to comply with the new arrangements and to consult the board on matters of their interpretation. Compliance and consistent interpretation will be much more effectively achieved by assessment, monitoring and reporting by the independent board, according to the published and ratified pre-release arrangements and reporting back to this House where necessary.

Dr. Cable: The Minister is essentially asking us to wait and see and saying that all our anxieties will be put at rest once we have seen the secondary legislation. Can he tell us when will we see it, and what will be the Government's line on pre-release periods, beyond the assurances that he has already given in Committee on the timing of pre-release for official, as opposed to national statistics?

John Healey: The principal point that I am urging on the House is not that it should wait and see but that the importance of pre-release arrangements requires us to adopt an approach that does not incorporate them in a code of practice produced by the board. As far as I can see at this stage, I have given, in my letter and in my explanations to the Committee and to the House, an indication of what we expect the regulations to cover. As soon as we are in a position to produce the draft regulations, we will do so.

Contrary to the approach proposed in the new clause, the Government's approach brings with it a much sharper and more meaningful sanction for non-compliance. The board can remove national statistic status from statistics that are found to have been prepared or handled in a manner contrary to the code of practice, including in relation to pre-release arrangements.

In summary, I cannot accept amendment No. 35, which would compel the board to include in the code of practice matters relating to pre-release access to official statistics. Nor can I accept the proposed limit on pre-release hours. I do not believe that two hours is sufficient to take the kinds of measures that might be required. Many countries, including Canada, Germany, France, Spain, Japan and the USA, provide for pre-release access well in excess of two hours; indeed, they receive access to certain statistics at least on the day before general release. Particularly in times of economic instability, that enables the Government to consider and plan contingency measures or to release further clarifying information that may prevent the sort of disproportionate and costly public or market reaction that concerns my hon. Friend the Member for Wolverhampton, South-West.

Amendment No. 37 is consistent with the Liberal Democrat amendments that would give power to the board to include pre-release access in the code. That would allow the board to make changes to the existing code provisions on pre-release. I cannot accept the amendment because I do not agree that pre-release arrangements should be for the board to determine. It is proper that that is seen as part of the accountability of Ministers to the public and to Parliament. The proper process is to bring such proposals back before the House and subject them to the established procedure for affirmative regulation, thereby providing further scrutiny, securing the House's approval, and ensuring that the House subsequently plays a more important and active role in ensuring that the standards and rules that we set out are met.

I hope that the new clause will not be pressed to a vote, but if it is, I must ask my hon. Friends to oppose it.

7.45 pm

Mr. Hoban: Such is the interest in pre-release that Members have flocked to the Chamber to see the Minister refuse to take the right step in terms of transferring the responsibility for pre-release out of the hands of Ministers who will draw up the regulations and into the hands of the independent board that will supervise other aspects of the production of national statistics.

I believe that it is important that the regulations on pre-release are codified, that people are consulted on them, and that we accept the principle that there should be pre-release access to statistics. However, we do not accept the continuation of the Government's control of the process, which has led to people viewing national statistics with increasing cynicism because of the pre-emptive spin that is so often applied to that information. We want to ensure that the rules concerning pre-release access are controlled not by the Government but by the board. I therefore wish to put new clause 5 to the vote.

Question put, That the clause be read a Second time:—

The House proceeded to a Division.

Madam Deputy Speaker: Order. I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 185, Noes 268.

Division No. 075] **[7.46 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Arbuthnot, rh Mr. James
Bacon, Mr. Richard
Baker, Norman
Barker, Gregory
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Berisford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Bruce, rh Malcolm
Burns, Mr. Simon
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Philip
Djanogly, Mr. Jonathan
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodwill, Mr. Robert
Gray, Mr. James
Grayling, Chris
Green, Damian
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Harris, Dr. Evan
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Hosie, Stewart
Howarth, David
Huhne, Chris
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Key, Robert

Kirkbride, Miss Julie
Kramer, Susan
Lait, Mrs. Jacqui
Lansley, Mr. Andrew
Leech, Mr. John
Leigh, Mr. Edward
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
MacNeil, Mr. Angus
Malins, Mr. Humfrey
Maples, Mr. John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Moss, Mr. Malcolm
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Ottaway, Richard
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Rogerson, Mr. Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, Mr. Alex
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simpson, Mr. Keith
Smith, Sir Robert
Spicer, Sir Michael
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Syms, Mr. Robert
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Young, rh Sir George

Tellers for the Ayes:
Mr. David Evennett and Mr. Mark Lancaster

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Begg, Miss Anne
Berry, Roger
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
David, Mr. Wayne
Davidson, Mr. Ian
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dobbin, Jim
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Eagle, Maria
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Mr. Robert
Flint, Caroline
Flynn, Paul
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McIsaac, Shona
McKechin, Ann
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine

Morley, rh Mr. Elliot
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andrew
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Vis, Dr. Rudi
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Liz Blackman and Jonathan Shaw

Question accordingly negatived.

Clause 3

Members

Mrs. Villiers: I beg to move amendment No. 2, in page 2, line 6, leave out 'Treasury' and insert 'Cabinet Office'.

Madam Deputy Speaker: With this it will be convenient to discuss the following amendments: No. 49, in page 2, line 6, at end insert—

'(c) at least one person appointed by Scottish Ministers.'.

No. 57, line 6, at end insert—

'(c) at least one person appointed by Welsh Ministers.'.

No. 3, line 7, leave out 'Treasury' and insert 'Cabinet Office'.

No. 50, line 10, leave out paragraph (a).

No. 4, line 10, leave out 'Treasury' and insert 'Cabinet Office'.

No. 58, line 12, leave out paragraph (b).

No. 5, line 12, leave out 'Treasury' and insert 'Cabinet Office'.

No. 6, line 14, leave out 'Treasury' and insert 'Cabinet Office'.

No. 7, line 16, leave out 'Treasury' and insert 'Cabinet Office'.

No. 51, in page 11, line 13, clause 27, leave out

'with the consent of the Chancellor of the Exchequer'.

No. 59, line 20, leave out

'with the consent of the Chancellor of the Exchequer'.

No. 52, line 39, leave out subsection (9).

No. 53, in page 21, line 4, clause 45, leave out subsection (7).

No. 54, line 7, leave out 'and the Treasury'.

No. 55, in page 24, line 16, clause 49, leave out subsection (7).

No. 56, line 19, leave out 'and the Treasury'.

Mrs. Villiers: Amendments Nos. 2 to 7 would transfer the residual ministerial functions from the Treasury to the Cabinet Office. I understand the concerns behind the other amendments, tabled by the Scottish National party, which would reduce the Treasury's powers in matters relevant to the devolved Administrations. It is difficult to get the balance right between those Administrations and the Government in this context, but there is a need for some institutional co-ordination across the country and across the structures. As it stands, I do not think that there is a case for removing the input from the centre. I am not, therefore, minded to support those amendments.

On amendments Nos. 2 to 7, we would have preferred the residual powers to be taken out of ministerial hands and transferred to Parliament, and to set up the new system along the same lines as the National Audit Office. Those arguments were not accepted in Committee and we shall not press them, but we see this option as second best. The Minister dismissed similar amendments in Committee on the basis that the ministerial functions were not significant and that the point of the Bill was to take all significant powers away from Ministers and to vest them in the independent board. It is true that the Bill will reduce ministerial involvement in the statistical system, and that is welcome. That move does, indeed, reduce the significance of the choice of Department to carry out the residual remaining functions. However, the residual functions left with Ministers are still significant. Most important of all, clause 3 gives Ministers the power to determine the size of the board and to appoint its members. There are also important powers in clause 27, which gives the Chancellor significant powers on direction in the event that the board fails to perform its functions, and in clause 62, which contains important functions in relation to secondary legislation and orders. We are not raising a theoretical question; we are talking about powers that are genuinely important for the way in which the new structure for running statistical services will operate.

There are three key questions that we should ask when considering the amendments. The first is, which Department is least likely to interfere with the priorities and the work of the board?

Alun Michael: The hon. Lady asks which Department is least likely to interfere. Surely the question would more sensibly be which Department is most likely to create positive outcomes.

Mrs. Villiers: I am coming to that. As the right hon. Gentleman says, we must also consider which Department is likely to be of the greatest assistance to the board and the National Statistician when they require the assistance of a Department in standing up to other Departments when those Departments' standards in producing and releasing statistics fall below par. The third question is which Department would be the most effective in arguing the case for the board and statistical services in determining the appropriate level of funding.

The Opposition believe in every case that the answer to those questions is the Cabinet Office and not, as is provided by the Bill, the Treasury. In this we share the view of many who expressed concerns during the consultation, including a number of distinguished academics, as well as the Royal Statistical Society and the Statistics Commission.

On the first question, we believe that the Cabinet Office is less likely than the Treasury to seek to exert political influence over the priorities and work of the board in a way that is out of line with the Bill's goals. We base that conclusion on the fact that the Cabinet Office has no direct interest in a particular type of statistic, whereas, naturally, the Treasury does. For obvious reasons, the Treasury has a particular focus on economic statistics. As a major consumer of statistics, it is not disinterested. The potential for a conflict of interest is exacerbated by the fact that the measurement of the Treasury's performance in critical areas of economic and fiscal policy is heavily dependent on the statistics and judgment of those who are responsible for producing them. The Cabinet Office, on the other hand, has no such conflict of interest, a point made by Lord Moser to the Treasury Committee. It is neither a major consumer of statistics nor is its performance heavily linked to statistical analysis.

Rob Marris: My understanding is that the Cabinet Office deals with social inclusion, for example. In fact, the Minister responsible for that is my constituency neighbour, the hon. Member for Wolverhampton, South-East (Mr. McFadden). In determining whether any Government have made inroads on social exclusion—something that the hon. Lady's party at last, I am glad to say, welcomes—surely the conflict potential would also apply to the Cabinet Office.

Mrs. Villiers: I certainly agree that whatever Department we choose, we are unlikely to eliminate entirely the possibility of conflict, but it is more intense in relation to the Treasury than it would be in relation to the Cabinet Office.

We have to bear it in mind that the Cabinet Office has a long-recognised remit to co-ordinate the activities of different Departments, which would also equip it appropriately for the functions that we are considering. The Treasury may try to exert considerable control over Departments to an unprecedented degree, but cross-departmental co-ordination is still the formal responsibility of the Cabinet Office, acting on behalf of the Prime Minister. The co-ordinating role features prominently in its departmental objectives. As has been emphasised throughout the debate, the work of the board can and should go beyond scrutinising the economic statistics traditionally associated with the ONS. The board's work should encompass a wide range of social statistics on crime, education, health and social exclusion, which are produced by a range of Departments. It is therefore appropriate that the Department tasked with residual ministerial functions should have an eye for cross-departmental concerns. With the insight that one would expect from an organisation with a long and distinguished history, the Royal Statistical Society, which has contributed so helpfully to the debate, tells us that what we need is "an honest broker". I think that we are more likely to find one in the Cabinet Office than in the Treasury.

Secondly, we must ask which Department will give the board and the National Statistician the most effective assistance in bringing other Departments into line when they fail to live up to the code of practice. That returns us to territory that we covered briefly when discussing the role of the National Statistician. The House would do well to listen to the advice given by Lord Moser, whose wisdom has been called upon a number of times this evening. Giving evidence to the Treasury Committee, he was adamant about the importance of a link with the Cabinet Office, in which he saw a re-emphasis on the direct link with the Prime Minister, to whom that Department reports. He said

> "This is a very real link... I would see the Prime Minister quite regularly and he would take serious interest. That obviously was a great strength, especially vis-à-vis other departments. So it was much less difficult to influence other ministries when it was known that behind me was the Prime Minister."

Lord Moser has made clear his view that the decision of my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) to shift responsibilities relating to the ONS from the Cabinet Office to the Treasury was a mistake. One of Lord Moser's more controversial successors, Len Cook, pointed out:

> "Almost all of the current concerns involve departments where only the Prime Minister has authority to challenge ministers."

Today, we have an opportunity to rectify the error made by my right hon. and learned Friend. We may now have a Chancellor who is perhaps considerably more powerful than the Prime Minister, but there is no guarantee that that will continue to be the case. It would therefore be valuable for the board and the National Statistician to have the direct backing of both the Cabinet Office and the Prime Minister.

Thirdly, we must ask which Department will be most effective in arguing the case for the board and statistical services in determining the appropriate level of funding. We believe that the Cabinet Office would be the most effective, for the simple reason that it is not the Treasury. It can provide a ministerial voice outside the Treasury to argue the case for statistical services. It is well known that each Department must argue its case for funding with the Treasury. Under the structure envisaged by the Bill, that would involve one Treasury Minister strolling down the corridor for a chat with another Treasury Minister. There would be no external pressure on the Treasury. Even institutions at arm's length from the Government, such as the BBC, tend to rely on a Minister to speak up for them on funding matters, although of course they have the opportunity to make their own case directly as well.

[Mrs. Villiers]

The Minister dismissed similar arguments in Committee, on the ground that there would be no debate on funding between Ministers of the kind that I have described because the Bill would take the board's funding out of the normal spending round. We believe that funding decisions should be taken out of the hands of Ministers and transferred to Parliament. If that were done, my third question would become irrelevant. There would be no need for a Minister to speak up for the board in the spending round because Parliament, not the Treasury, would make the decision. Sadly, however, that is not how the Bill is drafted. All we are told about funding is that it will be determined on a five-yearly basis by a "transparent formula". What the Minister has told us so far about the funding arrangements is insufficient to give me confidence that the board will not need a Minister to stand up for it in negotiating with the Treasury.

There is a fourth reason why we think the Cabinet Office would be a better home for the residual ministerial responsibilities in the Bill. Here I pray in aid the analysis of my hon. Friend the Member for Sevenoaks (Mr. Fallon), who said that in transferring residual responsibilities to the Cabinet Office we would demonstrate that we were making a visible difference. Tom Griffin, the former director of statistics at the United Nations Economic Commission for Europe, said:

"To sever the link with the Treasury now...would be a very visible move towards independence."

Severing that link would constitute a further break with the current arrangements, which all now agree have not worked satisfactorily. We believe that it would make a useful contribution to building trust in official statistics, and we commend the amendments to the House.

8.15 pm

Alun Michael: I am grateful for the opportunity to respond to the speech of the hon. Member for Chipping Barnet (Mrs. Villiers). She gave three reasons for seeking to change accountability in Government. When any such change is made, it must be recognised that breaking one set of relationships in favour of another means that they must be reconnected in a different way. It is never quite as straightforward as it appears. I hope that the hon. Lady accepts that the interest of the Cabinet Office and that of the Treasury—and, indeed, the interests of a variety of other Departments, as well as the interest of the Prime Minister of the time—are important in all this. The overall oversight of the Prime Minister in seeking integrity in the way in which statistics are prepared is certainly important, but I do not think it will ever percolate down into the detail. The lead of a specific Department and a specific Cabinet Minister is therefore very significant.

What I found most disappointing about the hon. Lady's speech was the negative and defensive nature of her three questions. First, she asked which Department was least likely to try to interfere. I realise that after 10 years in opposition the Conservative party has become rather negative in its approach to all sorts of things, and has done some of the things for which it castigated the then Opposition until 1997.

Mrs. Villiers: Is not the aim of the Bill to stop Ministers interfering in statistical production when they ought not to do so? Are we not right, therefore, to phrase the question as we did?

Alun Michael: I am more interested in the positive, and that is what I shall argue for. The defensiveness and the defeated tone of the Opposition's contribution is a little sad. In fact, the use of objective statistics in the development of public policy ought to be welcomed by all parties as creating an opportunity for an objective, open debate about some of the important issues of our time. Everyone should welcome that positive aspect, which is really what the Bill is all about.

The hon. Lady's second question was, I concede, more positive, in that she asked which Department was more likely to be effective. However, she brushed over that fairly lightly. Thirdly, she asked who would argue the case for funding most vigorously. Arguing for funding in Government is always challenging, and I would have thought that arguments within the Treasury were more likely to be successful than the arguments of those of us who have had the experience of arguing from outside that august institution. Certainly that is the perception of Ministers in every other Department.

Julia Goldsworthy: Is that the right hon. Gentleman's only positive reason for keeping the residual ministerial powers in the Treasury?

Alun Michael: I think that that is a rather negative reason for keeping those powers within the Treasury, and I concede that the hon. Lady has a point.

However, I would rather answer a different question, which the hon. Member for Chipping Barnet did not raise in her introduction, namely, which body would be the most keen to ensure that an evidence-based approach to public policy development is pursued within Government and within all institutions of government—agencies of Government, local government, local health boards and all the other institutions that provide service and spend the money that is voted to them by Parliament? That question addresses an issue that is at the heart of the Bill.

The whole point of statistics—this was my reason for welcoming Government amendment No. 48—is to make sure that there is an objective basis for policy development and for the way in which we tackle real problems and link different issues. That is why I am so keen that we should be able to do local overlays at ward and sub-ward level of the impact of health situations, educational attainment and criminal justice and youth justice activities. All such matters must be joined in order to create healthy communities. Communities exist fundamentally at the local level. National statistics are important, but the more that they inform the quality of life of individuals in the street, the borough or the village—or whatever kind of local community we are talking about across the country—the more we will be using statistics positively.

Therefore, the hon. Lady's questions address subsidiary issues. I agree that it is important to make sure that there is not inappropriate interference by Ministers, but the idea that there is such interference is media and Opposition mythology. Over 10 years, during most of

which time I was a Minister, I have never seen the slightest opportunity for interference with statistics or for meddling with them. If the hon. Lady knows about anything that I missed during that 10-year period, I would be very interested to learn about it. What I did find on a variety of occasions was that it was necessary to ask the people preparing the statistics—in the Home Office, for instance—"Why can't you answer this particular question, which is important for the development of public policy?" Let me give the example that I mentioned in Committee. When the Labour party came to office in 1997, it had a commitment to halve the time it took to get young offenders before the courts. For my part, that commitment was well informed by my experience, when I chaired the juvenile bench, of having young offenders come before me who did not have a clue what accusation they were answering to on that particular occasion. They might have been accused over a period of time of having committed a long string of burglaries, and they would say, "Sorry, mister, but which one are we talking about?" The hearing that followed would be totally irrelevant to their lives, and certainly to the amendment of their future ways and career.

Madam Deputy Speaker: Order. I ask the right hon. Gentleman to restrict his remarks to the amendment before the House.

Alun Michael: Indeed, Madam Deputy Speaker.

What should we do if we cannot answer questions such as that about the length of time that it takes to get young offenders before the courts, which we raised at the Home Office in the past? On that occasion, the officials had to answer the question about young offenders by saying, "Dunno", and statistics did not provide material for the delivery of public policy. We had to spend the first six months identifying how long it took to get young offenders before court in order then to be able to say, "Right, we now know what it is we are going to halve." We delivered that during our first period of Government. That was an enormously important use of intelligent information—of statistics—in order to make a real difference in reoffending and therefore in the quality of life of people, communities and potential victims.

I want statistics to be objectively prepared, independently verified and totally objective and dependable for everybody, regardless of whether the individuals using them are in Government, in Opposition, in agencies or local government, are ordinary members of the community, researchers or people involved in policy development—in the third sector, for instance. Therefore, accountability for the residual functions ought to lie with the Department that has the most comprehensive view about value for money in the public sector and the need for objective evidence to be driven by asking the right questions and ensuring that the management is right. If the new board fails, that will be a disaster for public policy, so it is important that the Ministers who are responsible for it do not interfere—I agree with the hon. Lady about that—but that if there is a need to intervene and say, "Things have gone wrong and need to be put right", they are Ministers in the Department that is most enthusiastic to make sure that that happens.

Julia Goldsworthy: I know that in the past 10 years, under the current Chancellor of the Exchequer, the Treasury has taken considerable interest in a wide range of issues affecting many Departments. However, things might change when the Chancellor of the Exchequer changes. Therefore, I am still not clear why the Treasury is a better Department to perform the role in question than the Cabinet Office, which will have that kind of overview role and which is less likely to change in that way.

Alun Michael: Actually, there has been less change at the Treasury than at many other Departments over the past few years. *[Interruption.]* As my hon. Friend the Member for Ealing, North (Stephen Pound) says, its leadership has been more dependable and continuous than the Liberal Democrat leadership.

The way in which the current comprehensive spending review is being prepared—I hope that the Opposition parties are taking that issue seriously—shows that there is a serious level of engagement. An example is the contribution being made by the third sector, the social enterprise sector and voluntary and community groups. I honestly think that the level of engagement is more serious than in previous spending reviews from 1997 onward, and infinitely more serious than in earlier reviews. The Treasury is therefore positively engaged in the policy development process, so it will be concerned to ensure that the statistics on which that policy is based are identified and objective and address the real interests of the public. The public interest test has to be about the long-term interests of the public in every constituency in the country that we Members of Parliament represent.

I suggest that there is nothing to be gained by pursuing the three questions that the hon. Member for Chipping Barnet asked, but there is a great deal to be gained by trying to nail down—as I hope my hon. Friend the Minister will in responding to this debate—the Treasury to ensure that it is fully engaged in ensuring that the public will benefit in every respect as a result of it being the Department responsible for the residual functions, as the Bill sets out.

Julia Goldsworthy: I agree with a lot of what the right hon. Member for Cardiff, South and Penarth (Alun Michael) said about what the objectives should be, but despite what he said in answer to my intervention, I am still not clear why the Treasury is better able to perform this role than the Cabinet Office. The amendments tabled by the hon. Member for Chipping Barnet (Mrs. Villiers) are very similar to those that my hon. Friend the Member for Twickenham (Dr. Cable) and I tabled in Committee; however, I understand that they are a fall-back mechanism, and that her preferred configuration has not been pursued.

As my hon. Friend the Member for Twickenham said in Committee, the point behind our amendments is not Treasury-bashing. We have always made it clear that the Treasury has taken some very important decisions that have signalled a willingness to give independence to important institutions such as the Bank of England. Indeed, perhaps that is what is disappointing about this provision. The Treasury was willing to send the clear signal that there would be full independence for the Bank, and a similar approach to national statistics—giving this residual power to the Cabinet Office, which is one step away from the Treasury—would be an

[Julia Goldsworthy]

effective way of underlining the fact that the Bill takes important steps toward creating a more independent statistics system.

Although there is a degree of ministerial control over appointments to the Monetary Policy Committee, we have not seen cronyism or the making of political appointments. We welcome that of course, but it does mean that the structure is such that that will continue to be so. For that reason, it would be better to include in the Bill a clear statement of independence, if possible, and to shut down any possibility of an organisation's saying that the opportunity exists to erode such independence.

My hon. Friend the Member for Twickenham also previously pointed out that there is a potential conflict of interest. If the Treasury takes on its new role as the guardian of statistics, we should remember that it is also a massive consumer of statistics. The Cabinet Office already takes on many roles in the overview of government, and it has the potential to resolve conflicts of interest. Such conflicts of interest would be less obvious if the Cabinet Office were given this power. Reference has been made to the need for a positive attitude in the collecting of evidence-based information. I do not see why any other Department would be able to perform that function less ably than the Treasury.

What I am saying is that all these points have been made on Second Reading and in Committee. At this stage, there is no strong argument against having the board based in the Treasury, but, having said that, I am not convinced by the argument that it should stay just within the Treasury. The fact that the Department is a massive consumer of statistics does not necessarily qualify it as the guardian of them.

8.30 pm

On that basis, if, ultimately, the National Statistician is appointed by the Crown, it makes sense logically for accountability for that power to go back to the Prime Minister. That would be more rational and symmetrical. I thus have considerable sympathy for the amendments proposed by the hon. Member for Chipping Barnet.

Rob Marris: I have to say that I find the Opposition's arguments singularly unconvincing and somewhat contradictory. There is talk of the Cabinet Office having some sort of cross-cutting overview role, but the Opposition then leap from that to suggest that somehow the Cabinet is more disinterested in statistics than the Treasury. That seems to be a contradictory position to adopt.

I agree that the Cabinet Office has an overview role. In our modern form of government, so, in a sense, does the Treasury, whoever is the Chancellor of the Exchequer, but that in itself may be no reason for shifting statistics from the Treasury to the Cabinet Office. At best it is a kind of equality of arms. As to the co-ordinating role of the Treasury and the wider implications of that—though not the specificity in respect of what the hon. Member for Chipping Barnet (Mrs. Villiers) said; she did not use such words, but spoke in terms of the possibility of control freakery in the Treasury—we saw only last week the not very edifying spectacle of the hon. Member for Tatton (Mr. Osborne) running around as shadow Chancellor trying to assert that very role within the Conservative party, saying "Nobody makes spending promises except me". That is the co-ordinating role of a Chancellor of the Exchequer—in this case, a shadow Chancellor—in our modern constitution.

The hon. Member for Chipping Barnet referred to the Cabinet Office as an "honest broker". I have been a Member for only six years, but I have sat on five Finance Bill Committees, and I have to say that I find the implication behind that remark—that the Treasury is not honest—rather disturbing. I have not found the Treasury to be dishonest. Although the Cabinet Office might indeed be an honest broker in terms of the hon. Lady's amendments, I have not found the Treasury to be in any sense a dishonest broker. Perhaps the hon. Lady has some contrary evidence, but she seems to have a rather starry-eyed view of the Cabinet Office.

Certainly the Cabinet Office reports to the Prime Minister. The hon. Lady may or may not be aware that it has its own Cabinet Minister—the former Chief Whip, my right hon. Friend the Member for North-West Durham (Hilary Armstrong), a very senior Member of Parliament. Furthermore, the Prime Minister is also the First Lord of the Treasury, so, according to the hon. Lady's model, we are back in the Treasury. What is more, the Treasury reports to the Prime Minister, as do all Cabinet Ministers and their ministerial teams. That is the nature of our modern constitution.

The Financial Secretary said earlier in the debate—he certainly said it either on Second Reading or in Committee—that the new board and the associated machinery operating it will receive five years' funding to be decided outside the comprehensive spending review. If I were a body whose dealings with the Government were to conducted in a manner similar to that proposed for the board—partly at arm's length—I would be quite pleased to be within the Treasury because that is the Department with the cheque book. I would consider that I would get a better deal from the Treasury than from other Departments such as the Cabinet Office. That is not to say that the Cabinet Office could not do it, but the Treasury has the money and the Cabinet Office does not. The hon. Member for Chipping Barnet acknowledged the five-year funding commitment, to be decided outside the comprehensive spending review, but it is worth repeating it because it rather undercuts her argument for moving the board from the remit of the Treasury to that of the Cabinet Office.

The hon. Lady's proposal for the board's funding to be decided by Parliament, not by the Treasury, is a novel approach to our democracy. It has always been my understanding ever since I was in this place that, yes, funding requests are decided by Parliament, but through estimates and other procedures. They are put down by different Departments, so which Department would propose the new board's request for resources to Parliament? Under the architecture of the Bill, as I understand it, the board itself would not make such a request for funding to Parliament. The idea of direct funding by Parliament being somehow different if the board and its machinery were in the Cabinet Office rather than in the Treasury therefore completely falls by the wayside.

The visible difference to which the hon. Member for Chipping Barnet referred relates to another point that she made in an intervention on my right hon. Friend the Member for Cardiff, South and Penarth (Alun Michael)

about the perception of ministerial interference. Perhaps she will tell us what other countries operate in the manner that she proposes. Another of the proposals put forward by the official Opposition involved a system that operated only in Mongolia, so far as the Government could ascertain. What are they doing in Mongolia?

Mrs. Villiers: I cannot say what they are doing in Mongolia, but I did look into this issue and, to be fair, the arrangements are pretty diverse. The countries that I researched seemed relatively evenly divided between those that had a link with their Treasury and those that had a link with their Cabinet Office equivalent.

Rob Marris: That is helpful, and perhaps the hon. Lady will be able to help me further. My understanding of StatsCan—as we Canadians like to call Statistics Canada—is that it comes under the Treasury board. It might not, but the chief statistician of StatsCan has been prayed in aid repeatedly during the passage of the Bill, and I wonder what they do there.

In regard to ministerial interference, the real question is one of perception. I do not accept the proposition that there is ministerial interference in our statistics, if that is what the Opposition are suggesting. That seems to be the implication of what they are saying, although they have not said it directly. I will not accept that unless they can produce firm evidence of it. The architecture of the Bill is indeed about beefing up the new board, and rolling the ONS into it under the executive committee—or whatever it is called—in the new set-up. Having that board and its committee within the Cabinet Office would do nothing more, or less, to alter perceptions of ministerial interference, such as there might be.

At best, the proposals relating to the Cabinet Office represent a break-even proposition—in which case, why change anything? At worst, they would be destabilising, in that they would take away something from the Treasury that it has dealt with for a long time. As I said earlier, if the board is inside the Treasury, it is more likely to get adequate funding than it would if it were in the Cabinet Office. That is not a slight on the Cabinet Office; it is the Treasury that has the cheque book. We want the board to be adequately funded, and when I intervened on my hon. Friend the Financial Secretary earlier, he assured me that it would be. I believe that there will be adequate funding, and it is just as likely—if not more likely—to come from the Treasury than would be the case if we were to shift the whole thing over to the Cabinet Office. I would vote against the amendments if they were pressed to a Division.

Stewart Hosie: I wish to speak to amendment No. 49, which is tabled in my name, and to amendments Nos. 50 to 59, tabled in my name and those of my hon. Friends. Before I do that, I should like to comment on the introductory remarks of the hon. Member for Chipping Barnet (Mrs. Villiers), who said that she was not minded to support the amendments. I was reminded of a story about a friend of mine, who is a member of the judiciary. He suggests that, when considering the outcome of a court case, it is always best to hear the evidence led first.

The arguments for the amendments were well rehearsed in Committee. However, because they involve important points of principle regarding the ability of the devolved Administrations to act independently of the UK Government in relation to statistics relating to matters over which the devolved Administrations have sole competence, and because the amendments are also designed to temper the interference of the Treasury generally and the Chancellor specifically in matters that ought to be none of their business, I will reprise the arguments in a little more detail.

It is also worth saying that, while my amendments in Committee related only to Scotland, those in the group under discussion today relate also to Wales, and the issues generally relate also to Northern Ireland. I am grateful to colleagues from the nations and the Province for their interest in and support for the amendments.

Alun Michael: Has the hon. Gentleman noted that his colleagues from Wales are so interested in the topic that not one of them has joined him to debate it? Those of us in the Chamber who represent Welsh constituencies note with interest that interference in Welsh affairs has to depend on a Scottish voice.

Stewart Hosie: I note the right hon. Gentleman's comments. I tend not to make comments on such matters, although they have been related to me in the past. However, there is not one Scottish Labour Member in the Chamber, which is not unusual in debates such as these. I will relay the right hon. Gentleman's comments to my friends in Plaid Cymru.

The fundamental propositions in the legislation relating to the amendments are as follows. First, clause 3 gives the impression that an appointment to the new board will be made from each of the devolved Administrations, but the measure permits nothing of the kind. In fact, the Bill states that the appointments will be made by the Treasury.

Secondly, the legislation purports to allow the devolved Administrations the authority to step in if things go wrong in the future, to direct, if the board has failed either

"to comply with its objective, or…to perform any of its functions relating to…devolved statistics".

In certain circumstances, the provision will allow the Administrations to take over those functions. However, that power, like the power to appoint, is not what it seems. The power to direct can be used only with the direct consent of the Chancellor himself, as set out in clause 27(2). Given that such direction could be carried out only after failures relating to statistics that are the direct responsibility of the devolved Administration, the requirement for the Chancellor's consent represents an overbearing and unnecessary interference in the day-to-day operations of the devolved Administrations in the production of their statistics. That is the aspect of greatest concern to me, and I shall return to it. It is wholly wrong to allow the Chancellor the power of veto to stop a devolved Administration exercising, rightly, the power to direct if the new board fails to carry out its responsibilities for devolved statistics.

Thirdly, the Bill appears to offer the devolved Administrations in Scotland and Northern Ireland the power to instruct the disclosure of information to and from public bodies and the new board. However, those powers, too, are not all they seem. The powers for Scotland under clauses 45 and 49 can be used only with

[Stewart Hosie]

the consent of the Treasury. Like the power to direct, the power of disclosure applies only to information required for statistics in areas under the direct authority of the devolved Administration. The legislation for Wales is different, not least because when the Treasury wants to make disclosures relating to Wales it must, as described in clause 44(8), first seek the consent of a Welsh Minister.

My amendments address those three issues. They would give Ministers in the devolved Administrations in Scotland and Wales both the respect that their mandate should allow and, more important, the full range of powers that they ought to have to carry out their work armed with the best, most accurate and relevant statistical information they need.

Amendments Nos. 49, 50, 57 and 58 are designed to take particular cognisance of the needs of the nations by ensuring that a member from each of the devolved Administrations is appointed to the new board. Amendments Nos. 51, 52 and 59 would confer the right to direct without the Chancellor's veto. Finally, amendments Nos. 53 to 56 would ensure that the power of disclosure in Scotland could be exercised as required in relation to wholly devolved statistics. I want to remove the unnecessary Treasury veto.

Earlier, I said that my most serious concerns were about the need for the consent of the Chancellor in relation to the power to direct, so I look forward to the Minister's response to the amendments on that subject. However, the Treasury has shown some willingness to move. Amendment No. 26, which will be discussed in the next group even though it relates directly to the group under discussion, gives a welcome transparency about direction. My difficulty with amendment No. 26 is that that welcome transparency would apply only after consent had been granted, not in advance.

8.45 pm

I hope that the Financial Secretary can go a little further tonight and show a little more movement. If he could tell the House that consent will routinely be granted in normal circumstances, that would be helpful. Better still, if he could tell the House the specific circumstances in which consent would normally not be granted and perhaps give an example, that would be welcome. If he could tell us that consent would not be granted only in circumstances in which the public disclosure of a direction against a particular set of statistics would be market-sensitive or the set of statistics against which a direction was made would be market-sensitive—if those were the sorts of conditions or criteria that would apply when consent to direct was not given—it would go a long way towards soothing my concerns over the requirement for consent from the Chancellor before a direction could be given by one of the devolved Administrations in the case of a failure by the new board.

John Healey: The Treasury Committee said that public perceptions about the independence of the board will depend more on the actions of the board members than their method of appointment. The Government agree. The quality of the board's membership will be crucial in ensuring the board's independence, its credibility and its ability, if necessary, to challenge Departments on the quality and integrity of their statistics. That places a premium on ensuring that the appointments process selects the right calibre of people from the right variety of backgrounds, who can bring the right range of expertise to the work of the board. To that end, we have given a range of commitments about how we will go about that appointments process, including the commitment that all board members will be appointed by open competition in line with the Office of the Commissioner for Public Appointments guidance. I am pleased to say that the Select Committee has endorsed that approach.

Amendments Nos. 49, 50, 57 and 58 on appointments would allow a member of the board to be appointed by Scottish or Welsh Ministers, rather than being appointed by the Treasury in consultation with Scottish and Welsh Ministers. The board is to be a UK-wide body that represents a range of users. Members of the board will be appointed to represent a wide range of interests in statistics and to represent the public interest as a whole. They will collectively represent the interests of users across the UK. Members who are appointed after consultation with the devolved Administrations will not be on the board simply as delegates or simply as territorial representatives of those countries, although of course it is important that there are members on the board who understand the particular needs in relation to statistics in Scotland, Wales and Northern Ireland.

I hope that the hon. Member for Dundee, East (Stewart Hosie) accepts that direct appointment by Scottish or Welsh Ministers could make it much more difficult to appoint a board that, as a UK body, appropriately represents the needs of all users. We want the board to be small and cohesive. Ultimately, that argues for a requirement for one authority to be responsible for all appointments. It is, however, right—it is in the Bill—that Scottish and Welsh Ministers, and in due course I hope Ministers in Northern Ireland, should each be consulted on an appointment to ensure that the board has an understanding specifically of Welsh or Scottish devolved needs in relation to statistics. Scottish and Welsh Ministers have agreed their role in the appointments. They are content that it offers the appropriate safeguards in relation to their role in devolved statistics.

Alun Michael: I am one of the few people in the House who has experience in this respect. It was always my experience that Ministers in this Parliament and this Government respected entirely the role of devolved Ministers in making recommendations of the sort that has been indicated.

John Healey: I am grateful for my right hon. Friend's contribution, because he is able to give the House that sort of insight and assurance with a particular authority that is not open to many of the rest of us.

Let me turn to the particular concern of the hon. Member for Dundee, East, which is addressed by amendments Nos. 51, 52 and 59. I am not sure that it is fully appreciated that the powers in clause 27 are designed to protect the public interest so that if, and only if, the board fundamentally fails to deliver for any reason, the Government can intervene—always publicly, in writing and as a last resort—to ensure that the board's obligations are met. The hon. Gentleman cited some circumstances

in which there might somehow be a reluctance to intervene because a set of statistics were market-sensitive, but such circumstances would not be those with which the clause was designed to deal.

Stewart Hosie: There are powers for the devolved Administrations to direct. If the Financial Secretary is telling us that consent to direct would not be given for the reasons that I suggested, why is the requirement for the consent of the Chancellor in the Bill at all?

John Healey: I cannot give the hon. Gentleman, who seemed to be paraphrasing me, an absolute assurance that a direction would not be issued in a particular set of hypothetical circumstances. However, I will explain why the Chancellor's consent is important.

Clause 27 is designed to address a serious failure in the responsibilities and duties of the board that would amount to a dereliction of its duties under the Bill. The clause rightly gives Scottish and Welsh Ministers the power of direction with respect to their areas of responsibility—Scottish or Welsh devolved statistics—with the consent of the Chancellor. It is right that the Chancellor's consent should be required for such directions to be made as a last resort, because any such failure relating to Scottish or Welsh statistics could affect the position of statistics throughout the UK. It would be important to ensure that the accountability for such last-resort action were shared and that the directions to the board were consistent with each other. The consent will ensure that directions are co-ordinated and that the Bill will not create powers of direction that might be conflicting. I hope that the hon. Gentleman sees the sense of, and the basis for, the provision.

The hon. Gentleman also tabled amendments Nos. 53 to 56, which would remove the requirement of the Treasury to give consent when Scottish Ministers made regulations to break down the barriers to data sharing between Scottish public authorities and the board for statistical purposes. The provisions on data sharing set out a mechanism through which data may be shared, for statistical purposes only, between the board and a public authority, and vice versa, via secondary legislation.

The key point regarding the amendments is that the mechanism in clauses 45 and 49 mirrors that in the other clauses on data sharing. The mechanism allows regulations to be made to allow data to be shared with the consent of both the Treasury, as the body with residual responsibility for the board, and the Minister responsible for the other body involved in the data sharing. That will ensure that the Ministers responsible for both the body disclosing the data and the body receiving the data are content for the regulations to be made, which will be an important safeguard in our data-sharing mechanism.

Throughout our proceedings on the Bill, including in today's debate, I have stressed the importance of the independence of the board—we have examined that in great detail. If the provisions on independence are effective, the question of who has residual responsibility will become much less significant. I have made it clear before that I think, on balance, that the board could benefit—it is right to see this in positive terms, as my right hon. Friend the Member for Cardiff, South and Penarth (Alun Michael) urges—from having the Treasury as a link with the Government.

The functions are better discharged by the Treasury for several reasons. I think that all would accept that the Treasury has a long experience of working with and understanding statistics. It has a role in co-ordinating performance reporting and monitoring across government. I strongly disagree that the Treasury is somehow interested in only economic statistics, because more than any other Department it has an interest in ensuring that we have a good evidence base, including statistics on departmental policies, given the importance of statistics to reporting on departmental performance and to understanding the levers for the successful reform and development of public services, in which the Treasury plays a leading and co-ordinating role. The Treasury is well placed to play a co-ordinating role across Government, as it does on so many other occasions, such as during the spending review or the Budget process.

Given that background, I maintain that the Treasury is well placed to play a constructive part with respect to the board and its future role. The Treasury Committee took that view in its report, and the Government concur, so I hope that the hon. Member for Chipping Barnet (Mrs. Villiers) will not press her amendment.

Mrs. Villiers: I will not press my amendment today. Obviously, I have listened to the debate, but I apologise to the hon. Member for Dundee, East (Stewart Hosie) for suggesting that my mind was closed to his amendments even before I had heard his arguments. However, he will acknowledge that those arguments were aired in Committee. Sadly, he has not changed my mind today.

The point made by the right hon. Member for Cardiff, South and Penarth (Alun Michael) about the importance of stability struck me as sensible. He expressed the concern that a shift to the Cabinet Office would involve further instability, but given that we are creating an entirely new structure, I do not think that that is a significant factor.

I assure the House that I am not a Treasury-basher, although I was accused of being one. However, I am of course happy for Treasury Front Benchers and shadow Treasury Front Benchers to engage in robust political debate. I certainly understand the importance of the Treasury's being involved in pursuing a value-for-money agenda across the Departments. Treasury-bashing is not the motivation behind the amendments at all; the issue is simply the practical consideration of which arrangement would work best. I acknowledge that the argument has two sides, and that the international pattern is mixed. If anything, I think that the Treasury is the home Department in a slightly greater number of countries. I acknowledge, too, that the Treasury Committee came to a different view.

There is not a serious divide between the two sides of the House on the issue, and I acknowledge that it is not as significant as the important matters that we discussed today. I will therefore not press the amendment to a Division, and I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 4

NON-EXECUTIVE MEMBERS

John Healey: I beg to move amendment No. 25, in page 2, line 42, leave out 'has misbehaved' and insert

'is unfit for office by reason of misconduct'.

Mr. Deputy Speaker (Sir Alan Haselhurst): With this it will be convenient to discuss Government amendments Nos. 26 and 28 to 33.

John Healey: This group of amendments deals with a number of issues, both substantive and technical, that were raised with me in Committee, and that I said I would take another look at. They relate to the dismissal of board members and laying directions before the House, and there are some consequential amendments relating to Scotland, too.

Let me start with Government amendment No. 25. We had an animated debate in Committee that gave me unexpected insights into the domestic lives of certain Committee members and their disciplinary regimes for children. I rejected the idea of putting the naughty step on a statutory basis, but I agreed to look again at the grounds on which, in clause 4, a non-executive member of the board can be dismissed for misbehaviour. I hope that Members will accept the amendment, which specifies that there are grounds for dismissal if a member

"is unfit for office by reason of misconduct".

I hope that that is helpful, and that hon. Members find it clearer than the previous designation of misbehaviour.

Turning to Government amendment No. 26, the hon. Member for Sevenoaks (Mr. Fallon) proposed in Committee an amendment suggesting that a copy of any direction made under clause 27 be placed in the Library of each House of Parliament. I needed to consider the position of the devolved Administrations, so amendment No. 26 requires that copies of any direction issued to the board under clause 27 be laid before Parliament and the relevant devolved legislatures.

Government amendment No. 30 ensures that the Registrar General for Scotland continues to have access to patient registration information currently held on the NHS central register for England and Wales, because it is our intention to transfer that register from its current home in the Office for National Statistics.

Finally, Government amendments Nos. 28, 29, 31, 33 and 32 allow a translation of freedom of information and ombudsman legislation into Scotland, so that the provision for such action in Scotland is consistent with that in England.

It being Nine o'clock, MR. DEPUTY SPEAKER *put forthwith the Question already proposed from the Chair, pursuant to Order [this day].*

Amendment agreed to.

MR. DEPUTY SPEAKER *then proceeded to put forthwith the Questions necessary for the disposal of the business to be concluded at that hour.*

Clause 7

OBJECTIVE

Amendment made: No. 48, in page 4, line 21, leave out from beginning to end of line 22 and insert—

'(1) In the exercise of its functions under sections 8 to 19 the Board is to have the objective of promoting and safeguarding the production and publication of official statistics that serve the public good.

(2) In subsection (1) the reference to serving the public good includes in particular—

(a) informing the public about social and economic matters, and

(b) assisting in the development and evaluation of public policy.

(3) The Board is accordingly, in the exercise of its functions under sections 8 to 19, to promote and safeguard—'.—*[John Healey.]*

Clause 27

DIRECTIONS

Amendment made: No. 26, in page 11, line 35, at end insert—

'( ) Where the Chancellor of the Exchequer gives a direction under this section—

(a) he must lay a copy before Parliament, and

(b) he must notify the Scottish Ministers, the Welsh Ministers and the Department of Finance and Personnel for Northern Ireland of the direction, who must lay a copy before the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly respectively.

( ) Where the Scottish Ministers give a direction under this section—

(a) they must lay a copy before the Scottish Parliament, and

(b) the Chancellor of the Exchequer must lay a copy before Parliament.

( ) Where the Welsh Ministers give a direction under this section—

(a) they must lay a copy before the National Assembly for Wales, and

(b) the Chancellor of the Exchequer must lay a copy before Parliament.

( ) Where the Department of Finance and Personnel for Northern Ireland gives a direction under this section—

(a) it must lay a copy before the Northern Ireland Assembly, and

(b) the Chancellor of the Exchequer must lay a copy before Parliament.'. —*[John Healey.]*

Clause 37

FREEDOM OF INFORMATION

Amendments made: No. 28, in page 16, line 20, leave out 'this section' and insert 'subsection (1)'.

No. 29, line 21, at end insert—

'(3) Section 26 of the Freedom of Information (Scotland) Act 2002 (asp 13) (prohibitions on disclosure) does not, by virtue of section 36 above, apply to personal information which—

(a) is held by a Scottish public authority who has received it directly or indirectly from the Board, and

(b) is not held by that authority on behalf of the Board.

(4) In subsection (3) "Scottish public authority" has the same meaning as in the Freedom of Information (Scotland) Act 2002.'. —*[John Healey.]*

Clause 57

CONSEQUENTIAL AMENDMENTS

Amendment made: No. 30, in page 28, line 11, at end insert—

'( ) Section 57 of the Local Electoral Administration and Registration Services (Scotland) Act 2006 (asp 14) (which provides for a central register kept by the Registrar General for Scotland for health and local authority purposes) is amended as follows— .

(a) in subsection (2), in paragraph (d), after "department" insert "or an NHS body";

(b) after that subsection, insert—

"(2A) In subsection (2)(d), "NHS body" has the same meaning as it has (apart from in Schedule 15) in the National Health Service Act 2006 (c. 41).". —*[John Healey.]*

Clause 60

INVESTIGATION BY PARLIAMENTARY COMMISSIONER

Amendments made: No. 31, in page 28, line 28, leave out 'In Schedule 2 to the Parliamentary Commissioner Act 1967 (c. 13)' and insert

'The Parliamentary Commissioner Act 1967 (c. 13) is amended in accordance with subsections (2) and (3).

(2) In Schedule 2'.

No. 32, line 31, at end insert—

'(3) In the Notes to Schedule 2, after the paragraph relating to the Ministry of Defence insert—

"Statistics Board

In the case of the Statistics Board, no investigation is to be conducted in relation to any action taken by or on behalf of the Board in the exercise of any of its functions where the function is being exercised only in relation to Scottish devolved statistics (within the meaning of section 63 of the Statistics and Registration Service Act 2007)."

(4) The Scottish Public Services Ombudsman Act 2002 (asp 11) is amended in accordance with subsections (5) and (6).

(5) In section 7 (matters which may be investigated: restrictions), after subsection (6A) insert—

"(6B) The Ombudsman must not investigate action taken by or on behalf of the Statistics Board in the exercise of any of its functions unless the function is being exercised only in relation to Scottish devolved statistics (within the meaning of section 63 of the Statistics and Registration Service Act 2007)."

(6) In schedule 2 (persons liable to investigation), after paragraph 91 (Security Industry Authority) insert—

"91A The Statistics Board."'.—*[John Healey.]*

Clause 64

GENERAL INTERPRETATION

Amendments made: No. 61, in page 30, line 34, at end insert—

'"Intelligence Service" means—

(a) the Security Service,

(b) the Secret Intelligence Service, or

(c) GCHQ (within the meaning of the Intelligence Services Act 1994 (c. 13));'

No. 33, in page 31, line 20, after 'authority"' insert '(except in section 37(3))'.—*[John Healey.]*

Order for Third Reading read.

9 pm

John Healey: I beg to move, That the Bill be now read the Third time.

The Bill establishes an independent statistics system in the UK that will help to deliver the Government's principal objectives of a high-quality and high-integrity system, clearly defined roles, responsibilities and accountabilities and greater transparency, flexibility and value for money, as well as important independence from Ministers and a more central role for Parliament. There is no doubt that statistics matter. As well as informing us all about our economic, political, social and environmental worlds, they are crucial in a modern democracy to the judgments that people make about the promises that Governments make and their ability to keep them. In a rapidly changing economy and society, statistics matter more and more to a wider and wider range of users.

The UK statistics system already has great strengths, and its technical and professional capability is recognised as world class. The modern world places demands on our statistics system and, alongside developing consistent quality, we must improve public confidence in official statistics. The new statistics system set out in the Bill will help us to achieve both. It can evolve in the light of new, shifting statistical demands and experience, and it is the next step in the Chancellor's reform of the machinery of economic governance, which began in 1997 with the statutory independence of the Bank of England, followed by independence for the Competition Commission and the Financial Services Authority. Each reform, like the reform in the Bill, set out in legislation independent, credible institutions with a clear remit from Government or Parliament, with decisions taken at arm's length and full reporting with maximum transparency.

The quality and coherence of statistics across the UK will be improved, and we welcome the full participation of all the devolved Administrations in the new approach. We have retained as the basis for the Bill the framework for national statistics—perhaps the most radical reform of statistics for 30 years—that we introduced in 2000. We have retained, too, the long-established, well-supported decentralised system of UK statistics, whose considerable strengths were widely acknowledged by respondents to our consultations, by the Treasury Committee and by the Statistics Commission. We want to use the opportunity offered by the Bill to make the Office for National Statistics—the single largest producer of national statistics—independent of Ministers. We believe that independence for the ONS and independent scrutiny and oversight of the statistical system as a whole are most effectively delivered by a single institution—hence the central importance of the independent statistics board in our arrangements.

The board will have the core objective of promoting and safeguarding the quality, and comprehensiveness of official statistics as well as good practice. Following our proceedings on Report, it will do so in the wider public interest.

We need the non-executive membership of the board to bring a wide range of skills, backgrounds and expertise to its work from business, academia, public service and other fields. The members of the board will be crucial to the credibility of the board and its ability to hold the National Statistician properly to account

[John Healey]

for the running of the executive office and, where necessary, to challenge Government Departments and Ministers on the quality and integrity of the statistics for which they are responsible.

Crucially, the board will no longer be answerable to Ministers. It will answer directly to Parliament. Parliament will therefore play a central role in the future of our statistics system and will play an important role in holding the system to account. It will also set arrangements whereby the accountability function will operate. Ultimately, it is for Parliament to decide the arrangements that it wishes to have in place and the relationship that it wishes to strike with the board. I know that my right hon. Friend the Leader of the House takes an active interest in that, and is considering the comments that have been made throughout the proceedings on the Bill.

The Bill's provisions, importantly, set out a way of enhancing data sharing in a way that has been widely welcomed by those in the statistics field. Stronger sharing of administrative data can improve the quality of statistical data and analysis, and our ability to make policy and judge its impact, and it can reduce the burden on those responsible for completing the surveys on which many of our statistics depend. The Bill provides, therefore, for the increased sharing of personal data between the board and other parts of Government where that sharing is for the sole purpose of statistical production and analysis. Of course, it is vital that the confidentiality of such data is properly protected, so we are taking the opportunity in the Bill to increase the safeguards and sanctions on the disclosure of personal data, including a tough criminal sanction for its unlawful disclosure.

We are using the Bill as an opportunity finally to establish proper employment status and rights for registrars in England and Wales. This is a matter on which my hon. Friend the Member for Bolton, South-East (Dr. Iddon) has campaigned tirelessly in his years in the House. The Bill will make the 1,700 registration officers employees of local government and give them access for the first time to the rights and protections that are already available to others. It will ensure that registration officers retain their current terms and conditions on transfer to local authority employment.

This has been a thorough and productive scrutiny process. I hope hon. Members who have given so much to the work of scrutiny have found it as constructive and useful as I have. I thank in particular the hon. Members who led from the Opposition Front Benches—the hon. Members for Chipping Barnet (Mrs. Villiers), for Fareham (Mr. Hoban), for Twickenham (Dr. Cable), for Falmouth and Camborne (Julia Goldsworthy). I thank also the hon. Member for Dundee, East (Stewart Hosie).

I hope Members will agree that, even though we may not have reached a meeting of minds on some of the detail, there is much more on which we agree in principle. I welcome the support that has been given for a number of particular proposals in the Bill. Whatever our remaining differences, I hope all Members will agree that there is no doubt that the Bill leaves the House in better shape than when it started. That is the proper role of Parliament, and Members have played a full part in its scrutiny and improvement. I commend the Bill to the House.

9.8 pm

Mrs. Villiers: We have finally reached Third Reading. There was a point when we wondered when Report stage would ever appear on the agenda, but eventually it did, after several weeks. From the lack of attendance for part of the debate today, it seems that much of the House thought that it had not yet arrived.

The scrutiny process has indeed been useful. We would like to have seen many further changes to the Bill, and we hope that the debate will continue in a lively fashion in the other place.

We will not vote against the Bill tonight because we agree with significant aspects of it. We welcome the reduction in ministerial influence over the statistical services; the establishment of an independent board to oversee Government statistics; the new code of practice; the fact that the reforms will apply across the whole of the UK, including the devolved Administrations; and the extension of employment rights to registrars.

We have long called for politics and spin to be taken out of official statistics, which is vital important if people are to trust them. It is also vital to secure this goal if we are to entrench economic stability in our economy. Like a doctor taking the temperature of her patient, any Chancellor desperately needs to know the unvarnished facts about the state of the economy. No Chancellor should ever make the mistake of believing his own propaganda. However, although the Bill goes in the right direction, towards the calls made by Conservative Members for independent statistics, it is too timid to achieve the crucial goal of ensuring that official statistics are, from now on, free from political interference.

The Bill should be all about letting go. It lets go of certain functions and passes them to independent institutions. However, if the Government want real economic reform, they should prise away from Ministers the powers over statistics to which the Bill allows them to cling—the power to keep statistics out of the scope of the code of conduct, the power to determine the budget for statistical services, and the power to determine pre-release rules.

Let me take a canter through some of the issues of interest and controversy that we have discussed over the past few weeks of scrutiny. We have acknowledged the importance of using administrative data for statistical purposes. I am delighted that that is confirmed in the Bill. There is consensus that such data can be a rich source of information for statisticians and can cut costs for Government and for business because of the reduced number of surveys that will be needed if administrative data can be relied on. Throughout the scrutiny process, however, we have sought assurances from Government on the confidentiality of [illegible]inistrative information. As we have made plain, we would strongly resist any attempts to divert census or other administrative data into the forthcoming national identity database, and we urge Parliament to continue to monitor the use of personal data for statistical purposes with great care to see how the arrangements operate in practice. As well as the self-evident privacy concerns that we have discussed,

and to which my hon. Friend the Member for Fareham (Mr. Hoban) referred, we must also recognise that any failure to safeguard confidentiality would threaten statistical projects if it deterred people from disclosing sensitive information.

We have debated extensively the institutional structures proposed in the Bill. The Opposition remain concerned that the proposal to merge the functions carried out by the ONS and the Statistics Commission represents a step backwards in our progress towards a better and more impartial statistical system. We are concerned about the loss of the independent watchdog. Moreover, granting to the successor to the commission responsibility for the production of statistics will damage its credibility in providing impartial scrutiny of the statistical system.

It is also a matter of regret that the Minister has resisted calls for the Bill to enhance and strengthen the status of the National Statistician, which is a key part of a successful and independent statistical system. Only if she is viewed as the leader of the Government statistical service, with real clout to promote excellence and best practice right across the system, including within Departments, will this reform achieve the goals that the Government have set for it. Only then will she be able to provide the professional backing to enable statisticians to resist pressure from Departments to slip below the highest standards of integrity and impartiality. Only if she has the power to push for co-ordination and consistency will this reform address and mitigate some of the inherent drawbacks of our decentralised system and help to deal with the fragmentation problems that, as the Minister acknowledged, have existed in relation to data following the devolution process.

Perhaps the most significant weakness in the Bill is the fact that it effectively gives Ministers the right to decide whether the new code of practice and the full rigour of the reforms will apply to their departmental statistics. If they choose, they can keep the board away from important indicators and figures on public services. It is not sufficient for the Minister merely to say that he expects the board to promote the code as a model of good practice for all Departments, since he is giving it inadequate tools to ensure that those Departments are brought into line if they fall below the standards required by the code.

The Bill would have been greatly strengthened had Ministers' power over funding the board also been removed or constrained. Every Member of the House knows that the person who sets the budget or writes the cheque has significant power in any organisation. Under the present Chancellor, more than any other, the Treasury has cast an ever-lengthening shadow over a vast range of Government activities. Any Minister will be familiar with bruising battles over funding. Yet, under the Bill, the statistics board will have no Minister outside the Treasury to fight its corner for a share of resources. Earlier, we were told that, being internal to the Treasury, the board was likely to get a better deal. I am not sure that Her Majesty's Revenue and Customs would agree with that, given the settlements that it has received recently. The Gershon process also seems to indicate that those departments directly linked to the Treasury do not get a special deal or more favourable or generous treatment.

The Minister has promised us that the new independent framework would cover financial arrangements but has failed to tell us how that process will work. He has promised us a transparent formula for funding but so far has failed to be at all transparent about it. The longer he spoke on that in Committee, the more concerned the Opposition became. The Bill gives Parliament no role in relation to funding beyond ordinary methods of scrutiny. The Opposition believe that Parliament should call the shots on funding. Putting the budget in the hands of a Joint Committee of both Houses would provide the expertise, gravitas and impartiality to ensure that the funding process could never be politicised by Ministers. In that way, we could have imported some admirable qualities from the structure that governs the National Audit Office.

The Minister spoke repeatedly, with warmth and enthusiasm, about the importance of parliamentary scrutiny, and yet Parliament's role in relation to the statistical service under the Bill seems no stronger than it is in relation to any ordinary department. It is a matter of regret that the Government have rejected a structure that would have put Parliament in the driving seat in relation to the statistical system and its funding arrangements.

Pre-release is emblematic of so many of the defects in our current system. Our current rules give pre-release access to more statistics, to more people and for longer periods than any other country in the developed world. They give Ministers far too much scope to use early access to statistical information to manage the news agenda and discount bad news in advance. That kind of activity can do so much to undermine trust in official statistics. In that area, the Government's reforms in 2000 probably made the situation worse by reinforcing ministerial control over pre-release rules and reducing the constraint that the head of the government statistical service had previously been able to place on pre-release access.

We have acknowledged the case for limited pre-release access to data. If the reform is to succeed, however, we believe that pre-release rules should be tightened. Even more importantly, we believe that the board should have the final say over what those rules should be. Sadly, sympathetic as he might be, the Minister no doubt has his hands tied by Ministers in other Departments who are anxious to maintain the political advantages that the current system gives them. Rather than entrenching ministerial control on pre-release rules into statute as the Bill proposes, we should trust the board to get the decision right on that. Neither I nor the Minister should make that decision; neither of us is truly disinterested. If the Government really want to let go of statistics, painful as that is, they should let go of pre-release as well—not to see it abandoned, but to let the board decide what the rules on pre-release should be.

Today, we are making progress towards the independence for statistical services that the Opposition would like, but not enough. Today could have been an historic day for economic governance in the UK—but it will not be. It could have been the day when we set the statisticians free of political interference and took the spin out of statistics for good—but it will not be. The Minister has steadfastly resisted our calls to make that final jump, that final break with a discreditable past and the

[Mrs. Villiers]

manipulation and dissembling that has become such a notorious hallmark of this Government. It would take an act of political courage—not to say political irony—for the Government who have elevated news management to the level of a political creed to be responsible for entrenching impartiality, objectivity and honesty into all official statistics. Sadly, the Minister will not, or cannot, take that step. The Government cannot quite let go. If the Government will not listen to us and will not listen to the hundreds of concerned experts and stakeholder groups, I hope that they will be forced to listen to a message loud and clear from the other place—that their reforms are welcome and go in the right direction, but that they are not sufficient and must be significantly strengthened before the British public can again place their trust and confidence in official statistics.

9.20 pm

Dr. Brian Iddon (Bolton, South-East) (Lab): I am pleased that my hon. Friend the Financial Secretary mentioned the registration service. I thank hon. Members for not tabling amendments against that aspect of the Bill—not one amendment was tabled against that part of its contents.

I shall be delighted on 9 May when I visit Leicester for the annual conference of the Society of Registration Officers, of which I am the patron for England and Wales. I have addressed nine previous conferences in all parts of the country. On occasion, I have had to hang my head down because I have been so full of excuses for why my Government have not delivered employment rights to the more than 1,700 registrars and superintendent registrars who work so ably across England and Wales in every register office, which all of us need to use—sometimes in tragic circumstances, but mainly in happy circumstances when we have births or marriages in the family.

This year will be my 10th address. I will be delighted to say that my Government have at last delivered what registration service officers have been asking for—the chance to go to an employment tribunal if they are unfairly dismissed or sacked. It does happen. I have seen some sad cases where people have had to leave the service under a cloud and they have not had the rights that nearly all other workers have throughout the land.

As my hon. Friend said, registration officers are employed, appointed and housed in local authority offices. Those offices are sometimes not very good. The office in Bolton is now delightful, although it did not used to be. The pensions are also provided by local authorities. It is therefore proper that the responsibility for discipline should move to the control of local authorities. The Society of Registration Officers has been asking for that for a long time, and recently it has been supported by Unison. Those people who have been campaigning with me for that, and those who have been campaigning include the Local Authorities Co-ordinators of Regulatory Services as well, will be delighted by this evening's events.

On a lighter side, it was a privilege to listen to hon. Members who know far more than I do about statistics. I learned a lot during the course of the Bill's passage through Committee. It occasionally got difficult to listen, though, so I started to count the number of times that people tripped over the word "statistics", and particularly over the word "statistical". I commend the hon. Member for Chipping Barnet (Mrs. Villiers)—she tripped over the word "statistical" only once this evening. I am concerned, however, about the Bill's passage in the other place because there are more dentures there. I imagine that when Members in the House of Lords start to pronounce those words, false teeth might flow all over the Chamber.

I have lobbied a lot of Ministers and I have been travelling on two parallel tracks. One is with the Department of Trade and Industry—I will not deal with that now—which is where the responsibility for employment legislation lies. The other relates to my lobbying of successive Economic and Financial Secretaries who have been responsible for the part of the Office for National Statistics that concerns me. I commend my hon. Friend the Financial Secretary, who has listened not only to me but to Unison and the Society of Registration Officers, and has allowed us to deliver something extremely important to more than 1,700 people who have awaited this legislation for some time. My own detailed history of this campaign dates back to 1985. I shall not bore Members with it this evening, but it has been a long battle. SORO's campaign dates back even further—it has waited a very long time for this moment.

The Bill does something more important than delivering what I have described; it also paves the way for the first major reform of the civil registration service since the service was set up as long ago as 1837. I think that all Members would agree that it is time the service was brought into the 21st century, as I am sure it will be. What worried registration officers was the possibility that as we reformed the service, local authorities might realise that they needed fewer of them. Some battles, in my view unnecessary, might have arisen as a result of that. However, as we have now given registration officers the right to go to an industrial tribunal, if local authorities try to remove them from their posts they will feel far more confident about the major reforms of the civil registration service that are just around the corner.

The Treasury tried to initiate some of those reforms through a regulatory reform order, the largest ever committed to the new Committee that came into being in 2001 under the Regulatory Reform Act of that year. Sadly, under the chairmanship of Peter Pike, the former Member of Parliament for Burnley, the Committee rejected the move. I know that my hon. Friend the Financial Secretary now intends to use secondary legislation as a way of reforming the service. I thank my hon. Friend, and I look forward with confidence—as, I am sure, do SORO and Unison—to reform of a service that has long been in need of reform.

9.27 pm

Dr. Cable: I congratulate the hon. Member for Bolton, South-East (Dr. Iddon) on the success of his single-minded and single-handed campaign to change the legislation. I am one of the many people whom he lobbied. It is gratifying when legislation is changed by a Back Bencher in such a progressive way.

The Bill is crucial—although the House has dealt with it in a fairly low-key way—because of the corrosion

of public confidence in Government statistics. Various figures were given on Second Reading, but perhaps we should remind ourselves of the nature of the task. A survey by the Office for National Statistics showed that some 17 per cent. of the population believed that Government figures were produced without political interference, and only 14 per cent. thought that Government statistics were honest. It is an appalling indictment, not of this Government in particular but of Governments in general, that confidence in Government figures is at such a low ebb. That is why we need radical reform to produce a genuinely independent system, and in many respects the Government have provided that. We welcome the legislation in principle and welcome many aspects of it, although we have suggested many amendments—as have the Conservatives, with whom I think we broadly agree on the Bill.

The Minister has handled the Bill in a very courteous and reasonable way and has defused many of the arguments, but I continue to be troubled. Whenever we consult those in the wider statistical community—members of the Statistics Commission, the Royal Statistical Society and other bodies, and former chief statisticians of Commonwealth statistical offices—they continue to express grave disquiet about how the legislation is framed. We are often lobbied by outside organisations, many of which have axes to grind, but it is not clear that those people do have axes to grind. They are fellow professionals who are worried—they continue to be worried—on a professional basis by the nature of the legislation. The Minister acknowledged that in Committee, and I think that he is puzzled as to why there is such strong reservation and anxiety among fellow statisticians. That remains to be cleared up as the Bill progresses.

Mr. Gauke: Does the hon. Gentleman agree that there is strong feeling within the statistical community not only in this country, but internationally?

Dr. Cable: Yes; some of the strongest comments have come from Australia and Canada, for example. That might merely reflect the personalities concerned, but those countries have similar systems that appear to work well, and the people who have had experience of running them continue to express worries about how the British legislation is couched. That issue has yet to be satisfactorily addressed.

For my party, there are four remaining areas of concern about the Bill. The following comments on them will largely parallel what the hon. Member for Chipping Barnet (Mrs. Villiers) has said. All of those concerns have been discussed this evening, so I do not need to rehearse the arguments in detail, but I shall briefly address each one. The most important relates to the pre-release procedures. The Minister's response is to say that secondary legislation is on its way and that that is reassuring because it will have greater force than a code of conduct operated by the statistics board. Unfortunately, we have no idea what will be in that secondary legislation. We do not know whether it will be an improvement. It might well be an improvement, in which case all the anxieties that people have expressed will be ill-founded and we can all sleep safely and soundly. However, as we have no idea what will be in the secondary legislation, we are not yet reassured.

When we ended our discussion of the matter, the Minister's parting comments worried me slightly. In response to points made by Liberal Democrat Members and others about British comparative performance, it was noted that other countries also release data on previous days. So far as I can establish, only two other countries do that, and that is restricted to overnight release and hedged around with great restrictions on the number of people to whom access is given and the number of items for which that provision is granted. Therefore, the Government will have to move a long way in their secondary legislation to provide the sort of reassurance that Members and people outside this House seek.

The second area of anxiety remains in the field of governance, and particularly in the separation of functions—and especially the National Statistician, non-executive members of the board and the scrutiny function. Earlier, we had a frustrating discussion in which the Minister agreed with what we were saying and we agreed with what he was saying, but he said, "At the end of the day, we can't include what you want in the Bill." That might be the case for legislative reasons, but I think that the Government might be able to deal with this issue in a satisfactory way and remove it from the list of problematic issues. Let me offer my suggestion. One of the organisations that has expressed concern about the lack of clarity in the governance procedures is the Bank of England. It said that the role of the National Statistician was not clear. If it is possible to do so, it would be desirable to get a letter from the Governor of the Bank of England stating that he has read the Minister's comments in this House and that he is duly reassured and is now satisfied that the procedures and the demarcation of roles are clear and that there is no further doubt over the issue. If such a letter could be obtained, I do not think that any Member would quibble any further and we would accept that the matter has been dealt with in an entirely satisfactory way and that there is no need to change the legislation any further.

The third area of concern is to do with the issue of the two tiers—the official statistics and the national statistics. We have gone a long way in trying to work with the Government model. They have made a strong case for a certain kind of model that distinguishes the two types of statistics. There is certainly a case for doing that, but we continue to be troubled by the fact that there is no ultimate veto over a ministerial veto. The Minister has the last resort, however much a set of official statistics is being abused at a departmental level. There appears to be absolutely no come-back to ensure that integrity can be restored.

There are various ways in which a mechanism could be introduced. We suggested one this evening, but the Government did not find it satisfactory. However, a mechanism has to be found from somewhere, so that within this decentralised system, abuses of official statistics at a ministerial level can be safeguarded against. As the Bill proceeds to another place, I hope that the Government will come up with a formula for dealing with that problem.

The final set of difficulties is the one that we discussed a few moments ago, and it relates to the role of the Treasury. Like the hon. Member for Chipping Barnet, I am not anti-Treasury in any respect. It is has a very high

[Dr. Cable]

level of competence and integrity, and I have no particular quarrel with the way the current Chancellor has used his powers in making appointments, so there is no gripe or political point to be made here. The central issue is that the most sensitive Government statistics are those relating to economic data, such as employment and inflation statistics. It is therefore all the more important to ensure that the people who will exercise independent scrutiny and management of statistics are not appointed by the Minister with the most direct interest in influencing those statistics. It is not a question of the present incumbent abusing those powers; it is the potential for abuse that we must safeguard against. Channelling responsibility through the Prime Minister and the Cabinet Office was one mechanism, and others have been suggested. However, it is very important that the Government acknowledge this potential conflict of interest.

Like the hon. Member for Chipping Barnet, I look forward to seeing the Bill when it returns to us from the other place. I suspect, on the basis of certain comments made by Lords, that there will be some difficult amendments for the Government to circumvent. There are strong feelings about this Bill and I look forward to debating it again when it returns.

9.37 pm

Alun Michael: I thought that the hon. Member for Chipping Barnet (Mrs. Villiers) rather undervalued the process that we have been through in Committee and since. We are taking part in an historic event, and I should tell colleagues who were in Committee that I thoroughly enjoyed being involved in the debates. Our proceedings have been particularly good, the issues have been intelligently approached by Members in all parts of the House, and the Minister has responded to our concerns.

I particularly welcome Government amendment No. 48, which has been agreed today and makes it clear what statistics are for. There is always a danger of statistics being treated as though they are for statisticians—as though they are merely neutral, arid facts. They are not. The amendment made it clear that the wider public interest has to be served by the preparation, collection and publication of statistics. It made it clear that the purpose of statistics is to inform the public so that they can understand the issues that those statistics reflect, and to inform public service delivery. In other words, their purpose is to paint a picture of reality.

I have never believed it right to say that there are lies, damn lies and statistics. There are lies, damn lies and statistics misinterpreted, misapplied and misused. However, statistics used properly and engaged with can lead to an evidence-based approach to debate in this House and elsewhere, and to an evidence-based approach to public policy. In other words, statistics are not just for statisticians—they are far more important than that. They are there for all of us who are concerned about public policy.

Of course, the independence and objectivity of statistics is vital and basic, which is why I applaud the Government for introducing this Bill; and of course it is right for Members to be concerned about improving the level of objectivity and independence in order to ensure the integrity of statistics.

I say to the hon. Member for Twickenham (Dr. Cable) that the level of public confidence in statistics is probably a reflection of the low level of public debate in the media, rather than of the level of trust that can rightly be placed in statistics. In my experience—I am not talking about statistics produced only by the Government, but by local government and many other agencies—they are generally produced with integrity and are always subject to challenge. We should always ask whether they have been prepared on the right basis and whether the right questions have been asked. The general quality of the preparation of statistics in this country is very high indeed. To treat them with disdain or disrespect, as the media frequently do, or to suggest that they can be interfered with by Ministers, is actually flying in the face of reality.

My particular concern is to ensure that statistics are fit for purpose in terms of their effective use—not just at a national level, but at local and sub-regional level, as well as national and regional levels. That has been the subject of serious debate during the passage of the Bill. I underline again the fact that statistics are not ends in themselves, but the means to such ends as crime reduction, an improved quality of life or better service delivery in health and education, which are vital to our constituents.

I hope that the result of amendment No. 48—building the purposes of statistics directly into the Bill—will translate into action by the National Statistician and the statistics board. We want an effective focus on ensuring that the relevant national and official statistics provide evidence of local variations and service needs, for example. By local variations, I mean not just local authority areas, but ward and sub-ward level statistics. Those statistics should help us to ensure that, wherever people live, they get the service and response that they need, as reflected in the figures produced.

Very often, those of us who have been involved in public life at whatever level will say, "Give me the facts"—and very often it is difficult to get hold of them because the wrong questions have been asked and the wrong statistics collected. Once the board is appointed, I hope that it will not just ask questions by looking backwards—perhaps to what were important issues of public policy last year or 10 years ago. Actually, the board should press policy makers to look at the statistics and ask questions about next year or the next five, 10 or 20 years. We should be collecting information now that will help to inform public policy for the very long term. That means encouraging the confidence and engagement of the public with facts.

It is a very sad fact that nowadays an opinion expressed in a blog can be repeated by a national journalist on the front page of one of the less responsible newspapers in a way that may appear to give it equal value to the important statistics produced by the National Statistician, the Office for National Statistics and, indeed, by other authorities. I think that undermines the quality of debate about important issues in this country. That is why I believe that this Bill is one of the most important that has come before the House this year.

To provide one example, it has always seemed to me that in dealing with the reduction of crime and disorder it is very important to deal with the facts. Most people's view of crime and disorder in the local area is informed

by what they see in the local newspapers. Many people therefore think that crime has gone up in areas where it has, in fact, gone down. I recall a recent discussion at St. Mellons in my constituency in which a police representative referred to a slight growth in burglary over the past year or so. When we asked what exactly that meant, it turned out that it was a fairly small increase in burglary, and those who had engaged with the issue over many years knew full well that the level of burglary in the area was far below what it had been 10 years earlier. It is important to be able to make those comparisons. It is also important, when the police and the local authority carry out their obligations to reduce crime in the area, that they know what they are dealing with.

At national level, we have very good crime statistics, which are tested by the figures in the British crime survey, which reflects people's experience of crime. That tests whether the police statistics actually reflect reality, which is good. However, if that is not carried down to local level, so that people know what is happening in the city and in the local ward, it is impossible for them to be completely sure of what they are trying to do in terms of reducing crime as well as of chasing after offenders.

I could repeat that example across many other public services, but I shall mention just one. Analysing crime and violent crime in the city of Cardiff resulted in—

Mr. Deputy Speaker: Order. I am sorry to interrupt the right hon. Gentleman, but I think that he is dilating beyond the terms of what is strictly a Third Reading debate. He should be concentrating on the actual contents of the Bill at this late stage.

Alun Michael: The point that I am making, Mr. Deputy Speaker, is that the Bill, as amended today by amendment No. 48, makes clear the importance of dealing with the public interest and ensuring that the statistical information informs public policy, so that it can deal with the issues that concern our constituents on a day-to-day basis up and down the country. I believe that that makes the Bill fit for purpose, and that it makes the statistical purposes of the board and the National Statistician fit for purpose in addressing the needs of our constituents, rather than offering an arid and abstract ideal of statistics that is detached from the reality of human life.

The Bill has been greatly improved by our consideration of it on Report and it should have our strong endorsement as it passes into law.

9.46 pm

Mr. Fallon: First, I want to thank the Minister, who has listened during the Committee stage, even though he did not listen to everything that we said. I am pleased that we have put a definition of "public good" into statute, and that the points about dismissal for misbehaviour and about the directions have been cleared up. He has certainly listened, and I want to thank him for that.

Of course, serious flaws remain in the Bill. I shall not repeat them at length, but I have identified four, as did the hon. Member for Twickenham (Dr. Cable). First, the board remains a muddle of non-executive and executive members, and that is a problem. Secondly, it remains appointed and funded by Treasury Ministers, just as the existing Office for National Statistics is. That, too, is a problem. Thirdly, there is no full supervisory duty for the board right across Whitehall. Despite tabling a whole series of amendments, we have not been able to persuade the Minister to include that specific duty. Fourthly, as everyone has said, Ministers will still control one of the most generous and favourable systems of pre-release in the world.

Ministers appear to have started out with reasonable intentions for the Bill, but at some point between the consultation and the drafting, somebody somewhere changed their minds. We have had good debates in Committee and in the House today, but it is interesting that the Minister has been unable to adduce any evidence from systems elsewhere in the world to support the changes that he is making. On the contrary, the countries that have put their statistics on to a statutory basis have done so in a much more independent way than the Minister is proposing today.

The hon. Member for Twickenham mentioned the Commonwealth countries. I should like to bring to the House's attention the example of Ireland, where legislation was passed in 1993. The statistics board in Ireland is completely non-executive; it has no role in management. It has an advisory and supervisory role. Its director general—that is what the national statistician is called there—is appointed by the President on the advice of the Prime Minister and works to the Prime Minister's office, completely independently of any other Government Department. Critically, it is the director general, not Ministers, who deals with the issue of pre-release access, which is limited to a matter of hours. So there are still flaws in the Bill that need attention in another place.

I want to say a quick word about the Office for National Statistics. There is a danger that, while we have admired the plumage, we are forgetting the dying bird. It is clear to me—and it is certainly clear to the Statistics Commission—that the ONS is under huge pressure at the moment as a result of the reorganisation required by the Bill, the imposition of efficiency targets, the relocation to Newport and the preparatory work for the 2011 census, including this year's pilot schemes. I am concerned about the multiple effects of those various changes on a small department of state.

To get the new board up and running by April next year will require a huge amount of work and senior management time. Meanwhile the ONS is required to meet challenging efficiency targets—I understand that the three initial targets for 2006 were missed. The modernisation programme is creating enormous burdens for staff. The relocation was mentioned in Committee. About 260 staff have to leave for Newport before next year and the rest by 2010, only a year before the census. In three years' time few senior staff will be left in London, so I am concerned about the need to maintain the integrity of the department while all those changes are taking place.

The new board will have primary responsibility for the census, which will be a huge exercise, not least in garnering public support behind such an essential undertaking. The Statistics Commission wrote to the Financial Secretary on 1 February, pointing out that there were

"serious concerns requiring the closest attention of those who are responsible for setting the targets for ONS as well as those responsible for meeting them".

[Mr. Fallon]

I hope the Financial Secretary will bear those concerns in mind as we wish the Bill well and speed its passage through to another House where more attention will obviously be required for some of the flaws we have identified.

9.51 pm

Dr. Tony Wright (Cannock Chase) (Lab): I shall be extremely brief, as I cannot share in the tribute paid by my hon. Friend the Financial Secretary to those who have been involved in the scrutiny of the Bill, because I have not been involved in it, although I have watched it with interest from afar. The problem after the contribution of my hon. Friend the Member for Bolton, South-East (Dr. Iddon), the patron of the Society of Registration Officers, is that now we all find it much more difficult to say the word "statistics".

My approach to the measure has been to watch from afar the commentary and arguments about it, believing—as we all do—that we must give the statistical service far more independence than it has previously enjoyed. The underlying philosophy of the Bill is right, and my hon. Friend the Financial Secretary was right to draw analogies with other parts of Government where we are trying to do the same thing. However, those of us who believe absolutely in the integrity and independence of the statistics service, who think the issues are more like those relating to electoral boundaries than to Government communications, want to insist on the importance of protecting that service. The test we have to apply is whether the new arrangements give enough independence to ensure that there can be no possible abuse in any foreseeable circumstances and create enough public trust, as we know that traditionally there has not been much trust on that front.

I supported the Government tonight, but I still have questions about aspects of the Bill. Some of them have been put in an extremely helpful, constructive and civilised way—what a refreshing example that is to some Members who undertake such scrutiny—matched on the Government Benches by the Financial Secretary's civilised and courteous behaviour. My questions relate to the test, which will take place not in the serene circumstances of 10 o'clock on a Tuesday night, but at moments of political crisis, when huge arguments are raging about the nature of the statistics that are being issued. We need to develop a system that can withstand that test at the most critical times. I have often thought that we needed a statistical ombudsman, who would weigh in when party controversy is raging on statistical issues and who could simply tell us and the great British public what the facts of the matter are.

I am not yet persuaded that we have got everything in the Bill right. I have no doubt at all that the direction of travel is right, which is why I wanted to support the Bill, but I hope that the Financial Secretary will recognise that we may not yet have arrived at the eventual destination. There is still a process to be undergone and I hope that the civilised and bipartisan way in which the Bill has been discussed so far will be continued right through to its final stage.

9.55 pm

Stewart Hosie: I welcomed the Bill initially. I wanted to support it enthusiastically, because it ought to have ensured confidence in the statistics that politicians, statisticians, planners, community groups and local authorities all use, and because it ought to have confirmed the validity of statistics that are removed from departmental interference, be that real or perceived. There are good things in the Bill. I am particularly taken with the creation of the new separate publicity hub for the dissemination of statistics once they are published. That is a good initiative and one to be welcomed. However, because there will not be forced adherence to the code of practice for all the key statistics, because all Departments can avoid making key statistics national statistics, and because the Bill will still allow the Treasury to appoint the board, the Chancellor to veto direction and the Treasury to veto the disclosure of data, I fear that the great hopes that many of us had for the new independent board may not be realised, or at least not as quickly as we would have hoped.

We will not oppose the Bill tonight, because the principle of independence supersedes the weaknesses in the detail. However, Members on both sides know of flawed statistics and I am certain that, although we all wish the new board well, we will keep in our sights all the statistics that we know to be flawed and monitor them ourselves to determine whether they improve. This is not something that needs to be included in the Bill, but, to help us to do that, it might be useful if, annually, a Treasury Minister were to come to the House and make a brief statement to comment on the list of designated national statistics that must be published annually anyway by the new board under clause 16. That would go a long way towards reassuring the House that there was not simply a monitoring of the process and of Departments by individual Members, but a clear, united monitoring of the whole process and how it is proceeding by the House. That could be achieved by means of the rather simple mechanism of a statement considering the published list of national statistics, which under statute must be produced every year anyway.

9.57 pm

Paul Flynn (Newport, West) (Lab): May I try to expunge from the minds of Members the dreary picture created by the hon. Member for Sevenoaks (Mr. Fallon) of, for goodness' sake, a dying bird? In Newport, we see the ONS as a phoenix with iridescent plumage that is about to soar to new heights of independence and success. Like my hon. Friend the Member for Cannock Chase (Dr. Wright), we have reservations about the Bill. I think that many of us would be persuaded by the arguments made by our own side and by the Opposition parties and would like to see the Bill improved. But this is the nature of Government. They have decided to give up some power. It is a rare event in politics for any Government to decide not to hang on to power. It is difficult to prise their hands off the lever of power. It has to be done finger by finger, but it is happening.

Andrew Dilnot said that this is the most important Bill in this Parliament and he is probably right. It is on a par with the independence of the Bank of England. I hark back to many years ago when some statisticians—it is a strange word and it is better to say it in Welsh; it is

much easier to say "ystadegau" than "statistics" and I would commend everyone to talk about Y Bwrdd Ystadegau if they have trouble in that direction—came to see me as their constituency MP in the late '80s to complain because the then Conservative Government were transferring Government control of statistics from the Cabinet Office to the Treasury. The statisticians said that they were worried about what would happen to the quality of their work, given that the transfer was being made to the Department that had the greatest vested interest in fiddling the figures. It is wonderful to see that 10 years in opposition has radicalised the Conservative party to such an extent that it is pleading for more independence. We look forward—

It being Ten o'clock, MR. DEPUTY SPEAKER *put forthwith the Question already proposed from the Chair, pursuant to Order [this day].*

Question agreed to.

Bill accordingly read the Third time, and passed.

DELEGATED LEGISLATION

Mr. Deputy Speaker (Sir Alan Haselhurst): With the leave of the House, I will put motions 5 and 6 together.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

IMMIGRATION

That the draft Immigration and Nationality (Fees) Order 2007, which was laid before this House on 21st February, be approved.

NORTHERN IRELAND

That the draft Electricity (Single Wholesale Market) (Northern Ireland) Order 2007, which was laid before this House on 19th February, be approved.—*[Mr. Roy.]*

Question agreed to.

BUSINESS OF THE HOUSE

Ordered,

That, at the sitting on Wednesday 14th March, the Speaker shall put the Questions necessary to dispose of proceedings on the Motion in the name of the Prime Minister relating to Trident not later than 7 o'clock or six hours after their commencement, whichever is the later, such Questions shall include the Questions on any Amendments selected by the Speaker which may then be moved, proceedings may continue, though opposed, after the moment of interruption and Standing Order No. 41A (Deferred divisions) shall not apply.—*[Mr. Roy.]*

PETITION

Trident

10 pm

Ms Katy Clark (North Ayrshire and Arran) (Lab): It is with great pleasure that I present a petition on behalf of 450 constituents from the Isle of Arran who are opposed to the replacement of Trident nuclear weapons. The petition was collected only over the past few days. I understand that those who organised the petition decided less than a week ago that they wanted to make their views and those of their neighbours known to the House because they were aware of tomorrow's debate and the proposal that we should replace Trident nuclear weapons.

The petition states:

The petitioners request that the House of Commons urges the Government to scrap the trident nuclear missile system and abandon plans for update or replacement.

The fact that 450 signatures were collected in such a short time and in such a small community—almost 10 per cent. of the population signed the petition—shows the strength of feeling about the issue on Arran, in the rest of my constituency and, I believe, in the whole of Scotland, where the vast majority of people are saying that they do not want Trident replaced, or nuclear weapons to be based in Scotland.

To lie upon the Table.

London Buses (Crime)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Roy.]*

10.2 pm

Stephen Pound (Ealing, North) (Lab): I am extremely grateful for the opportunity to address the House on an issue of considerable concern to my constituents: crime and criminality on the London bus service. I am especially delighted to welcome the Under-Secretary of State for Transport, my hon. Friend the Member for Lincoln (Gillian Merron), to the Front Bench. I could not have chosen a better Minister to respond to the debate than someone who has, for many years, shown a deep knowledge of, and commitment to, public transport in this country.

I would like to draw for the House a picture of the collision between two worlds. On the one hand, we have one of the truly great success stories in modern public transport: the success of Transport for London and public buses in London. It is widely known that between 1999 and 2005, there was a 5 per cent. switch from private car usage to public transport in London. That is the only shift of its kind in any major city anywhere in the world. We have 2,300 more London buses than there were in 2000 and they are 16 per cent. fuller than they were then. We have a bus service that is noted for its reliability, and waiting times have been halved. We have a wheelchair-accessible transport system. The system works to reduce the emissions of fine particles—hydrocarbons and carbon monoxide—by using the new particulate filters, which reduce emissions by 90 per cent.

While we have that success, we have another world—a darker, more dystopian world. That world is partly of perception and partly of reality. It is the world in which many of my constituents live and the world that many London Members will recognise. In my constituency, we have schoolchildren who are terrified to go on a bus. Teenage boys and girls come home and talk about being jacked, shanked, taxed, or peeled—words that are utterly foreign to me, but which refer to the habit of theft and robbery on the buses. Boys hide their mobile telephones under their belt at the back of their trousers, and their money in their socks.

What is the reality? On the one hand, there is the undoubted glittering success of bus transport in London, and on the other there is the reality of the way in which bus transport is perceived by many constituents, particularly the young, but admittedly also the old, who feel threatened on the bus. Many young people feel that to sit on the bench seats at the back of a Volvo bus is to emulate a goat tethered in a pasture, surrounded by feral wolves, and that to enter the back of an articulated bus is to enter a piranha pool where threat is all around them. What is reality, and what is perception? That is an appropriate question, bearing in mind that all afternoon the House has been debating the dichotomy between empirical and anecdotal evidence.

I am extremely grateful to Transport for London, and particularly to David Brown, the former managing director of surface transport, and Jeroen Weimar, his colleague, for spending a great deal of time discussing with me the statistics regarding crime on London buses. In March 2006, there were more than 4,000 reported crimes, which is 13 per cent. less than in January 2007, the nearest equivalent month. That represents one crime per 50,000 passenger journeys in the first quarter of 2006-07. The minute that I began to drill down into the statistics, I came across one of the most staggering that I have ever encountered: every year, there are 1.9 billion passenger journeys on London buses. That figure is not only greater than the population of India, which is 1.2 billion, but almost equivalent to the combined populations of China and India.

The perception is that crime is often committed by the young. In 2006, some 75 per cent. of suspects were under 25, and a third were under 16. I contend that there is a geographical element to the problem of crime on London buses, and there are three main areas of concern. They include what I loosely call the south-east quadrant, made up of Croydon, Bromley, Bexley and Greenwich, where crime actually increased last year, and the London borough of Camden, where bus crime increased slightly. One of our distinguished parliamentary colleagues wishes me to draw the House's attention to the fact that he had his camera stolen on the N29 bus. The police and Arriva, the contractor, were incapable of retrieving the closed circuit television footage, because he could not give them the registration number of the bus on which he was robbed.

Bus crime figures are down in Kingston upon Thames, Wandsworth, the royal borough of Kensington and Chelsea, Westminster, Haringey and Barnet, but last year crime was higher in the west London boroughs of Hammersmith and Fulham and Ealing, and one has to ask why that is. I utterly reject the case, which has been made by some who should know better, that there should be a withdrawal of, or time limit on, free travel for under-16s. I do not see free transport for young people as a problem; rather, I see it as a glorious opportunity, a key to unlocking the secrets of our city. When my constituents from Northolt say that they have never been to London, it makes me think how important it is for people to have access to transport that takes them across their capital city, their home. That view was supported by 80 per cent. of Londoners in a recent survey.

Robert Neill (Bromley and Chislehurst) (Con): I am grateful to the hon. Gentleman for initiating a debate on this subject. Does he agree that it is particularly important that the minority who abuse the free travel concession are seen to be dealt with rigorously, so that the scheme does not fall into disrepute? Against that background, is it not a matter of concern that of the 2,390-odd passes confiscated from under-18s for bad behaviour, only 108 were permanently withdrawn? The fact that 88 per cent. of people who misbehaved were allowed to reapply and get back on buses raises concerns about how seriously Transport for London takes the policing of the policy.

Stephen Pound: I would make two points in response to the hon. Gentleman, who has a wealth of knowledge on the subject, and enjoyed a distinguished career as a member of the Greater London authority. First, the judicial process can take such a long time that in many

cases the pass will expire. Secondly, about 60 per cent. of people caught on the buses do not have valid passes, which cannot therefore be confiscated. That—and unconsciously I keep echoing the debate that delighted and fascinated the House this afternoon—is a matter of statistical interpretation.

Is it the case that youth crime did not exist until bus usage increased, or has bus usage facilitated an increase in crime? What is the reality? I am delighted to pay tribute to Professor Trevor Bennett and Dr. Fiona Brookman of the Centre for Criminology at the university of Glamorgan, who have made the important point that crimes are committed not only from instrumental motives, as they are frequently part of a territorial or gang-status endeavour. I particularly wanted to bring to the attention of the House the fact that in many cases the problems on buses in west London are connected to gangs. Those gangs existed before, and they would probably exist if there were no buses. In many cases, however, we have created an adventure playground for "gang-bangers" or a street corner on wheels. Before, people would mark their territory in the manner of feral rodents micturating, but now they engrave their gang signs in "Dutch graffiti" or etching on the windows. In some parts of London, gang members smash windows to remove the tags of rival gangs, if the bus is in their own area. In my part of the world, gangs are known to everyone by their initials—NN or ATS. One gang, named not after the Jimi Hendrix song but the west London borough, is called Purple Hayes.

I accept that we must address the issue of gangs through their most obvious manifestation—tags—and I pay credit to the bus tag initiative, that is run by TOCU. I believe that that stands for the transport operators control unit.

Robert Neill: I think that the hon. Gentleman will find that it stands for transport operational command unit.

Stephen Pound: I am grateful to the hon. Gentleman: I believe that TOCU stands for transport operational command unit. In my part of the world, a scheme funded by Transport for London and operated by TOCU on the E1, 120, 282, and E3 routes has resulted in considerable improvement. I pay credit to the schools that receive data from CCTV footage so that they can identify whether any of their pupils are involved in such activity. Paul Patrick, the inspirational head teacher of Cardinal Wiseman high school, begins each day by looking at CCTV images provided by the bus tag initiative to see whether any of his pupils have committed those crimes.

I pay tribute, too, to the safer transport team. There have been 1,200 extra police officers and police community support officers since January 2003, and I am delighted that some of them will come to Ealing in June 2007. I am extremely grateful to my hon. Friend the Minister and to TFL for bringing those much needed officers to our part of the world. The proposal to introduce Oyster photo cards for 11 to 15-year-olds by September 2007 is long overdue.

We need a communication campaign, and we are promised one in spring 2007. Sir Ian Blair, the Commissioner of the Metropolitan police, wrote to the Mayor of London on 12 June last year in connection with the new initiatives for engaging with schools, and I understand that a schools liaison manager has been appointed.

The transport operational command unit mentioned earlier has been responsible for 27,217 arrests since its inception in June 2002. In view of that evidence of hard work, the very least that a Member of Parliament, albeit a lowly Back Bencher, could do is to remember what the acronym TOCU stands for. In addition, there are mystery travellers on the buses. The *Evening Standard*, in its usual malicious way, would say it is a mystery why anybody travels on buses. I refer to people who travel incognito to observe, and who have assisted.

I do not want to become over-parochial, but I am a Member of Parliament for my own area and we have a specific local problem affecting routes such as the E1, E2, E3, E6, E11, 92, 95 and 105, which all run through a very narrow area—a crossroads formed by the Greenford road, Greenford broadway and Ruislip road east. There are three high schools, one right on Greenford broadway, one to the north and one to the south. There are about six primary schools. When these schools turn out in the afternoon and all the buses come down to Greenford, the situation is so serious that I had to meet my head teachers yesterday morning. I was very distressed to hear that yesterday afternoon two young girls from Cardinal Wiseman high school were attacked on one of those bus routes.

The teachers are extremely concerned about what they see as a threat to their pupils. They do not want pupils to come to school worried, nervous or, in extremis, bleeding or robbed. They do not want feral gangs clustering around the school gates when the afternoon bell rings, and people getting on the bus in the manner of a felon mounting the scaffold. One should travel on the bus as part of a joyous experience, not anticipating the worst.

I am looking for a recognition from my hon. Friend the Minister that whereas Transport for London has been an immense success, of which we may all be proud—I happily give way to the hon. Member for Montgomeryshire (Lembit Öpik).

Lembit Öpik (Montgomeryshire) (LD): It was not my intention to intervene, but such was my enthusiasm for the hon. Gentleman's arguments and comments that I seem to have nodded with excess vigour. I fully support everything that he says.

Stephen Pound: I am sure that I am not the first person to have been led astray by the merry smile of the hon. Gentleman. I am sorry if that is a bit cheeky.

I am looking to my hon. Friend the Minister to recognise that there is another side to the great success story of Transport for London. Although she represents the Department for Transport, not the Home Office, I am looking to her to realise that as transport usage increases and as passenger numbers increase—possibly even beyond the immense, amazing figure of 1.9 billion—there must be a recognition of the potential dangers.

I hope that some of the statistics that I have given the House this evening will show that the problem may not be as bad in statistical terms as many would believe it to be, but I hope that the House will also accept from me that there are many good and decent people who

[Stephen Pound]

are anxious, at the very least, and fearful, at the worst, about travelling on buses because of the actions of gangs.

I have not mentioned the assaults on staff, a subject which has been raised in the past. Happily, the numbers are now low, partly because TFL was intelligent enough to move to a virtually cashless system, contrasting with my day, when a heavy leather satchel laden with specie swung from my shoulder, making me a walking target. Assaults on drivers, including verbal assaults, are down to about two or three a day.

We have a success, we have a problem, and we have a solution. The solution has to be people on the buses protecting the passengers and supporting the staff. Whether they are called conductors, PCSOs, mystery travellers or police officers, I care not—what I care for is the safety and security of London passengers. TFL has shown that it cares for that, and the Minister is on record as showing that she cares for it, but that message has not yet reached the majority of my constituents.

I am extremely grateful for the opportunity to bring this matter to the attention of the House.

10.20 pm

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): I start by congratulating my hon. Friend the Member for Ealing, North (Stephen Pound) on securing this debate on a very important matter for people who work on buses and travel by bus. In his usual inimitable style, he has brought to the House's attention a matter of serious concern to his constituents and those of many other right hon. and hon. Members.

I should first say that responsibility for tackling criminal and antisocial behaviour on the London bus network is the responsibility of Transport for London, supported by the Metropolitan police. However, the Government take a very close interest in their work and seek to ensure that they have the support and funding to be able to perform that role effectively. I, too, am concerned that fear of crime should not dissuade people from travelling on public transport, whether in London or anywhere else in the country. I should like to put on record that criminal and antisocial behaviour against bus staff or passengers is never acceptable. We are committed to reducing crime and the fear of crime wherever it occurs in the transport system. My hon. Friend rightly talks about reality and perception. For that reason, before I discuss what is being done to combat bus crime in London, let me first be clear about the scale of the problem.

As we heard, vast numbers of people are using London's bus network—a staggering 5 million a day. My hon. Friend rightly identified and paid tribute to the increasing quality of the bus service in London. London's bus network is a low crime environment. It is worth reiterating that for every 50,000 passenger journeys, only one allegation of crime was made in the first quarter of 2006-07, and that the figure was one allegation in 47,000 journeys in the same quarter in 2005-06. We are clearly talking about a small number of allegations per day covering all criminal activity, much of which relates to vandalism and petty robberies rather than to more serious crimes.

Moreover, offences on London's buses need to be seen in the context of crime levels as a whole. Crime in London is falling. The Met reported a fall of 6.8 per cent. in overall crime between January 2005 and January 2006. Over the same period, criminal assaults in London fell by more than 7 per cent. Of those incidents, only a very small proportion related to buses. That is not to play down the seriousness of crime on the buses, but we need to avoid being drawn in by attention-grabbing headlines that do not reflect the facts.

Robert Neill: I understand and take on board what the Minister says. However, does she accept that, as the hon. Member for Ealing, North (Stephen Pound) said, there is genuine concern in my part of south-east London that the figures there are higher than the London average and that many incidents go unreported? For example, people sometimes do not bother to report instances of antisocial behaviour disturbance. I am particularly worried about the evidence that I have heard from bus drivers on route 161 concerning repeated threats to which they eventually become so inured that they do not feel they are worth reporting. There may be much more of a problem than we think.

Gillian Merron: I have already placed on record, but am happy to reiterate, that such crime is unacceptable, whether it is towards bus staff or bus passengers. Any figures will show differences across London. As my hon. Friend said in his contribution, however, there is a difference between perception and reality.

Lembit Öpik: Does the Minister recognise that some allegations made about members of the public using the bus service—for example, by the police—may turn out to be unsubstantiated? Without expecting her to know the details of the case of Mr. Hendry from my county—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. There is little time left for the Minister to reply to a debate about London buses. The hon. Gentleman was not here at the start of the debate, and he should allow the Minister to complete her remarks.

Gillian Merron: Thank you, Mr. Deputy Speaker.

As a former bus conductor, my hon. Friend will know only too well that crime will always be a challenge for public transport operators. Public transport brings together large numbers of people, often in constrained spaces. That presents a particular temptation to thieves. Moreover, the transport network is an ever-evolving and hugely complex system—and just as transport develops, so do patterns of transport crime. That makes policing the network extremely challenging.

While such crime may be challenging, it is being combated. The Metropolitan police transport operational command unit, to which my hon. Friend has referred, has been key to that endeavour. Funded by Transport for London and jointly staffed, it brings together transport and policing professionals to target crime on specific bus routes and corridors where crime has been identified as a particular problem. I hope that that will reassure hon. Members and their constituents. The command unit deploys over 1,200 uniformed staff across the transport

network as a whole. Their deployment is intelligence-led and focuses resource where it can be most effective.

As well as targeting serious crime directly, Transport for London is also working hard to tackle fare evasion, as research shows that fare evaders are often involved in other forms of crime. Transport for London has significantly increased the number of revenue protection inspectors on the bus network: by the end of March, there will be more than 300. They present a visible, uniformed presence to reassure passengers and assist drivers and the police when criminal behaviour is observed.

Government funding has also enabled Transport for London to ensure that all of London's buses—more than 8,000—are fitted with CCTV. That not only provides much-needed evidence but deters would-be criminals and reassures passengers. Importantly, it is allowing more and more successful prosecutions when staff or passengers are assaulted, giving greater confidence to both staff and passengers.

Transport for London is ensuring that drivers are encouraged to report any crime or antisocial behaviour, however minor. I very much support that. That allows Transport for London and the Metropolitan police to identify priority areas. The introduction of code red calls to report emergencies gives drivers direct contact with the central control room, and has made it easier for drivers to report incidents when they happen. Again, I hope that that will reassure hon. Members.

Transport for London is not resting on its laurels. It has just finished consultation on its draft crime and disorder reduction strategy. That new initiative sets out its vision for tackling crime and antisocial behaviour and improving the public's perception of safety and security, about which my hon. Friend is particularly concerned.

On youth crime, there has been some recent, and unfortunate, media coverage alleging increasing levels of yobbish behaviour on buses in London as a result of the Mayor's decision to extend free travel to under-18s in full-time education. It is important to get some perspective on the matter. Very few young people getting free travel in London cause difficulties on buses, and we must not forget that many young people are themselves victims of crime. While there have been anecdotal reports of higher rates of antisocial behaviour, the reality is that there has not been a notable increase in youth crime on London buses. Where youths are persistently causing trouble, the Home Office gave Transport for London, in September 2006, powers to employ antisocial behaviour orders against persistent offenders. That sets out the reality of free travel for the under-18s. I hope that it will be continued in London. I am aware from my hon. Friend and others that it is under threat from Conservative Members of the Greater London authority who think that it should be terminated or changed. That would be a sad day.

The Government are determined to reduce crime and the fear of crime on our vital public transport services. People in London and across the UK have the absolute right to bus travel that is safe and unintimidating. The Government will continue to work closely with Transport for London and operators to ensure that that happens.

Question put and agreed to.

Adjourned accordingly at half-past Ten o'clock.

House of Commons

Wednesday 14 March 2007

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

NORTHERN IRELAND

The Secretary of State was asked—

Social Housing

1. **Dr. William McCrea** (South Antrim) (DUP): What plans the Government have to provide further social housing in Northern Ireland. [126335]

2. **Mr. Adrian Bailey** (West Bromwich, West) (Lab/Co-op): What steps he is taking to encourage the provision of more affordable housing in Northern Ireland. [126336]

The Minister of State, Northern Ireland Office (Mr. David Hanson): I have established an independent review into affordable housing under the leadership of Sir John Semple to look at the barriers affecting those seeking affordable housing across all tenures—social, private and private rented. Social housing start targets of approximately 1,500 houses per annum have been achieved in the past three years, and I hope to build on that success in future.

Dr. McCrea: Bearing in mind the fact that getting on the housing ladder is the major difficulty facing our young people, as well as the crisis in social housing, will the Minister tell the House what is the total waiting list for housing in Northern Ireland? How many of those cases are deemed a priority, and how many houses are planned in the next two years to meet that need and tackle the crisis in social housing? That is of the utmost urgency, and the planned 1,500 houses are quite inadequate to meet that need.

Mr. Hanson: In total, about 695,000 properties in Northern Ireland are available for social housing. The current projected build is 1,500 houses per annum, and I hope that we will be able at least to maintain that figure in the next three years and, indeed, with a devolved Administration, increase it. Housing waiting lists are relatively stable. I do not have the figures to hand, but I will make sure that the hon. Gentleman receives them. My purpose in establishing the review under Sir John Semple is to look at the great challenges that we face in Northern Ireland resulting from increased homelessness, which itself is caused by a range of factors such as employment opportunities; high house prices; family break-up; and cultural changes. We need to address those issues. The Semple review will do so, and I hope that we can publish the final results shortly.

Mr. Bailey: Given that average incomes in Northern Ireland are still relatively low while the increase in house prices has accelerated in the past few years, what specific measures has my right hon. Friend taken to assist first-time, aspirational home owners in Northern Ireland so that they can get on the housing ladder?

Mr. Hanson: My hon. Friend raises an important issue. We have tried to do several things. We have established and increased the co-ownership scheme to ensure that we provide shared ownership potential in housing. I recently amended the threshold for co-ownership so that it can increase with house price inflation, particularly in hot spots such as Belfast and the north-west of the Province. We have also increased the property threshold for stamp duty to £125,000, so that first-time buyers do not need to make a major up-front financial contribution and can instead put that money towards their capital costs and mortgage payments. It is an important issue, and there is more that we can do. When the report is published shortly, I am hopeful that it will include positive suggestions for action.

Mr. Peter Robinson (Belfast, East) (DUP): I know that the Minister will accept that Northern Ireland house prices have gone up more than house prices anywhere else in Europe—they have increased by up to 40 per cent. in the past year. Does he accept that part of the problem is the high price of land in Northern Ireland for new build? Up to 50 per cent. of the cost of a house is the cost of the site, so the release of land is a critical issue. Because of the slow zoning of the planning service, will the Minister follow John Semple's suggestion that the Department should give up surplus land and make it available for affordable housing?

Mr. Hanson: I share the hon. Gentleman's aspirations, and I hope that an incoming Administration—a devolved Administration—can deal with those issues in detail. I have made it clear that I want the provision of Government-owned land for housing purposes to be maximised so that we can provide affordable housing through private sector development and, indeed, social housing. I have undertaken a trawl of Government Departments with surplus land, and, through the Semple report, we will try to ensure that we examine that potential in detail so that we maximise the benefits of reducing the cost of new build by using any surplus Government-owned land as, indeed, is done by my right hon. Friend the Deputy Prime Minister and his Department and my right hon. Friend the Secretary of State for Communities and Local Government and her Department.

Mr. Eddie McGrady (South Down) (SDLP): The Minister will be aware that a recent report indicated that house prices have increased by 52.9 per cent. in the past 12 months, for which the Government must bear some responsibility. Awaiting the Semple report is one thing, but we well know that three issues must be addressed. First, planning regulations must be changed

to ensure that private development includes mixed tenure; secondly, the ill-fated planning policy statement 14, which forbids any building in rural Northern Ireland, must be immediately withdrawn; and, thirdly, public and brownfield sites should be released for mixed-tenure building. Will the Minister implement those three things immediately without waiting for the results of another investigation?

Mr. Hanson: I welcome my hon. Friend's comments. He will know that the Semple report, which will shortly be published in full, addresses many of those issues in its draft form. I hope that the matters that my hon. Friend raises will form part of the challenges facing the incoming Administration on 26 March, because there is much that can be done in relation to planning matters, land use, social housing build and improving co-ownership. I have an agenda for that, but it is the responsibility of the new Administration to take it forward and to respond positively to Sir John Semple's recommendations. I hope my hon. Friend and his colleagues in the Social Democratic and Labour party will play a significant role in taking forward that agenda.

Tourism

3. **Mary Creagh** (Wakefield) (Lab): How many tourists visited Northern Ireland in the last year for which figures are available. [126337]

The Parliamentary Under-Secretary of State for Northern Ireland (Maria Eagle): The most recent figures available from 2005 showed that almost 2 million visitors stayed in Northern Ireland during that year.

Mary Creagh: I congratulate the Minister on that fantastic figure. When I visited the country and visited the glories of the north Antrim coast, the Giant's Causeway, Portstewart strand and the wonderful hills of Fermanagh, I noticed the difference from 20 years ago, when there were tanks on the streets of Belfast. What is my hon. Friend doing, particularly for the coastal areas? I noticed that there was nobody on the beaches, although admittedly, it was October. What can we do to diversify tourism in order not only to attract Americans seeking to trace their rich family history and heritage, but to get people to go to the wonderful mile-long white sandy deserted beaches?

Maria Eagle: May I say that 2005 was the first year since the troubles began that more people visited Northern Ireland than live there. That is a landmark. When the new Executive and Assembly are up and running in a couple of weeks, they can build on that. There is nothing like political stability to attract more visitors to that fantastic landscape. I am sure that achieving a proper political settlement in Northern Ireland will boost visitor numbers enormously. My hon. Friend is right. In a recent poll the Antrim coast road was named the fifth most spectacular view in the world. It came higher in the poll than the Grand Canyon—a reflection of the glories of Northern Ireland. A poll in *The Guardian* placed it second among the best road trips in the world. There is no doubt that there are glories in Northern Ireland that more visitors need to see, and the best way of ensuring that visitor numbers increase is through a stable political situation and devolved government.

Mrs. Iris Robinson (Strangford) (DUP): I am delighted that the hon. Member for Wakefield (Mary Creagh) agrees that Northern Ireland is a worthwhile place to visit. I believe that Strangford in my constituency is one of the most beautiful areas of Northern Ireland, but like others, I believe that the Ards peninsula and Killyleagh in particular are not properly marketed for their tourism potential. Does the Minister agree that the draconian planning policy guidelines for the rural areas, which include the coastal areas, are inhibiting the hospitality sector from building hotels and bed-and-breakfast accommodation?

Maria Eagle: It is interesting to hear the hon. Lady's views about that. She may be a Minister in the new devolved Government in not too many weeks, and she will have an opportunity then to focus on making the most of the tourism potential in her constituency. I agree that marketing is important, and that it is important to take note of the detailed implications of visitor numbers as they come through and to adjust marketing to make the best of the tourism potential. There is no doubt that that potential exists. There are already 52,980 jobs in the tourism industry and it is clear that that number could increase significantly with proper marketing. If proper services are available, the tourism potential to exploit in Northern Ireland is enormous. I hope the hon. Lady and her right hon. and hon. Friends will shortly have a hands-on opportunity to make that potential a reality.

Andrew Mackinlay (Thurrock) (Lab): The next time a Northern Ireland Minister is in Dublin, will he or she visit the Northern Ireland Tourist Board in Nassau street, opposite Trinity? It is unattractive, unappealing and lacking in marketing skills for the beautiful Northern Ireland that hon. Members have described. It is important that such a visit be made in order that we can attract people interlining to the island of Ireland through Dublin to come to the North, and more importantly, to attract citizens of Dublin and elsewhere in the Republic to come to the North. I have seen more appealing funeral homes than that office in Nassau street.

Maria Eagle: I have visited that office in Dublin, and I cannot say that I recognise my hon. Friend's description. I accept that it has its limitations, but it certainly did not strike me as looking anything like a funeral home.

Dairy Industry

4. **Ann Winterton** (Congleton) (Con): If he will make a statement on prospects for the dairy industry in Northern Ireland. [126338]

The Parliamentary Under-Secretary of State for Scotland (David Cairns): The Northern Ireland dairy industry is well placed to face the competitive challenges that lie ahead.

Ann Winterton: Recently, dairy farming has been in dire straits, particularly because of the low price of wholesale milk. One of the issues that will affect prospects for the future is the high incidence of bovine TB in Northern Ireland compared with the Republic, where a selective cull has been exceptionally successful. Will the Northern Ireland Office consider that matter and take action to assist dairy farmers in Northern Ireland?

David Cairns: I assure the hon. Lady that animal health issues are a significant priority for my Department. We work very closely with our counterparts in the Republic, and I discussed this issue with Mary Coughlan, the Republic's Minister for Agriculture and Food, when I met her last year. On a small island such as Ireland, it is important that we have an all-Ireland animal health strategy. If the hon. Lady is particularly referring to the selective cull of badgers, we have a group considering that. As with all such emotive issues, it is best to proceed on the basis of fact and evidence, and we are looking at the lessons that we can learn from the Republic. However, she is absolutely right that big challenges face the dairy sector in Northern Ireland. That is why it requires a full-time Agriculture Minister, who is accountable to local people in Northern Ireland, and I very much hope that one will be in place the week after next.

David Taylor (North-West Leicestershire) (Lab/Co-op): There are only two ways in which the Northern Ireland dairy industry can remain competitive. One is to produce bulk milk cheaper than alternative suppliers—that option is not open because of limited scale—and the other is to target high-value markets, perhaps through ethical dairy production with integrated supply chains. Does the Minister believe that the dairy industry in Northern Ireland is investing in those areas and not making the same mistakes as the dairy industry here in Great Britain?

David Cairns: My hon. Friend is correct. The industry is over-reliant on exporting powderised milk. The changes to the common agricultural policy in relation to export guarantees, which we entirely support, will mean that that is not an attractive option in future. There must be diversification into higher-value products such as cheese, yoghurt and premium ice cream—for example, the excellent Tickety-Moo ice cream. The Government have a role to play in this, and we can help by making grants available, but essentially it has to be a market-led process. I recently opened a new line at the Dunmanbridge cheese factory, which has risen to the challenge. My hon. Friend is right that such diversification has to be the way ahead.

David Simpson (Upper Bann) (DUP): Given that the average market price across the globe for whole milk powder has risen to some $900, does the Minister agree that it should be a realistic expectation for farmers in Northern Ireland that prices for milk should increase, and increase now?

David Cairns: There is of course a very competitive free market in milk and milk products, and it is not the role of the Government to interfere in that. However, the hon. Gentleman highlights the fact that given that the price of whole milk powder fluctuates wildly, it is folly to stake one's entire economic development strategy for the dairy industry on what is essentially a global commodity. He is right that prices go up and down. However, I return to the point that I made earlier: the future for Northern Ireland's dairy industry—which is tremendously important, as dairy products represent 30 per cent. of the value of its agriculture industry—is to diversify into cheese, yoghurt and other high-value products.

John Robertson (Glasgow, North-West) (Lab): I agree with my hon. Friend about diversification, but what is he going to do? We cannot just allow the market to run things for farmers—we need some intervention by Government. Can he tell me what his Department is doing to help them?

David Cairns: Yes, I can. My hon. Friend is correct to say that we need to support the industry in this period of transition, and processing and marketing grants are available from national funds. The extra dairy premium on the single farm payment has also helped the dairy industry to diversify. The factory at Dunmanbridge has benefited to the tune of £500,000 from Government assistance for developing its product line. We stand ready to support the industry as it makes this important transition, but ultimately this must be an issue that the market determines, with Government support.

Political Situation

5. **Mr. Nigel Dodds** (Belfast, North) (DUP): What assessment he has made of the political situation in Northern Ireland following the Assembly elections; and if he will make a statement. [126339]

The Secretary of State for Northern Ireland (Mr. Peter Hain): First, I want to congratulate the hon. Gentleman on his election to the Northern Ireland Assembly, and to congratulate all those who signed the roll in the Assembly yesterday. The results of the election issue the clear message that voters want devolution on 26 March. An historic opportunity lies before the Northern Ireland political parties.

Mr. Dodds: I thank the Secretary of State for his good wishes to Members on the Democratic Unionist party Benches. Central to the stunning and tremendous victory of the DUP in the elections was our requirement for delivery by republicans and the Government on a range of outstanding issues, if devolution is to happen. We require delivery by republicans on unambiguous and clear support for policing, the courts and the rule of law. We require the ending of criminality, paramilitarism and all the rest of it. We also require delivery by the Government, not least on a financial package. At the moment, what we are hearing from them falls well short of what will be necessary. Will the Secretary of State assure us and the people of Northern Ireland that an adequate financial package will be on offer to ensure that devolution can be bedded in and that a success can be made of any future Administration?

Mr. Hain: I agree with the hon. Gentleman; his party did indeed have a stunning victory—he also had one in his own constituency—and I congratulate it on that. It is the case that Sinn Fein needs to deliver—as it is

doing, and as its president did on Monday in calling for information about two brutal murders in Belfast to be brought to the police. I want to quote the *Belfast Telegraph* on this. Interestingly, it says:

"The difference this time is that, although there were reports that the killings had links with republican dissidents, Gerry Adams asked anyone with information to take it to the police. 'They should co-operate', he said, 'to bring the perpetrators to justice.' Now that as senior a figure as Gerry Adams has urged people to co-operate with police in specific murder inquiries, the barriers that were erected between republicans and the police, over 80 years, are crumbling."

I agree with the hon. Member for Belfast, North (Mr. Dodds) that an incoming Executive will have to have a good financial package. The Chancellor is very aware of that, and he will not want to stand in the way of successful devolution on 26 March.

Mark Durkan (Foyle) (SDLP): Does the Secretary of State agree that, as we hope that the institutions will shudder to a start on 26 March, financial lubrication would certainly help the process, but that we also need fiscal additives to ensure longer-term better economic performance? Does he also agree that, in making this case to the Treasury, the Northern Ireland parties need to present it by way of long-term plans, not short-term demands? People in Northern Ireland want to see long-term planning that will lead to sustainable institutions delivering differently and better. That is the message that all the parties received, no matter what their manifestos said.

Mr. Hain: I agree with my hon. Friend. Indeed, it was notable that, instead of the old issues dominating the election, water charges, the rating system and academic selection were the key issues on the doorstep and at the ballot box. The message from the people is that they want locally elected politicians to take those decisions, and the Government will assist in providing an environment for that to occur. It is important that the will of the people be respected, and that the Assembly be up and functioning on 26 March.

Rev. Ian Paisley (North Antrim) (DUP): The Secretary of State will be aware that there were two major election issues on the doorstep: the important constitutional issues, and water charges. The people of Northern Ireland feel great anger and resentment that the Government, who are telling us today what a wonderful future we have, did not give us that wonderful future when they were in office. Why did they not do all these wonderful things that they tell us we should be doing? They missed out very badly.

I say to the Government today that it is no use putting a beautiful engine on the road, saying, "Here is devolution. Here is a wonderful form of government", if there is not the money to pay for the fuel to run that engine. The Government have a responsibility not only to put the engine on the rails but to supply the people of Northern Ireland with the money. Instead of doing that, they are saying—

Mr. Speaker: Order. Perhaps the Secretary of State could be briefer.

Mr. Hain: I got the impression that the right hon. Gentleman was feeling strongly about water charges. The Chancellor was listening closely to his point, and we will do our best to provide an incoming Executive with the wherewithal they need to have the successful start to devolution that he wants.

Sir Patrick Cormack (South Staffordshire) (Con): May I follow the potential engine driver and ask the Secretary of State to talk to the Chancellor, who is, I think, now listening? Will he tell him that the people of Northern Ireland really are concerned about water charges, and do need a moratorium of at least a year, and not to be double-charged for the privilege?

Mr. Hain: All that the Government were doing was introducing water charges in Northern Ireland as they are paid in Wales, Scotland and England. The verdict on the doorstep, however, was very clear. My right hon. Friend the Chancellor is well aware of the situation and will no doubt take close notice of the hon. Gentleman's points.

Lembit Öpik (Montgomeryshire) (LD): Will the Secretary of State join me in congratulating the Alliance party of Northern Ireland on its super-stunning victory and on returning the first ethnic minority Member of the Legislative Assembly, Anna Lo, in the Assembly's history? Does he accept that the nine-strong united community group is truly committed to the shared future agenda? Will he work with the UCG to ensure that, however unstable any potential Government in Stormont, there will be a stable and progressive Opposition, led by the Alliance, which maximises the chances of a principled shared future and a prosperous Province?

Mr. Hain: The hon. Gentleman makes his point well. I particularly welcome the fact that Northern Ireland has the first legislator of Chinese origin in the entire United Kingdom, which is a fantastic achievement.

Mr. David Lidington (Aylesbury) (Con): I join the Secretary of State in hoping that on 26 March we see the Assembly and Executive fully restored and exercising powers over the government of Northern Ireland. For that to endure, however, does he agree that the tendency of some republicans to make an artificial distinction between so-called civic and political policing must end, and that there must be a readiness to support the police unreservedly?

Mr. Hain: Indeed, and that has been made clear by both the president of Sinn Fein and the ard fheis motion. I agree with the hon. Gentleman and am grateful for his support on the objective of getting devolution up and running on 26 March. I am sorry that I cannot congratulate his party on its performance in the elections. It was beaten by the DUP, Sinn Fein, the Social Democratic and Labour party, the Ulster Unionist party, the Alliance, the Green party and the Progressive Unionist party, but at least it beat the Rainbow candidate who stood on a commitment to remove cash from circulation and introduce an electronic currency called the wonder.

Mr. Lidington: At least my party was not afraid to put up candidates for those elections, unlike the Secretary of State's party.

To return to the policing issue, does the Secretary of State agree that the comments of the hon. Member for Fermanagh and South Tyrone (Michelle Gildernew) that she would not report to the police knowledge of the activities of republican dissidents are unacceptable, and that politicians must be prepared to support the police even if it leads to the investigation and arrest of their former comrades?

Mr. Hain: I think that Gerry Adams's statement on Monday about the brutal murders committed that day, which I quoted earlier, was very clear. Gerry Adams, the president of Sinn Fein, has said that anyone who has information on the McCartney murder should supply it to the police. He has encouraged people to report crimes such as rape, car theft and violence against old people and to co-operate with the police, and he has encouraged republicans to join the police. Those are sea changes of historic proportions, which I know the hon. Gentleman will welcome.

I think the path is very clear. The people spoke on 7 March: they want devolution back. Parliament has spoken: it wants devolution back on 26 March, and we should proceed towards that objective.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [127214] **Roger Berry** (Kingswood) (Lab): If he will list his official engagements for Wednesday 14th March.

The Prime Minister (Mr. Tony Blair): Before I list my engagements, let me say that I am sure the whole House will wish to join me in sending condolences to the family and friends of Warrant Officer Class 2 Michael Smith of 29 Commando Regiment Royal Artillery, who was killed in Afghanistan last Thursday. He was part of the mission in Sangin to protect the Kajaki dam project. Once again we pay tribute to his heroism, his sacrifice and the work done by him and his colleagues in Afghanistan.

This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Roger Berry: May I associate myself with my right hon. Friend's expression of condolence?

My right hon. Friend has made a huge contribution to the peace process in Northern Ireland. Following last week's election, does he agree that what the people of Northern Ireland want is for their interests to be put first, and for local politicians to get on with the business of forming a Government? Will he confirm that the deadline for devolved government in Northern Ireland remains 26 March, and that that deadline will not change?

The Prime Minister: As my hon. Friend knows, the deadline is set out in the legislation.

I pay tribute to the leaders of all the political parties, including those in the House, who have played such a prominent part in the politics of Northern Ireland over the past few years. Let me also say that one significant development—in addition to all the other things that are happening in Northern Ireland—is the publication today of the employment figures, which show that over the past few years there have been 100,000 extra jobs in Northern Ireland and a reduction of 30,000 in the number of unemployed people.

What was fascinating, by all accounts, about the election in Northern Ireland was that the bread-and-butter issues—water charges, health, education and the local economy—were prominent on the doorstep. That in itself says a great deal about the modern face of Northern Ireland.

Mr. David Cameron (Witney) (Con): I join the Prime Minister in paying tribute to Warrant Officer Michael Smith, killed in Afghanistan last Thursday.

Replacing Britain's independent nuclear deterrent is in the national interest. A submarine-based alternative is the right answer, and the decision needs to be made now. Does the Prime Minister agree that in a dangerous and uncertain world, unilateral nuclear disarmament has never been and will never be the right answer?

The Prime Minister: For precisely the reasons that I gave when I made my statement to the House, I think it right that we make the decision now to begin work on replacing the Trident nuclear submarines. I think that that is essential for our security in an uncertain world. It is important for us to recognise that, although it is impossible to predict the future, the one thing that is certain—as I said in my statement—is the unpredictability of it. For that reason, I think it sensible that we make this decision today.

Mr. Cameron: I agree with the Prime Minister. Does he agree that replacing Trident meets both the spirit and the letter of our international treaty obligations? Will he confirm that the last Conservative Government cut the number of warheads, that his Government cut the number of warheads, and that there will be further reductions in the future? Does he agree that, as a result, the argument against replacing Trident on the basis of non-proliferation simply does not stand up?

The Prime Minister: We are very proud of our record in this respect, and making sure that we reduce the number of warheads is important, as we have said. It may be possible to reduce the number of submarines, although that is a decision that will have to be made at a later stage.

Yes, of course it is important that we conform fully with our non-proliferation treaty obligations, and we are doing so. I think it is possible for us to continue to play our full part—under the non-proliferation treaty—in the multilateral negotiations that I hope will take place over the years to come, so that the world becomes a safer place with fewer nuclear weapons. However, I think that we shall be best able to achieve that if we maintain our nuclear deterrent.

Mr. Cameron: We are discussing this now because the system could take about 17 years to put in place, so the timing is right, the legality is clear and maintaining the deterrent is in our national interest. Because the Prime Minister has the support of the Conservative party, we can work together in the national interest.

Will he tell us clearly that tonight's vote is the vote and that there is no going back after tonight's vote? Will he also confirm that he will stand by his policy and that he will not appease those in his own party, or the Liberal Democrats, who simply want to run away from a tough decision?

The Prime Minister: It is precisely because I believe that this decision has to be taken now that we have the vote today in the House of Commons. I entirely understand why people might want to put off this decision, but the fact is that we need to take the decision today if we want to get parliamentary approval for the work that has to begin now on the concept and design phase—of course, the actual contracts for the design and construction are to be left for a later time. If we want to get proper parliamentary authorisation, this decision has to be taken now. I entirely understand and respect the views of those who hold a different opinion on this issue, but I have been pretty clear and firm on it from the beginning, and I think that we should continue to be so.

Mr. David Marshall (Glasgow, East) (Lab): Is my right hon. Friend aware of the petition submitted to Downing street seeking a posthumous knighthood for the late Jock Stein in recognition of his achievements as the manager of Dunfermline, Celtic and Scotland? As this year is the 40th anniversary of Celtic and Stein winning the European cup—the first British team to do so—will the Prime Minister give serious consideration to giving approval for this petition to go online as soon as possible?

The Prime Minister: Those decisions are not taken by me, and I know that the rules governing posthumous awards are very complex. However, Jock Stein was a great manager, a great Scot and someone who contributed enormously to football and civic society in Scotland.

Sir Menzies Campbell (North-East Fife) (LD): I join the Prime Minister in his expressions of sympathy and condolence.

I cannot help remembering that the last time the right hon. Member for Witney (Mr. Cameron) and the Prime Minister voted together in the same Lobby on an issue of national interest was on Iraq, and that has not proved to be a comforting precedent. Does the Prime Minister accept that the most immediate nuclear threat is from other countries acquiring nuclear weapons? What then will be the role played by his Government at the nuclear non-proliferation review conference in 2010?

The Prime Minister: We will continue to play a positive role on this issue. However, I must say to the right hon. and learned Gentleman that there is absolutely no evidence whatever that if Britain now renounced its independent nuclear deterrent that would improve the prospect of getting multilateral disarmament. On the contrary, I think that the reverse is the case. I must also say to the right hon. and learned Gentleman that although of course I understand why he wants to put off this decision—I understand that that is his position—the fact is that the 17-year programme is what has been advised by the experts who advise us on this issue. I recommend that he read the evidence given to the Defence Committee on this very point by Rear-Admiral Mathews. So the 17-year period is clear, and that must be worked back from 2024, which takes us to 2007. That means that we have to take the decision now if we want parliamentary approval for the concept and design phase. I am sure that if we did not seek parliamentary approval but continued with the work on the concept and design phase, the right hon. and learned Gentleman would be standing up and asking why I had not sought such approval.

Sir Menzies Campbell: The Prime Minister surely accepts that a hasty decision to replace Trident is bound to undermine our ability to have influence at the conference in 2010. Should we not now be offering to reduce the number of warheads on Trident in order to give a lead to others?

The Prime Minister: We are set to reduce the number of warheads, but it is absurd to say that we can somehow put off the question of whether we take a decision now on this concept and design phase. That is absurd because obviously we have to take the advice of the experts, such as the director general who is in charge of this matter in the Ministry of Defence and others, who say to us that it is a 17-year programme and it must therefore begin now if we want to maintain the nuclear deterrent. Therefore, we cannot put this decision off; we have to take it now. I recall that a few days ago, the right hon. and learned Gentleman said on this issue,

"I will not sit on the fence."

I am afraid that "on the fence" is exactly where he is, and as I think that he will find, it is not a very comfortable place to be.

Q2. [127215] **Mr. Lindsay Hoyle** (Chorley) (Lab): Does the Prime Minister share my shock and horror at the stories in the Sunday newspapers about the treatment of injured soldiers? Will he ensure that these hospitals will be fit for purpose, and guarantee that those heroes who come back injured will have the correct treatment and the after-care that they deserve?

The Prime Minister: I totally agree with what my hon. Friend says. Many of the stories in the Sunday newspapers were from cases of some months ago, all of which have been investigated and looked into. I want to say this on behalf of the staff of the medical defence services at Selly Oak hospital and those who work elsewhere in our armed forces. They do a superb job for our armed forces, and it is simply not true that the national health service staff who work alongside them do not give excellent care to those who are injured. They do give excellent care, and I can tell my hon. Friend, based on the discussions that I have had with people working at that hospital and on the visits that I have paid to that and other facilities that handle injured soldiers, that there is an immense amount of praise, which never gets any publicity, for the staff who work there and the care that they give. When these stories appear, we should at least balance them with a fairer and I think truer picture of what is actually happening.

Mr. David Cameron (Witney) (Con): May I press the Prime Minister a little further on the point raised by the hon. Member for Chorley (Mr. Hoyle)? As the

Prime Minister says, anyone who has been to the Birmingham Selly Oak hospital is hugely impressed by the work that the doctors and nurses do. I have seen it for myself and it is impressive, but surely what matters is not just the quality of care but the environment in which our soldiers are cared for. Is it not the case that when soldiers are injured in battle one day and in a British hospital the next, it is easier for them if they are surrounded by soldiers who have been through what they went through? I know that the Prime Minister has made progress in getting a military managed ward, but when does he expect to have a dedicated military facility in the hospital?

The Prime Minister: The commitment is precisely to have a military managed ward, and there is such a ward and has been since December of last year. Let me explain why it is important to express the situation in that way. Hospitals such as Selly Oak, to which very serious cases are brought, need the advantage of having the full range of NHS facilities and experts. It is precisely for that reason that the last Conservative Government rightly took the decision to phase out the military hospitals and to replace them with facilities for the armed forces within the NHS. But I totally agree with the right hon. Gentleman that it is important that those who are injured in war are then surrounded by their own comrades, and that they have a sense of their own feeling and sentiment among them. That is precisely what is happening now. I got the latest report from that hospital just a couple of days ago, and if either he or I were to visit it, we would find that the facilities offered to people are very good.

Mr. Cameron: There is a difference between a military managed ward and a dedicated military ward—that is the important point. General Sir Richard Dannatt said yesterday that he has

"every confidence that in three years' time"—

when the hospital is rebuilt—

"we will not just have a military managed ward, but effectively a dedicated military ward where our people will be exclusively"—

exclusively—

"attended to".

If it is right for three years' time, why cannot we do more, quicker?

The Prime Minister: As I understand it, the point is that there may be beds in some of these wards where the level of care is intensive and high, and where anything between six and eight consultants may be looking after a particular person. But if, for example, there are spare beds within such a ward and the staff are required to look after a civilian patient, it would be wrong to say that such a bed could not be used for a civilian patient. It would also be a very inefficient use of resources. But the whole point is to create the circumstances in which our armed forces who are injured are given the best and highest possible care, and in which they receive that care surrounded by other soldiers and members of the armed forces. General Sir Richard Dannatt said the other day that, having visited those facilities, he was satisfied that they were doing the very best for our armed forces.

Q3. [127216] **Mr. David Kidney** (Stafford) (Lab): Does my right hon. Friend accept that millions of tenants will benefit over time from this week's introduction of the first national tenancy deposit scheme? Will he join me in congratulating all those who campaigned long and hard for this important consumer protection measure, including Citizens Advice, Shelter and the National Union of Students? Will he remember to chalk that up as yet another Labour achievement?

The Prime Minister: First, I can tell my hon. Friend that I am very happy to welcome the commencement of the tenancy deposit scheme on 6 April. It represents an end to the scandal of the small minority of unscrupulous landlords who refuse to return rent deposits left with them by short-term tenants. I would also say that the work done by Shelter, Citizens Advice and the NUS has been very important. It is good news for vulnerable tenants and students everywhere.

Q4. [127217] **Mr. Owen Paterson** (North Shropshire) (Con): Tarceva has been deemed cost-effective for certain lung cancers in many European countries and North America, but only for British taxpayers with Scottish addresses. My constituent, Richard Burman, has paid his taxes to the British Treasury all his life, but faces a premature death unless he moves to Scotland. Will the Prime Minister please agree to meet him with his specialists to discuss the problem?

The Prime Minister: What I would say is that decisions on whether or not drugs should be available are taken by the National Institute for Health and Clinical Excellence. I am afraid that I cannot make a commitment for a meeting, but I am happy to look into the case that the hon. Gentleman mentions and to correspond with him about it.

Q5. [127218] **Mr. Barry Sheerman** (Huddersfield) (Lab/Co-op): Does my right hon. Friend agree that if we are to stop the environmental degradation of our planet, it would be better to give ownership of the question and the campaign to the ordinary citizen? Would it not be the greatest mistake if we thought that we could do everything by Government diktat, top down?

The Prime Minister: I agree with my hon. Friend. What is important is to have action that is available to the individual citizen. The energy White Paper will detail some of the proposals for that shortly. Secondly, it is important to get international agreement within Europe and then at the G8 plus 5. Finally, it is obviously important—my hon. Friend is absolutely right—that we have practical policy making in this area. That is why I believe that the proposals that we have put forward this week will give us a realistic chance of meeting very ambitious targets. They are certainly preferable to the proposals put forward by the Conservative party.

Mark Hunter (Cheadle) (LD): Is the Prime Minister aware of the extent of the funding crisis faced by Greater Manchester police, which has already seen the loss of some 216 officers? According to the Labour-run policy authority, it faces a financial shortfall of up to £27 million over the next two years. If he is aware of it, could he explain what he is doing to help?

The Prime Minister: My understanding is that the police in Greater Manchester and elsewhere are getting increases—significant increases—in the amount of funding available. However, the hon. Gentleman will know that the chief police officers came to us and asked for greater flexibility in how the money is used. I think that I am right in saying that there have been almost 1,000 extra police officers in Greater Manchester since we came to office and there are, of course, in addition, the community support officers. It was in response to the request from the chief police officers that we now give them greater flexibility in how they use their funding.

Q6. [127219] **Keith Vaz** (Leicester, East) (Lab): The Prime Minister must be aware of the tragic situation that is unfolding in Sri Lanka, where Government and Tamil forces have been fighting, displacing hundreds of thousands of people and claiming 4,000 lives in the last 15 months. Because of our very close historical links with Sri Lanka, can the Prime Minister use his good offices to persuade all the parties and factions to recommit to the agreement made in 2002, which was brokered by the Norwegian Government, so that the escalation in violence can be curtailed and peace and tranquillity can return to this beautiful island?

The Prime Minister: The issue that my right hon. Friend raises is a very serious and important one and I can assure him that we are in touch at the present time with the International Red Cross and other UN agencies. He is right in saying that the Norwegian authorities have played a significant part in trying to put together a peace process in Sri Lanka. I totally understand the difficulties that the Government there face at present; it is a very challenging situation. We have said to them that we will do all we can to help, but my right hon. Friend is right to say that the only realistic way to get a solution is to come back to the 2002 agreement and make sure that it is implemented. I know that he will also agree that terrorism and violence can never be the way to achieve a negotiated solution.

Q7. [127220] **Mr. Brooks Newmark** (Braintree) (Con): Is the Prime Minister aware that my constituents have been waiting two years for the approval of a new community hospital in Braintree? Progress has been stalled as the buck has been passed back and forth between the primary care trust and the strategic health authority. Will he agree to meet me to discuss how we can make progress on this project?

The Prime Minister: I am perfectly prepared to meet the hon. Gentleman, because it is obviously a serious issue for mid-Essex and his constituency. However, he will be aware that, at the same time as the proposals on the community hospital are being discussed, there is also discussion on what will be a huge multi-million pound investment by the Government in Broomfield hospital. Over the past few years, he will know that there has been huge investment in the local NHS infrastructure, so I am very happy to meet him to talk about how we can get the benefits of this investment in his constituency and elsewhere in Essex. However, I know that he will be the first to say that the NHS has improved considerably in the last few years.

Mr. John Denham (Southampton, Itchen) (Lab): Does my right hon. Friend understand that today's motion on Trident effectively commits this country to the possession of an independent nuclear weapons system for the best part of the next 45 years without the House being guaranteed any future opportunity to consider whether it remains the best strategy? Does he understand that many of us accept the need to ensure our ability to replace the Trident system, but none the less believe that in a fast-changing world this House should be guaranteed the chance to revisit that decision at an appropriate point in the future?

The Prime Minister: I entirely understand my right hon. Friend's point. If I may put it like this, it is at what I would describe as the reasonable end of the opposition to what the Government are doing. However, let me try to explain why I think we have still got to take this decision today. It is absolutely right that this Parliament cannot bind the decisions of a future Parliament and it is always open to us to come back and look at these issues. He is right to suggest that when we get to the gateway stage—between 2012 and 2014—when we let the main contracts for design and construction, it will always be open to Parliament to take a decision. However, I believe that the reason why we have to take the decision today is that if we do not start the process now, we will not be in the position in 2012 or 2014 to continue with the nuclear deterrent should we wish to do so.

The real dilemma is that we decided rightly or wrongly—but I think rightly—that we should seek parliamentary approval even for the design and concept stage. When we came to the previous Trident nuclear submarine, it was only at a later stage that parliamentary approval was sought. That was much criticised at the time, so we decided that we should seek parliamentary approval at the very beginning of this process. Of course, it is a statement of fact that the gateway takes place at a later stage and in a later Parliament but if we want to spend at least the more limited sum of money now on the concept and design stage, we have to take a decision now.

Q8. [127221] **Mr. Angus MacNeil** (Na h-Eileanan an Iar) (SNP): Cash for peerages is probably not the biggest disaster of the right hon. Gentleman's tenure— *[Interruption.]*

Mr. Speaker: Order. The House will understand that it is important that I hear what the hon. Gentleman has to say.

Mr. MacNeil: Thank you, Mr. Speaker. As I was saying, cash for peerages is probably not the biggest disaster of the right hon. Gentleman's tenure; Iraq is. We have heard concerns already about poor medical treatment for soldiers, lack of body armour and delays in coroners inquests. Indeed, some of my constituents from Stornoway have to pay council tax when they are in Iraq. Is the right hon. Gentleman aware that families are having to send food parcels to some soldiers in Iraq because of the lack of 24-hour canteen facilities? Why is this Prime Minister, who was so cavalier in taking this country into Iraq, failing in his duty of care to these soldiers?

The Prime Minister: I simply dispute that we are failing in our duty of care towards our soldiers. Our soldiers are doing a magnificent job in Iraq. They are doing a necessary job for our security and the security of the wider world. I have to say, even though the hon. Gentleman and I may disagree strongly over the issue of Iraq, it is completely wrong for people to undermine the morale of our armed forces by suggesting that we are deliberately not giving them the equipment they need or the care they need when injured. It simply is not true and it is not right to say it.

Laura Moffatt (Crawley) (Lab): The only talk in Crawley for years was the closure of Crawley hospital. Now, under new management, under the primary care trust, there is over £20 million of investment, a new urgent treatment centre opening, and new services every day. Will my right hon. Friend come to see for himself?

The Prime Minister: I would be delighted to do that. I remember that, before the last election, the Conservative party said that this would never happen and that it would not be done. It has been done. Later today, we will launch the results of the Government's coronary disease programme over the past few years, which indicate that, since we came to office, over 100,000 lives have been saved as a result of investment and reform. The point is that every bit of that investment and reform, including in my hon. Friend's constituency, has been opposed by the Opposition.

Q9. [127222] **Andrew Stunell** (Hazel Grove) (LD): Will the Prime Minister tell the House what message he can give to the 7,000 families on Stockport council's waiting list? When does he intend them to have a decent home?

The Prime Minister: It is important, of course, that we invest more in social housing. We are doing that and, as a result of the investment, we are not merely helping people with the refurbishment of their homes, we are building new homes as well. I have to say to the hon. Gentleman that there will always be a limit on the resources that we are able to spend, but the Government have put £2 billion into council and social housing over the past few years and we intend to put in hundreds of millions more in the next few.

Q10. [127223] **Dr. Desmond Turner** (Brighton, Kemptown) (Lab): I am glad that my right hon. Friend shares my joy in the beginning of the new national tenancy deposit scheme, which will help thousands of my constituents. I am sure that he is also aware that withholding deposits is not the only way that letting agents have of fleecing vulnerable tenants. Will he therefore consider legislation to regulate letting agents?

The Prime Minister: We, of course, always keep these issues under review and I am happy to look at the issues that my hon. Friend has raised. I would agree with him, certainly, that the tenancy deposit scheme is a good first step in giving protection to tenants.

Sir John Butterfill (Bournemouth, West) (Con): The Prime Minister will probably know that the police estimate that the largest ever mass lobby of Parliament took place a few weeks ago, when 1,200 blind people came here to call for a higher rate of mobility allowance. He may also have noticed that more than half the Back Benchers in the House have now signed my early-day motion to that effect. Will he perhaps have a word with the right hon. Member for Kirkcaldy and Cowdenbeath (Mr. Brown) to suggest that, at a cost of £50 million, it might be something that he could include in his forthcoming Budget and thereby enhance his reputation as a humane and caring Chancellor?

The Prime Minister: We have obviously increased the payments for mobility allowance over the past few years. I am sure that my right hon. Friend the Chancellor will have heard what the hon. Gentleman has said and I will study carefully the early-day motion. I can give no commitments at this stage, but we will take into account what he says.

Q11. [127224] **Mr. Bob Blizzard** (Waveney) (Lab): Is my right hon. Friend aware of the great success that our overseas drugs liaison officers have had with seizures of cocaine in Latin America, working with the authorities in those countries? We could prevent much more cocaine—and all the misery that it brings—from ending up on the streets of this country if we invested in more of those drugs officers. Will he look into this matter personally? Tackling the source is the most effective way of combating drug trafficking.

The Prime Minister: My hon. Friend is absolutely right to say that the liaison officers do a fantastic job. This is an example of liaison co-operation between the different services. The number of drugs seizures is now way above what used to be the case. I entirely agree with my hon. Friend and I am happy to look into what more we can do. Obviously, the other measures that we are taking to protect our borders will play a part as well.

Mr. Gregory Campbell (East Londonderry) (DUP): What progress is the Prime Minister making on delivering the outstanding issues—many have been supplied by my party to him and his officials—that are essential for the delivery of devolution at some point in the very near future?

The Prime Minister: As the hon. Gentleman knows, we are in receipt of the proposals that have been put forward by his party. My right hon. Friend the Secretary of State is meeting representatives of his party and I will do the same. We will honour the commitments that we have given, and we entirely understand why those proposals are an important part of the overall package to get devolution back up and running in Northern Ireland.

Q12. [127225] **Mr. Eric Martlew** (Carlisle) (Lab): I am sure that my right hon. Friend is aware that over the past decade, the number of people killed in road accidents in the United Kingdom has declined. However, is he aware that over the past five years, there has been a very alarming increase in the number of young drivers killed, very often with young passengers as well? Will he have discussions with the Secretary of

State for Transport to find out why that is happening, and will he bring forward proposals to stem this tragic loss of life?

The Prime Minister: My hon. Friend is right on both points. There has been a dramatic drop in the number of deaths as a result of various measures that have been taken over the past few years. It is sometimes worth pointing out that the number of lives saved, especially young children's, as a result of some of the road measures that have been taken runs into many hundreds. However, my hon. Friend is also right that a very specific problem has arisen. Discussions are under way in government about what we can do about that and, especially, about what can be done to ensure that we are able to deal with young drivers in either stolen or uninsured vehicles far more quickly than we do at present.

Point of Order

12.31 pm

Mr. Peter Bone (Wellingborough) (Con): On a point of order, Mr. Speaker. A Delegated Legislation Committee has been scheduled for 8.55 am tomorrow to consider the sexual orientation regulations. Unfortunately, the Joint Committee on Statutory Instruments has not yet considered the regulations. More importantly, the regulations have been revised three times in the past week, so it will be impossible for hon. Members to have considered them by tomorrow morning. Could you, Mr. Speaker, give me any advice on how that Committee could be delayed?

Mr. Speaker: The hon. Gentleman gave me notice of his point of order. The date and time at which a Delegated Legislation Committee meets is a matter for the Chairman. The hon. Gentleman might wish to seek further advice about the options open to him and other Members from the Public Bill Office.

Contraception and Abortion (Parental Information)

12.32 pm

Angela Watkinson (Upminster) (Con): I beg to move,

That leave be given to bring in a Bill to require practitioners providing contraception or abortion services to a child under the age of 16 to inform his or her parent or guardian; and for connected purposes.

The rates of unplanned pregnancy, abortion and sexually transmitted infections among under-age children in this country are shamefully high. They are higher than those in most other countries in the developed world, and certainly higher than those in any of our western European neighbours. There is an obvious reason for that: all the indications are that many children are becoming sexually active well before they are emotionally or physically mature. In children under the age of 15, the estimated figure is more than 40 per cent.

The Government have expressed concern about the situation, but their policy direction to try to tackle the problems has been misguided. Sex education in schools focuses heavily on the assumption that under-age children will be sexually active come what may and on providing all the contraception information that they need to avoid pregnancy and infection. However, statistics show that that approach is not working. It has done little to deter pupils from engaging in precocious sexual behaviour. Indeed, the plethora of information on contraception has given encouragement to children through false assurances that there will be no unwanted outcome. That is hardly surprising, as immature young people cannot be expected to make wise adult decisions. Interestingly, most schoolgirls who become pregnant or contract a sexually transmitted infection claim to have used contraception.

The aim of the Government's teenage pregnancy strategy, launched in 1999, was to halve teenage pregnancies in 10 years. That was a laudable aim, but by 2005 the rate had dropped by only five per 1,000—from the 1998 figure of 46.6 to 41.1 per 1,000. The figure for teenage pregnancies in 2005 reached 7,464 and some new mothers were as young as 13. Even the provision of the morning-after pill free of charge and without parental knowledge has had virtually no effect on numbers. Indeed, it could have been said to have encouraged some girls to increase their risky behaviour. On a visit to one of my local health centres recently I learned that far from using the morning-after pill as an emergency treatment, the same young girls are presenting regularly. Such small progress offers no hope of the strategy achieving its goal by 2009. It is time to try a different approach.

Young people are already surrounded by constant barrages of sexual images on television, in films, DVDs and magazines, and on advertisement hoardings—in fact, almost everywhere they turn. Clothing designed for pre-teenage girls often makes them look like provocative young adults. Sex and relationship education in schools should be used as an opportunity to redress the balance. Girls in particular need real-life warnings about the risks that they are taking with their emotional and physical health, and their future career and employment prospects. If the father of the child is

[Angela Watkinson]

an under-age boy, there will be no wedding and he will not be in a position to provide a home or financial support. The parents of the girl have to step forward, as from this point on full responsibility must be assumed by the girl and she will need their support as never before. How much better it would be if the parents had had the opportunity to divert their daughter from that course of action by being involved at a much earlier stage.

Under-age girls run a very real risk of contracting a sexually transmitted infection, which may have a long-term impact on their reproductive lives. Almost 90 per cent. of the children aged between 13 and 15 seeking treatment for sexually transmitted infections are girls. In north-east London, the incidence of chlamydia is one of the highest in the country. That sexually transmitted infection is different in that it is symptom-free, so girls are usually unaware that they have it until much later in life when they are married and have fertility problems that mean they are unable to have a planned family. That often leads to years of distressing fertility treatment with very unpredictable results. One of the main contributory reasons to that condition is too early sexual activity.

Pregnancy often comes unexpected and unplanned and the girl, who is still a child herself and still at school, finds that her life has suddenly taken a different course. A child who has been engaging in adult behaviour suddenly faces serious, life-changing decisions when she does not have the adult skills or resources to cope. Many parents are unaware that their child is sexually active and the news that she is expecting a child of her own comes as a huge shock. The girl may seek advice elsewhere, for example from her GP, a health centre or a family planning service, to avoid facing the music at home.

Advice on abortion may be provided and accepted without the parents' knowledge. Just a few weeks ago, I received a letter from a constituent who had been required to leave his place of work, find a chemist and buy a tube of antiseptic cream, go to his son's primary school where the child had grazed his knee, apply the cream and then return to work. Apparently that procedure was too risky to be undertaken without parental involvement. We live in a contrary world that rates the application of cream to a grazed knee, or a visit to the dentist, for which parental consent is also required, as a greater risk than an abortion on a minor.

For parents, the discovery that their daughter had an abortion that might have been avoided if they had not been kept in ignorance can be an even greater shock. The long-term emotional and physical impact of an abortion can be serious, and it is the parents who will provide care and support for their daughter. Those same parents might well have decided to support their daughter in bringing up her child, once they had overcome the initial shock of discovering their child's pregnancy, and had had time to reflect.

That brings me to the main purpose of the Bill. The provision of lots of sex information has not worked, so sex information should be replaced with sex education. In education about the real risks involved and the likely outcomes, the advice to under-age girls should be to abstain, to wait, to delay, and to resist, rather than to use contraception and believe that they will not come to any harm. Parents need to be part of that process. In 1984-85, under the Gillick ruling, and more recently in the United States, where parental involvement is required, the evidence showed that the number of unwanted pregnancies did not go up, but the number of sexually transmitted infections went down.

The decision to provide contraception or abortion advice or treatment to under-age children must involve the parents. It is the parents who have full responsibility for, and the greatest interest in, their children's health and welfare and the closest long-term personal bonds with them. Parents have the best opportunity to guide their children to resist peer pressure, and to make wise decisions about their sexual behaviour and their future reproductive lives. Quite simply, parents have not just a right to know, but a need to know.

There is an important caveat in the Bill to protect a child whose parents might be violent or abusive. In those circumstances, where the child finds herself in need of advice, practitioners may appeal to the courts, in camera, for a decision to be made. The Bill would be an important step in trying to reduce the number of unwanted teenage pregnancies and abortions among under-age children. It attempts to do that by strengthening families and entitling parents to be involved in making important decisions.

12.42 pm

Dr. Evan Harris (Oxford, West and Abingdon) (LD): I oppose the motion and urge the House to decline giving the Bill its First Reading. The proposals made by the hon. Member for Upminster (Angela Watkinson) raise serious issues to do with child protection and patient confidence, and that is aside from their potential impact on the sexual health of the part of the population concerned. I speak from the perspective of a medical practitioner and a long-standing member of the British Medical Association's medical ethics committee. I place on record the fact that my partner works in sexual health policy for a charity that deals with the subject.

The hon. Lady failed to mention the current rules, and to say what guidance exists for health care professionals in this difficult subject. For example, before providing contraception to young people, health professionals must consider whether the patient understands the risks and benefits of the treatment and the advice given, and must discuss with the patient the value of parental support. Doctors must encourage young people to inform parents of the consultation, and if the patient is unwilling to do so, they must explore the reasons.

It is important for persons under 16 seeking contraceptive advice to be aware that although the doctor is obliged to discuss the value of parental support, the doctor will respect their confidentiality, if necessary, and the fact that they are unwilling to involve their parents, for the reasons given. Before providing contraceptive advice, the doctor must also take into account whether the patient is likely to have sexual intercourse without contraception, and assess whether the patient's physical or mental health, or both, are likely to suffer if the patient does not receive contraceptive advice or treatment.

Finally, the doctor must consider—this is the key test—whether the patient's best interests require the provision of contraceptive advice or treatment, or both, without parental consent. It is consideration of the patient's best interests that must govern a doctor's behaviour in those difficult circumstances, rather than ideology or unsubstantiated concerns about the public health policy impact of that important requirement for confidentiality, such as those expressed by the hon. Lady.

The guidelines to which I have just referred are the Fraser guidelines and stem from the Gillick ruling in 1985. At the time, the then Conservative Government recognised that the Law Lords deemed their guidance lawful. They instituted a review of their policy and guidelines as a result of the ruling and no significant change was made. The guidelines that I have set out are broadly those supported at the time by the Conservative Government and the then Health Minister, Barney Hayhoe.

When the guidelines were challenged again in the Axon case, the current Government welcomed the fact that their guidelines were clearly upheld. The position that I have set out is supported by the British Medical Association, a number of children's charities and people involved in the delivery of sexual health advice to young girls.

The hon. Lady said little or nothing about the principle of clinical confidentiality and the rights of children in some circumstances to that confidentiality. She said little or nothing about the potential effect of her proposal on the welfare of individual patients who may be at risk of abuse if their confidentiality is not respected including, on rare occasions, from their parents, sadly. If she seriously thinks that it is an acceptable policy to invite a vulnerable young girl to apply to the court for permission for her parents not to be told when she has clear concerns about her safety, she misunderstands the real world in which some people exist.

It is only on rare occasions that parents are not told or that young people do not involve either their parents or another adult in seeking advice. It is on those rare occasions that we have to have concern, not just for rights and principles, although rights upheld in British common law as well as in human rights law mean that we must have regard to the safety of individual patients. As Brook Advisory Service points out, a father can say, "If you come home pregnant, you're dead." That is not just a rumour; it can happen, and we must be very careful when considering the welfare of young girls in that situation.

The hon. Lady based her arguments on claims that I believe to be contentious: that sexual health would be improved if girls were threatened with their private lives being opened up to their parents without their consent, come what may. The evidence for this is poor; I note that her speech lacked any significant references to peer-reviewed literature. On the contrary, there is evidence that there is a deterrent to access by the threat of parents being told. Brook Advisory Service, a frontline provider, did a survey of its clients, two thirds of whom said that confidentiality was the single most important factor that affected whether they were willing to seek help. The British Pregnancy Advisory Service has recognised the real concerns that exist in this area.

There are problems in the current strategy—I accept what the hon. Lady says—but she must recognise the real dangers that exist. As BPAS says,

> "We all wish that every teenager could go to their parents to discuss personal issues like contraception, but the reality is that many of them can't. This may be due to abuse, relationship breakdown, or the parents' own problems. Some parents have such strong religious convictions that the teenager fears that they will be thrown out of home, or will be forced to marry and bring up a child they don't want and can't cope with."

That is rare, but it is the experience of some. The Bill is also opposed by the Faculty of Family Planning and Reproductive Health Care of the Royal College of Obstetricians and Gynaecologists.

If the hon. Lady were saying that the Government's sexual health strategy had not been as effective as we might have liked and that targets may well be missed, we could agree. If her issue was that we wished to reduce all sexually transmitted infections, teenage pregnancies and teenage abortions and, importantly, seek to raise the age of first intercourse, we would agree. The best approach, however, is to continue to improve access to contraception as well as the quality of sex education. I believe—and others support the proposal, including some of those whom I have mentioned—that sex education should be part of the national curriculum. There should be much more effective, earlier access to information in age-appropriate language. It is true that young girls face a barrage of sexualised images, and they are under increasing pressure to sexualise at an early age. I regret that and, indeed, I condemn it, as does everyone on our side of the argument. The answer, however, is not more ignorance, which is what the hon. Member for Upminster has prescribed: it is more information. Other European countries have shown that the earlier provision of clear information in age-appropriate language reduces the number of sexually transmitted infections, pregnancies and abortions, as well as —and this is significant—giving girls and boys the power to resist peer pressure and, in the case of girls, to resist boy pressure, as they have the self-confidence to deal with those difficult negotiations in their teenage years.

I accept that reform is needed, but in an area different from the one proposed by the hon. Lady. We need easier and fairer access to services, and we need better access to sex education. It is regrettable that the only private Members' Bills that are introduced on the subject seek to limit access to services, rather than improve them. There is a challenge for all Members to seek to liberalise the law on sex education and access to those services, rather than to constrain it.

The hon. Lady's proposal—I accept that it is well intended—is the wrong way forward. I urge the House to oppose the measure, and to refuse to give the Bill a First Reading.

Question put, pursuant to Standing Order No. 23 (Motions for leave to bring in Bills and nomination of Select Committees at commencement of public business):—

The House divided: Ayes 87, Noes 159.

Division No. 076] **[12.51 pm**

AYES

Amess, Mr. David
Ancram, rh Mr. Michael
Baldry, Tony
Benton, Mr. Joe
Binley, Mr. Brian
Bone, Mr. Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Burrowes, Mr. David
Butterfill, Sir John
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Tom
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Davies, Philip
Dodds, Mr. Nigel
Donaldson, Mr. Jeffrey M.
Drew, Mr. David
Duddridge, James
Duncan Smith, rh Mr. Iain
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fox, Dr. Liam
Francois, Mr. Mark
Gale, Mr. Roger
Gillan, Mrs. Cheryl
Gray, Mr. James
Greening, Justine
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Hermon, Lady
Hoban, Mr. Mark
Hollobone, Mr. Philip
Howarth, Mr. Gerald
Jackson, Mr. Stewart
Jones, Mr. David
Kawczynski, Daniel
Leigh, Mr. Edward
Lewis, Dr. Julian
Lilley, rh Mr. Peter
Luff, Peter
MacNeil, Mr. Angus
Mates, rh Mr. Michael
McCrea, Dr. William
McGovern, Mr. Jim
McGrady, Mr. Eddie
Paterson, Mr. Owen
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robinson, Mrs. Iris
Robinson, Mr. Peter
Rosindell, Andrew
Russell, Bob
Scott, Mr. Lee
Selous, Andrew
Simpson, David
Spelman, Mrs. Caroline
Spicer, Sir Michael
Stanley, rh Sir John
Steen, Mr. Anthony
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, David
Tyrie, Mr. Andrew
Wallace, Mr. Ben
Watkinson, Angela
Widdecombe, rh Miss Ann
Wiggin, Bill
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy

Tellers for the Ayes:
Ann Winterton and
Jim Dobbin

NOES

Abbott, Ms Diane
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Austin, John
Bailey, Mr. Adrian
Baker, Norman
Barron, rh Mr. Kevin
Begg, Miss Anne
Bercow, John
Berry, Roger
Betts, Mr. Clive
Blackman-Woods, Dr. Roberta
Blunkett, rh Mr. David
Blunt, Mr. Crispin
Borrow, Mr. David S.
Brown, Mr. Russell
Bruce, rh Malcolm
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burt, Lorely
Butler, Ms Dawn
Carmichael, Mr. Alistair
Clark, Ms Katy
Clegg, Mr. Nick
Cohen, Harry
Cooper, Rosie
Corbyn, Jeremy
Creagh, Mary
Cryer, Mrs. Ann
Cummings, John
Davey, Mr. Edward
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Devine, Mr. Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Eagle, Angela
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Flynn, Paul
Foster, Mr. Don
Gapes, Mike
George, Andrew
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goodman, Helen
Goodwill, Mr. Robert
Griffith, Nia
Hall, Mr. Mike
Hamilton, Mr. David
Hamilton, Mr. Fabian
Hancock, Mr. Mike
Harris, Dr. Evan
Harvey, Nick
Hemming, John
Henderson, Mr. Doug
Holmes, Paul
Hopkins, Kelvin
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, rh Mr. George
Hughes, Simon
Hunter, Mark
Iddon, Dr. Brian
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Mr. Kevan
Jones, Lynne
Joyce, Mr. Eric
Keeley, Barbara
Keen, Alan
Keen, Ann
Keetch, Mr. Paul
Kennedy, rh Jane
Key, Robert
Khan, Mr. Sadiq
Kidney, Mr. David
Kirkbride, Miss Julie
Kramer, Susan
Lancaster, Mr. Mark
Laxton, Mr. Bob
Leech, Mr. John
Lepper, David
Lloyd, Tony
Love, Mr. Andrew
Mackay, rh Mr. Andrew
Mactaggart, Fiona
Malliaber, Judy
Marris, Rob
Martlew, Mr. Eric
McCarthy-Fry, Sarah
McDonnell, John
McIsaac, Shona
McKechin, Ann
Milburn, rh Mr. Alan
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mullin, Mr. Chris
Murrison, Dr. Andrew
Naysmith, Dr. Doug
Norris, Dan
O'Hara, Mr. Edward
Öpik, Lembit
Osborne, Sandra
Palmer, Dr. Nick
Pope, Mr. Greg
Prentice, Mr. Gordon
Price, Adam
Prosser, Gwyn
Purchase, Mr. Ken
Raynsford, rh Mr. Nick
Rennie, Willie
Riordan, Mrs. Linda
Robertson, Angus
Robertson, John
Rogerson, Mr. Dan
Ruddock, Joan
Seabeck, Alison
Shearman, Mr. Barry
Sheridan, Jim
Short, rh Clare
Simpson, Alan
Skinner, Mr. Dennis
Smith, Sir Robert
Soulsby, Sir Peter
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Stunell, Andrew
Swinson, Jo
Tami, Mark
Taylor, Matthew
Teather, Sarah
Thornberry, Emily
Tipping, Paddy
Trickett, Jon
Vis, Dr. Rudi
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Weir, Mr. Mike
Williams, rh Mr. Alan
Williams, Mark
Williams, Stephen
Winnick, Mr. David
Wishart, Pete
Wood, Mike
Wright, Mr. Anthony
Wright, David
Young, rh Sir George

Tellers for the Noes:
Chris McCafferty and
Jenny Willott

Question accordingly negatived.

1.2 pm

Mr. William Cash (Stone) (Con): On a point of order, Mr. Speaker. I understand that the draft Equality Act (Sexual Orientation) Regulations 2007 are due to be considered as a statutory instrument at 8.55 am tomorrow. That is causing great—

Mr. Speaker: Order. I do not know whether the hon. Gentleman was in the Chamber when I gave a ruling earlier today on that matter. If he looks at the transcript, he will see my ruling.

Trident

[Relevant documents: Ninth Report from the Defence Committee, Session 2006-07, on The Future of the UK's Strategic Nuclear Deterrent: the White Paper, HC 225-I, and the Government's interim response thereto, available in the Vote Office. Fourth Report from the Defence Committee, Session 2006-07, on the Future of the UK's Strategic Nuclear Deterrent: the Manufacturing and Skills Base, HC 59, and the Government's response thereto, HC 304 (Session 2006-07). Eighth Report from the Defence Committee, Session 2005-06, on the Future of the UK's Strategic Nuclear Deterrent: the Strategic Context, HC 986, and the Government's response thereto, HC 1558 (Session 2005-06).]

Mr. Speaker: We come now to the main business. It will be helpful to the House to know that all Back Benchers will be limited to eight minutes. Because of the high number of applications made by hon. Members on both sides of the House, it is not a day to approach the Chair to ask whether they will be called. I inform the House that I have selected the amendment in the name of the hon. Member for Hemsworth (Jon Trickett).

1.3 pm

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): I beg to move,

That this House supports the Government's decisions, as set out in the White Paper The Future of the United Kingdom's Nuclear Deterrent (Cm 6994), to take the steps necessary to maintain the UK's minimum strategic nuclear deterrent beyond the life of the existing system and to take further steps towards meeting the UK's disarmament responsibilities under Article VI of the Non-Proliferation Treaty.

I must at once declare a potential interest, in that the propulsion system for the existing submarines is manufactured in my constituency.

Let me set out the nature of the decisions that the House is being asked to support today. They are whether or not to take the steps necessary to maintain a minimum strategic nuclear deterrent for the UK—a single system comprising submarines, missiles and warheads—and to take further steps towards meeting our disarmament responsibilities under article VI of the non-proliferation treaty.

Specifically, that will mean a decision to begin a process to design, build and commission submarines to replace the existing Vanguard-class boats. This will necessarily take some 17 years. That is a calculation based on our own experience and that of other allied nuclear weapon states. Moreover, we must also decide whether we will join the American programme to extend to the early 2040s the life of the Trident D5 ballistic missiles which those Vanguard submarines currently carry, and whether we will reduce the number of our operationally available warheads to fewer than 160 by the end of this year.

Mr. Gordon Prentice (Pendle) (Lab): The United States nuclear posture review that went to Congress in December 2001 estimated that it would take 13 years, not 17 years, to replace a US Trident submarine.

Margaret Beckett: The United States submarines are different from our own. They are differently designed, they have a different design life and so on. That may have been the conclusion of American work; it is not the conclusion of the work that has been done in this country.

Dr. Nick Palmer (Broxtowe) (Lab): Does the Secretary of State accept that all these issues must be subject to review over the years, and that many of us who will support her today reserve the right to review our positions when the warheads are considered in the next Parliament?

Margaret Beckett: As my hon. Friend is aware, we are not making any decision about the warheads in this Parliament, so the matter will inevitably come before a subsequent Parliament.

The decisions that we are asked to make today are serious and weighty, and they are being put before the House following sustained and thorough consideration and debate. Those decisions affect the fundamental security of this country and its people, and they involve significant cost, so it is right that the House should fully debate the Government's proposals and have the final say on the choice that this country makes.

Mr. Frank Field (Birkenhead) (Lab): Is the Foreign Secretary saying that we are making a decision today to keep all our options open, or are we making a decision that would commit a future Parliament to large expenditures when we go through the big gateway decision in due course?

Margaret Beckett: My right hon. Friend will know that that question was raised with the Prime Minister a few moments ago and he answered it clearly. It is the decision of principle that we are required to make today. It is inevitable that there will be future discussions, and there will be decisions down the road as the programme proceeds. But that will not be the case unless we make the decision today.

Several hon. Members *rose—*

Margaret Beckett: I shall give way to the hon. Member for Gainsborough (Mr. Leigh), then I shall make progress.

Mr. Edward Leigh (Gainsborough) (Con): Does the Secretary of State agree that it is possible to believe in both the independent nuclear deterrent and value for money? There is a distressing tendency for Ministry of Defence projects to go over time and over budget. Will she therefore welcome the assurance given to me by the Comptroller and Auditor General this week that he will carry out an innovative exercise and issue an ongoing assurance report on value for money, to ensure that we get real value for money on the project?

Margaret Beckett: Yes indeed. I welcome that, as will the whole House. We rely on the Committee chaired by the hon. Gentleman to sustain that scrutiny.

Since the non-proliferation treaty came into force in 1970, all nuclear weapons states have taken steps to maintain their deterrents. The decisions on which we are seeking agreement today are no different. But the UK has been more open and transparent than any other state in explaining the basis of our decisions in advance to our people and to the international community.

There are four key issues. I will address each in turn. The first is what are we doing to fulfil our obligations under the nuclear non-proliferation treaty. The second is whether it is still in the national interest to maintain a nuclear deterrent. The third is why such a deterrent should be in the form that we now propose. The final issue is why we need to make this decision now.

The NPT created two distinct categories of states. Those that had already conducted nuclear tests—ourselves, the US, the Soviet Union, China and France—were designated nuclear weapons states and could legally possess nuclear weapons. All other states-signatory were designated non-nuclear weapons states. Article VI of the NPT imposes an obligation on all states

"to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a Treaty on general and complete disarmament".

The NPT review conference held in 2000 agreed, by consensus, 13 practical steps towards nuclear disarmament. The UK remains committed to these steps and is making progress on them.

We have been disarming. Since the cold war ended, we have withdrawn and dismantled our tactical maritime and airborne nuclear capabilities. We have terminated our nuclear capable Lance missiles and artillery. We have the smallest nuclear capability of any recognised nuclear weapon state, accounting for less than 1 per cent. of the global inventory, and we are the only nuclear weapon state that relies on a single nuclear system. The Prime Minister has announced a further unilateral reduction in our nuclear weapons in line with our commitment to maintain only the minimum necessary deterrent. We will reduce the stockpile of operationally available warheads by another 20 per cent., to fewer than 160 warheads during the course of this year. This will involve the eventual dismantlement and disposal of about 40 warheads. The UK will then have cut the explosive power of its nuclear weapons by three quarters since the end of the cold war. That is more than any other nuclear weapon state has yet done.

Andrew Miller (Ellesmere Port and Neston) (Lab): I want to be clear about the point that my right hon. Friend is making in comparison with her answers to earlier interventions. Is she saying that today's decision is a reduction of 20 per cent., or is she saying, as I thought she was, that during the 2012 to 2014 window there will be a decision that can be made by this House to determine whether the 20 per cent. reduction could be increased to, say, 50 per cent.?

Margaret Beckett: That depends, of course, on whether the House votes for this motion. If it does, we are committing ourselves to making that reduction by the end of this year. I hope that that is a reassurance to my hon. Friend. *[Interruption.]* There is no need for a window; the window runs to the end of this year. If the motion is carried today, we are committing ourselves to that further 20 per cent. reduction in warheads.

Simon Hughes (North Southwark and Bermondsey) (LD): Obviously, as the Foreign Secretary rightly said, we are not the biggest player among the nuclear arms powers—and, yes, there have been steps to disarmament. Why, however, would the Government's position, which is in principle to retain the nuclear deterrent, be a better trigger for disarmament in the 2010 talks than a decision to defer on the basis of reduction now and prospective reduction or abolition of nuclear arms later?

Margaret Beckett: Let me first say to the hon. Gentleman that, as I have already pointed out, we have been disarming over the course of the past 10 years, with singularly little response. There is therefore no evidence whatever for the notion that if we defer this decision, that will somehow magically produce a different response from other players than we have had hitherto. I simply say to him—I apologise if I am offending anybody in the House in saying it—that there are only two credible positions to take today: you are either in favour of this decision or you are against it. The notion that there is an excuse that allows people to get out of the problem today and return to it later is, frankly, escapology.

Mike Gapes (Ilford, South) (Lab/Co-op): Before my right hon. Friend moves away from the issue of proliferation, can she give the House an assurance that if we vote for the Government's motion today, there will be renewed efforts to secure the measures on nuclear weapons disarmament mentioned in article VI of the non-proliferation treaty, particularly to try to get India, Pakistan and the other non-signatories to the NPT into the global nuclear arms control system?

Margaret Beckett: I can certainly give my hon. Friend that assurance without any difficulty. The next step that we hope to take is to bring forward negotiations on the fissile material cut-off treaty. He is also absolutely right that it is extremely important to work with other states that are known to have a nuclear weapons capacity and have not come within the ambit of moving towards disarmament. We will certainly continue such work.

Richard Burden (Birmingham, Northfield) (Lab): Does my right hon. Friend agree that for the nuclear non-proliferation treaty to be effective, two things are important: first, it has to be enforced; and secondly, non-nuclear states have to be convinced of the logic of it? If someone was in Israel at the moment considering whether to get rid of the nuclear weapons that they have, or if someone was in Iran—I mean a secular Iranian, not Ahmadinejad—wondering whether it is a good idea to acquire nuclear weapons, would it really be logical for them to think that they should not acquire nuclear weapons if the message they get from this country is that we need to prepare for producing the next generation just as an insurance policy for things that we do not know are going to happen?

Margaret Beckett: I will come to that point later in my remarks. I would simply say to my hon. Friend that that is the most dangerous argument of all. It does nothing. Those who want to see nuclear disarmament, and those who are anxious and nervous about the decision that the House is being asked to make today, are doing nobody any service by encouraging the notion that any decision that we make gives an excuse to others, who are, in the case of Iran, signatories to the nuclear non-proliferation treaty—*[Interruption.]* I hear the words, "He didn't say that." No, but it was quite heavily implied. There is no justification for others in the decision that we are being asked to make.

Mr. Tobias Ellwood (Bournemouth, East) (Con): This debate has come about not because of Trident coming to the end of its shelf life but because the Vanguard-class submarines will need to be replaced. Could the Secretary of State clarify how much it will cost to decommission the four submarines and what budget that will come from?

Margaret Beckett: I [illegible] not, offhand, but I am sure that my right hon. Friend the Defence Secretary will able to give the hon. Gentleman the figures later on. There are some figures in the White Paper, but I am not carrying them in my head.

The latest proposal does not change the trend of disarmament that we have been pursuing. I want clearly to spell out to the House what we are not doing. We are not upgrading the capability of the system. We are not producing more usable weapons. We are not changing our nuclear posture or doctrine—in particular, we do not possess nuclear weapons for "war fighting" or tactical use on the battlefield. And we have not lowered the threshold for the use of nuclear weapons. Again, I know that there are those who are unhappy with the proposal before the House and who have sought in various ways—outside the House, not just within it—to imply that these are the decisions that the House is being asked to make. They are not. That excuse will not stand.

We have taken other unilateral actions in line with the 13 steps. We have not conducted a nuclear test since 1991. We ceased production of fissile material for use in nuclear weapons in 1995. And all excess fissile material stocks no longer required for defence purposes have been placed under international safeguards. Those unilateral actions have been complemented by active diplomacy on multilateral nuclear disarmament of the kind that my hon. Friend the Member for Ilford, South (Mike Gapes), who chairs the Foreign Affairs Committee, mentioned in seeking an assurance that we would pursue it. We led international efforts on the comprehensive test ban treaty. The UK ratified the treaty in 1998, and our diplomats continue repeatedly to urge other countries to ratify so that it can enter into force. As I said, we have called repeatedly for the immediate start of negotiations in the conference on disarmament in Geneva on a fissile material cut-off treaty.

Mr. Alex Salmond (Banff and Buchan) (SNP): If what the Foreign Secretary says is internationally accepted, why does Mohamed el-Baradei so fundamentally disagree with her on the impact that it will have on proliferation?

Margaret Beckett: I appreciate that Dr. el-Baradei has of late made a number of remarks about his wish that Governments—nuclear-armed states—should not pursue such measures. However, he knows, as we know, that all nuclear-armed states have indeed taken steps to modernise and keep up to date the weapons and facilities that they have. That is exactly the decision that the United Kingdom is making, no more and no less. I must say to the hon. Gentleman that I have looked to

[Margaret Beckett]

see whether I can discover Dr. el-Baradei making similar comments when other nuclear weapon states made those choices; so far I have not been able to unearth such comments.

Mr. John Redwood (Wokingham) (Con): Could the Secretary of State give those of us who desperately want multilateral disarmament to succeed an idea of what the chances are for other nuclear states to match our unilateral action in getting rid of all battlefield and tactical weapons?

Margaret Beckett: I cannot speculate on those chances, but these are steps that we thought that it was right to take. We continue to urge them on others, and we will continue to do so through the conference on disarmament. I share the view of many in the House that it is perhaps time for a fresh push on these measures on the international stage. How successful such a push would be remains to be seen, but there have been a series of bilateral agreements since the end of the cold war, which have greatly reduced the major nuclear arsenals. By the end of this year, the United States will have fewer than half the number of silo-based nuclear missiles that it had in 1990. By 2012, US operationally deployed strategic nuclear warheads will be reduced to about one third of 2001 levels. Under the terms of the strategic offensive reductions treaty, Russia is making parallel cuts, and the French have withdrawn four complete weapons systems.

Britain remains committed to the abolition of nuclear weapons, and we are actively engaged, and encouraging others to be engaged, in a process that will lead to that goal. But progress will be steady and incremental, and only towards the end of that process will it be helpful and useful for us to include our own small fraction of the global stockpile in treaty-based reductions.

So there is no basis to suggest that we have done anything other than fully comply with our obligations under the NPT. Indeed—I say this to the House with some respect—I regard it as dangerous folly to equate our own record, as some have tried to do, with that of countries such as North Korea and Iran, which have stood or stand in clear breach of their obligations as non-nuclear weapon states under the NPT. There is no legal or moral equivalence between their position and ours. I would urge people, whatever other arguments they might use to oppose the motion, not to use that one, because it undermines the very basis of the treaty itself: that those recognised as non-nuclear weapon states should not seek to acquire nuclear weapons. The international non-proliferation regime is not perfect, but it has prevented the wide-scale proliferation of nuclear weapons. I regard it as dangerously irresponsible to use the excuse that the UK is retaining its weapons to justify others seeking to acquire them, and it runs the real risk of increasing the global nuclear threat, not reducing it.

Andrew George (St. Ives) (LD): Does the Secretary of State not think that it might be dangerous folly to use the expression "nuclear deterrent" in this context? Does she accept that these proposals are hardly going to deter Iran and North Korea? Will she explain her policy in the context of its deterring those two countries from continuing with their plans?

Margaret Beckett: We are working on deterring Iran and North Korea from pursuing their present course of action by other, diplomatic, means, as I hope the House would want. I sincerely hope that everyone in the House wants those negotiations to succeed, and wants North Korea and Iran to be deterred from continuing on their present course of action. I really hope that people will not use arguments that suggest that they have every cause to continue.

That brings me to the second of the four pivotal questions. Why does this country need to retain its nuclear weapons? I am inclined to turn the question on its head and ask instead whether this is the time for us to abandon our nuclear deterrent, or to deny future Governments and Parliaments the ability to maintain it. It is true that the cold war has ended. Actually, it had ended before the existing deterrent came into service, as it had been ordered some years before. It is also true that, as of today, we do not identify an enemy with both a nuclear capability and the ability and intent to use it against our vital interests.

However, significant nuclear capabilities and nuclear risks remain. There are still substantial nuclear arsenals; the number of nuclear-armed states has increased, not decreased; and there is a significant risk of new nuclear-armed states emerging. Moreover, several of the countries that either have nuclear weapons or are trying to acquire them are in regions that suffer from serious instability or are subject to significant regional tension. So, there is the potential for a new nuclear threat to emerge or re-emerge.

Mark Pritchard (The Wrekin) (Con): The Foreign Secretary is absolutely right to say that this is not the time to be giving up our national nuclear deterrent. Does she agree, however, that it is the right time to look at future non-nuclear national deterrents such as hypersonic mass technology, which would give us greater flexibility in enforcing our foreign policy without any nuclear fallout? Has any consideration been given to hypersonic mass technology?

Margaret Beckett: If the hon. Gentleman will forgive me, I do not intend to get drawn down the path of discussing other technologies. We have quite enough to do in dealing with the one that we have in the course of this debate.

Norman Baker (Lewes) (LD): The Secretary of State will know that our nuclear weapons have been pointing at nobody since 1994. Does she not recognise that the immediate, and perhaps medium-term, threat comes from those countries that are developing biological and chemical weapons? Does she not think that the money spent on upgrading and renewing our nuclear weapons system would be better spent on dealing with that particular threat, or on ensuring that our troops in Afghanistan were properly equipped with what they need?

Margaret Beckett: I shall come to the proportion of the costs in a few moments. I do not think that the two issues that the hon. Gentleman has raised are mutually incompatible. It is necessary, as he says, to consider the range of threats that this country faces, and the Government are doing that. This is one of them, and we believe that it would be irresponsible of us to ignore it.

Jeremy Corbyn (Islington, North) (Lab): Will the Foreign Secretary give way?

Margaret Beckett: If my hon. Friend will forgive me, I must make some progress.

The time scale we must address is not just the next 10 or 15 years, and it does not involve current or recent developments. We are talking about maintaining our ability to keep a minimum independent nuclear deterrent after 2024. To decide not to retain that ability would require us to be confident that, in the next 20 to 50 years, no country with a current nuclear capability would change its intentions towards us and that no power hostile to our vital national interests and in possession of nuclear weapons would emerge. I sincerely regret that I cannot advise either the House or the British people that I believe such confidence would be justified, or that we should remove from future Parliaments the ability to maintain our deterrent.

Mr. David S. Borrow (South Ribble) (Lab): Given that all three major parties in the House stood at the last election on a platform of maintaining Trident, does my right hon. Friend agree that it would be wrong for us to make a decision today that would prevent the British people from electing a Government at the next election who would either retain or get rid of Trident, by pre-empting such a decision by voting against the Government motion?

Margaret Beckett: My hon. Friend makes an extremely powerful point, and he makes it well. It is indeed the case that the decision of principle that we are being asked to make today could set the course for future Parliaments if we were to reject the motion before the House.

Jeremy Corbyn: I thank the Foreign Secretary for giving way. She will recall that, in the past, our party and others have campaigned against nuclear weapons and for disarmament. She has made much of the adherence to the non-proliferation treaty, but is it not the case that the message going around the world is that a vastly enhanced delivery system—achieved through a new generation of submarines—will be contrary to the whole spirit of the treaty and likely to encourage proliferation rather than reduce it?

Margaret Beckett: I am sorry to have to say this to my hon. Friend, but that is complete and utter rubbish. We are not here to make a decision about a vastly enhanced system. I must also say to him in all seriousness that if he wants to encourage the idea that we should pursue non-proliferation, it is very unwise to keep arguing that other people are perfectly justified, because of what we are doing, in pursuing further nuclear weapons. I understand and respect the strength of his convictions, but I really think that it is time for people who share those convictions to make up their minds whether they are or are not trying to encourage other states to develop nuclear weapons.

Rob Marris (Wolverhampton, South-West) (Lab): In light of the possible changed threats to this country, does my right hon. Friend agree that whether one lives in Hemsworth, Southampton, Derby or Wolverhampton, it is difficult to pop out to the local supermarket and buy a nuclear submarine as a delivery system? If we delay the decision, however, we might be in that position in the future.

Margaret Beckett: My hon. Friend is entirely right. Some who have commented on these issues have perhaps been misled—this brings me back to my point about the transparency with which the Government have pursued the issue—because in the past the conceptual and design stages have often been pursued behind closed doors. The matter has not been made known to Parliament, and decisions have not been sought from Parliament before continuing such a programme. The programme needs to be pursued for a sustained period of years, and that is the principal reason that the decision must be made today.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): Will the Foreign Secretary give way?

Margaret Beckett: No, I must get on.

The deterrent is not an alternative to diplomacy. We will keep pushing for multilateral disarmament, keep working through the United Nations to prevent proliferation of nuclear weapons, and keep encouraging nuclear weapon-free zones, including in the middle east. The wider goal of our diplomacy remains to prevent and resolve all conflict by reducing regional tensions—not least between the Palestinians and Israel—by promoting economic development, and by dealing with underlying insecurities such as an unstable climate and the illegal trade in arms. All of that work will continue.

The third issue lies in the details of the proposals. After thorough and exhaustive analysis, the Government are confident that a submarine system with ballistic missiles remains the most effective and least vulnerable form of deterrent. From that stems the decision to extend the life of the D5 missile. Simply put, it makes no sense to invest in submarines built around the D5 missile unless we have assurance that such a missile will be available after 2024.

The White Paper makes it clear that we will look hard at whether it is possible to maintain our policy of continuous deterrent patrolling with three boats rather than four through improvements in the technology, operational procedures and maintenance schedule of the new class of submarines. However, we will not take irresponsible risks with our capability, as we rely—unlike others—on a single, minimum system.

The judgment that we will need to maintain an operational stockpile of fewer than 160 warheads is based on a professional analysis of the minimum that is required to deter. That analysis does not, in our view, support any of the alternative proposals including those made by the Liberal Democrat party for a reduction to just 100 operational warheads. The claim is made that those proposals are based on expert analysis, but nothing whatever has been done to explain either who the experts were or what the analysis was. We do not believe that such a number would leave us with a credible and effective nuclear deterrent.

Our estimate is that the costs of operating and maintaining our deterrent between 2020 and 2050 will be equivalent to some 5 or 6 per cent. of the current defence budget—similar to the cost of our current deterrent. The procurement cost of the new submarines

[Margaret Beckett]

and associated equipment and infrastructure will be in the region of £15 billion to £20 billion for a four-boat fleet. Those costs would fall principally between 2012 and 2027. We estimate that the procurement costs are likely on average to be the equivalent of about 3 per cent. of the current defence budget over the main period of expenditure—roughly the same as for the Trident programme. That investment will not come at the expense of the conventional capabilities that our armed forces need.

Mrs. Claire Curtis-Thomas (Crosby) (Lab): My right hon. Friend has already pointed to the difficulties of delaying a decision on Trident. Does she agree that sourcing the technical capacity to support the existing nuclear provision is a fundamental difficulty and that we need to send a clear signal, both to the academic institutions of this country and the companies that will be involved in the provision of Trident, that we intend to make a commitment, so that they can begin to prepare for that and ensure that we have the expertise to secure our nuclear capacity, both militarily and domestically?

Margaret Beckett: My hon. Friend is entirely right and, if I may say so, displays her engineering expertise and understanding of how the industry works. The decision to be made by the House is not on anything other than the political, strategic and security needs of the country. However, it is also necessary to take into account the industrial implications, and those implications certainly reinforce rather than weaken the case for making a decision now.

Mr. David Chaytor (Bury, North) (Lab): If the costs described by my right hon. Friend were exceeded—defence projects have a track record of exceeding their budgets—will she also guarantee that those excess costs would not impact elsewhere in the defence budget?

Margaret Beckett: The whole purpose of the scrutiny to which the hon. Member for Gainsborough (Mr. Leigh), who chairs the Public Accounts Committee, referred is to make sure that that is not the case. I think that my hon. Friend will find a reference in the White Paper to the costs of the existing system, which, in real terms, are pretty close to identical to the likely costs of the new system. The kind of overrun that he describes has not been the case with that programme.

The Government have a strong record on defence spending. The last spending review increased the defence budget by an average of some 1.4 per cent. a year in real terms. The defence budget for 2007-08 will be some £3.7 billion higher than in 2004-05, and we have kept the proportion of GDP spend on defence pretty steady since 1997 at around 2.5 per cent. That is our understanding and expectation of the level of costs.

Mr. James Gray (North Wiltshire) (Con): Will the Foreign Secretary give way?

Margaret Beckett: No, I must get on. I have been speaking for more than half an hour.

The final question is, why must we make a decision now? Some have suggested that the decision can be delayed. Let us make no mistake—the net result of that would be not to delay the decision, but to run the risk of making it by default. All our advice is that if we do not start the process of designing the new generation of ballistic missile submarines now, it will already be too late.

The Vanguard submarines are due to start to reach the end of their planned lives from 2017 onwards. We are advised that we can—and so, in consequence, we will— extend their life by up to five years. Extending beyond that period would be risky. Let us not forget that submarines comprise our only nuclear weapons system. Some have drawn comparisons, as was done today, with the United States, but its Ohio boats are not the same as our Vanguards—they had a longer design life and have major engineering differences. We must therefore work on the basis that the first of our existing submarines will have to go out of service in 2022, and the second in 2024. By the time that the second goes out of service, we will need to have a fully operational replacement if we are to maintain continuous patrolling.

Our best estimate, also tested against American and French experience, is that the process of designing, manufacturing, testing and deploying a new class of submarines takes about 17 years, which takes us to 2024. That is why we must make a decision now.

Mr. Clive Betts (Sheffield, Attercliffe) (Lab): The Foreign Secretary has indicated that we must make a decision now to begin the design process for the new submarines. She has also indicated that further decisions, which we are not making today, will have to be made about ordering the submarines, renewing or replacing the warheads or ordering successors to the D5 missile. In reply to my hon. Friend the Member for Southampton, Test (Dr. Whitehead), she indicated that future Governments and Parliaments will have to "discuss the most appropriate form of Parliamentary scrutiny" for those decisions. If this Government are still in power when those decisions come to be made, will she indicate whether she believes the most appropriate form of parliamentary scrutiny to be further votes and debates in Parliament on those matters?

Margaret Beckett: I understand entirely my hon. Friend's point, but he knows that I am a former Leader of the House. No one is less likely to be prepared to commit future Governments and Parliaments to a certain course than a former Leader of the House. I simply draw his attention to the words uttered by my right hon. Friend the Prime Minister and to the clear facts before the House—the decision in principle must be made today, but the decision on the warheads, for example, will not come in this Parliament. It would be improper for me to bind a future Government or Parliament, but every party in the House will have heard the questions and points raised, and every party will take account of them. I certainly assure my hon. Friend that this Government will do everything that we can to keep the House fully informed and to make sure that the Select Committee is kept up to date.

Incidentally, I have been reading of late comments that the decision was rushed. We announced in 2003, in the White Paper, that this was the time scale within which it would have to be made. I saw suggestions in *The Guardian* today that other decisions were being made in secret. In fact, they were announced to the Select Committee in November 2005. I believe it was

the late Enoch Powell who said that the best way to keep a secret was to announce it in Parliament. Unfortunately, it is proved daily that that is the case.

Willie Rennie (Dunfermline and West Fife) (LD): Will the Foreign Secretary give way?

Margaret Beckett: I am sorry, but I must get on. I am approaching the end of my speech and many Members wish to contribute.

Some Members have sought assurances on whether this is only a provisional decision, dependent on further decisions down the line. Today's decision does not mean that we are committing ourselves irreversibly to maintaining a nuclear deterrent for the next 50 years, no matter what others do and no matter what happens in the rest of the world. That would be absurd, unnecessary and, indeed, incompatible with the nuclear proliferation treaty. Nevertheless, the strategic case for maintaining the deterrent has been made, and has been laid out perhaps more fully than ever before. It is for the House to decide whether or not it supports that decision of principle. We must make a clear decision that confirms to the British people and the rest of the world that we are not abandoning our deterrent.

Of course, if there were a fundamental change for the better in the strategic environment—in particular, massive significant progress on non-proliferation and disarmament—it would obviously be right for future Governments to look at the issue again, and inevitably they would. As I have said, further decisions will in any case be needed on the precise design of the submarines, on whether we need four or three, on whether to renew or replace the warhead, and on whether to participate in any American programme to develop a successor to the D5 missile. It will fall to future Governments and Parliaments to discuss the most appropriate form of scrutiny for those decisions. As I have said, this Government will ensure that there are regular reports to Parliament as the programme proceeds, and we will give the Select Committee our full co-operation as it maintains its regular scrutiny of these issues.

Mr. John Denham (Southampton, Itchen) (Lab): Will my right hon. Friend give way?

Margaret Beckett: I will give way to my right hon. Friend, but he must be absolutely the last.

Mr. Denham: I am grateful to my right hon. Friend. On the question of parliamentary scrutiny, I understand that she cannot bind future Parliaments. I noted that the Secretary of State for Environment, Food and Rural Affairs announced yesterday that the Climate Change Bill would bind future Parliaments, but I understand that my right hon. Friend is reluctant to do the same. However, will she at least express the opinion to this Parliament that it would be desirable and appropriate for it to be able to take a view at some point in the future—perhaps around the time that the main contracts are let—on whether international circumstances still require us to maintain an independent nuclear missile system?

Margaret Beckett: I do not want to add anything to the words that either my right hon. Friend the Prime Minister or I have already uttered to my right hon. Friend, but I will say to him that I am not sure whether we are at cross purposes. The stage to which he refers is not likely to be reached during the present Parliament. With the deepest respect to my good and right hon. Friend the Secretary of State for the Environment, Food and Rural Affairs, who is a very fine Minister indeed, he has not of course been Leader of the House. *[Laughter.]* Yet.

I have made the Government's case. There are opponents of that case who believe that nuclear weapons are morally wrong, pure and simple. For the reasons that I have given today, while I respect and understand that stance I must say—as a member of a Government charged, above all, with the protection of the people of this country—that it is not my position. Moreover, those whom that stance leads to oppose this decision should, by that yardstick, have opposed all previous nuclear procurements. Some, I know, have; some, I suspect, have not.

To others, Trident is just a waste of money. In one sense, I hope to God they are right. Nothing would please me or the Government more than to have a nuclear deterrent that was never used, and whose use was never even threatened, because a nuclear threat never emerged. But on the facts before us, we—and they—cannot know that to be true or certain, at least for the next 50 years. While such a risk exists, the Government believe that maintaining a minimum nuclear deterrent remains a premium worth paying on an insurance policy for our nation.

I commend the motion to the House.

1.44 pm

Mr. William Hague (Richmond, Yorks) (Con): The Foreign Secretary has made a very powerful speech, and an extremely good case. It was all the more powerful coming from her, in a way, because she was a long-standing member of the Campaign for Nuclear Disarmament—she once spoke of remaining a member of it even if she became Prime Minister—and she is said to have attended the recent Cabinet meeting to discuss these matters and make the decision that she has just explained with deep reluctance. The fact that someone with her long-held views has reached the clear conclusion—in Government, and with all the information available to her—that the British nuclear deterrent must be retained, updated and replaced is in itself an indication of the powerful case for doing so.

The Foreign Secretary has overcome her reservations; others will wish to voice theirs and to ask many serious questions during the debate, but the arguments for the Government's position are very, very strong. My right hon. Friend the Leader of the Opposition has always made clear that we will support the Government when we believe them to be right. Let me make it clear, therefore, that given our view of the national interest, the Opposition will unite with Ministers in the Lobby tonight.

Mr. Salmond: It is an interesting theory that the Foreign Secretary changed her mind when information became available, but I think the right hon. Gentleman should bear in mind the fact that she changed her mind before she was in Government and before that information was available to her.

Mr. Hague: I am just very pleased that she changed her mind. I do not want to go into all the arguments

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about the particular week in which she did so; I am sure she can explain that to us herself.

There are, of course, important questions about costs, timings, the necessary skills base and the lifespan of some of the equipment involved. I shall turn to those shortly, and perhaps the Secretary of State for Defence will comment on them when he winds up the debate. However, we will support the Government's motion, although the phrase

"take the steps necessary to maintain... the existing system"

barely does justice to what is being decided: the building of an entire new class of ballistic missile submarines, along with the updating of our Trident missile force, together representing the single most important and expensive procurement of the coming decades. In effect—unless there is, as the Foreign Secretary said, some fundamental and utterly unexpected change in world affairs—this means deciding to replace our nuclear deterrent for another generation, and our vote tonight will be the decision on whether to do so.

The motion also refers to taking

"further steps towards meeting the United Kingdom's disarmament responsibilities under... the Non-Proliferation Treaty".

Let me make it clear that those disarmament steps have the strong support of the Opposition. Britain is already unique among the recognised nuclear weapons states, in that we have reduced our nuclear deterrent capability to a single system, Trident. We have reduced the size of our nuclear arsenal by 70 per cent. since the cold war, and the Government rightly propose to make a further reduction in our stock of warheads from 200 to 160. We have only a single Trident submarine on deterrent patrol at any one time, with its missiles de-targeted.

Mr. Redwood: If my right hon. Friend were Foreign Secretary now, what additional steps would he take to try to achieve more multilateral disarmament on the back of our unilateral moves?

Mr. Hague: I think there is a very strong case for an intensified effort by this country and our allies to strengthen the non-proliferation treaty. I shall say more about that at the end of my speech, and I shall deal with my right hon. Friend's point then.

For all the reasons I have given, I agree with the Government that their proposals do not breach article 6 of the non-proliferation treaty. That article does not call for unilateral nuclear disarmament, but calls for the pursuit of negotiations in good faith relating to nuclear weapons.

With the end of the cold war, it was understandably hoped that the role of nuclear weapons in shaping the international system might become less relevant. Some people expected that nuclear weapons might be marginalised, or even abolished altogether; but unfortunately, they still have a major relevance 16 years after the end of the cold war. New nuclear weapons states have emerged, and new would-be nuclear powers have appeared on the world horizon.

The truth is that as far as we can see into the future, nuclear weapons will remain part—however much we hope they will be a diminishing part—of the global security setting. The knowledge to build them will continue to exist; they will not be disinvented. This country has set a good example in the reduction of its nuclear arsenal, but we should not think for a moment that if we were to divest ourselves altogether of that arsenal, other nations would be likely to follow suit for that reason, or countries known to be seeking a nuclear weapon would thereupon abandon their programmes.

Lembit Öpik (Montgomeryshire) (LD): As the right hon. Gentleman knows, my background was heavily affected by the cold war; my parents came from Estonia. In the past, I assumed that deterrence worked. Does the right hon. Gentleman have a view as to whether nuclear weapons truly did prevent a hot war arising between the west and the east, or, in retrospect, does he think that we overestimate the impact of our having had nuclear weapons? I am equivocal about that myself, and I wonder what the right hon. Gentleman thinks about it.

Mr. Hague: All we can go on is the evidence of history. The hot war—to use the hon. Gentleman's phrase—did not happen. One of the factors that brought the cold war to a peaceful end was the strength shown by the western alliance—by NATO—not only in having independent nuclear deterrents in Washington, London and Paris, but also in deploying, as an alliance, theatre nuclear weapons, which was highly controversial at the time, as we all remember. The hon. Gentleman should remember that point when he comes to vote this evening.

I was very struck by the speech in the House of Lords on 24 January of Lord O'Neill of Clackmannan, a former colleague in this House who was the Labour party's defence spokesman in the period when it championed unilateral nuclear disarmament. He said that when Lord Kinnock and other Front-Bench colleagues of the time

"started visiting the decision-making centres of the other nuclear powers—Washington, Paris and Moscow—and spoke to the Chinese in London, we were startled by the indifference with which they greeted our willingness to give up our nuclear arsenal. They felt that it would not be a bad thing, but would make not one whit of difference to their nuclear capability or willingness to participate in disarmament negotiations one way or the other."—[*Official Report, House of Lords*, 24 January 2007; Vol. 688, c. 1120.]

He added that those experiences marked the beginning of new Labour in foreign and security policy.

For the policy we are currently discussing above all others, it remains the case today that laudable idealism must be leavened with gritty realism. In terms of numbers, there have been large reductions in the American and Russian arsenals, but within the last 10 years we have also seen the Indian and Pakistani nuclear weapons tests, the modernisation of China's nuclear arsenal, North Korea's proliferation, the discovery of Iran's covert nuclear programme and the evolution of Russia's nuclear doctrine, placing increased emphasis on nuclear weapons to offset its conventional weakness. All that demonstrates that the nature of the long-term threat to the peace of the world from nuclear weapons has changed but has not necessarily diminished. Indeed, according to "Strategic Trends", an independent view of the future produced by a body in the Ministry of Defence,

"access to technology that enables the production and distribution of chemical, biological, radiological and nuclear weapons is likely to increase."

That view certainly seems to be borne out by what we see around the world.

Mr. Peter Kilfoyle (Liverpool, Walton) (Lab): The right hon. Gentleman is giving a fine exposition of traditional Tory policy in the area under discussion, but does he agree that the key issue—which will be debated today, given that the selected amendment addresses it—is timing? Does he accept the Government's verdict on the timing? That is an important question, bearing in mind the fact that the Opposition accepted the Government's argument about weapons of mass destruction, which was found to be fallacious.

Mr. Hague: Of course, timing is a very important issue. I agree with the Government's view, and I shall say why shortly if I may proceed with my speech, but I feel that the subject under discussion and the decision to be made are sufficiently important that I need to set out why in principle the Opposition support the decision, as well as our views on the details of the timing.

"Strategic Trends", the document I was quoting from, states that

"the proliferation of nuclear weapons....particularly to weak and unstable states will increase the risks of more uninhibited, assertive and intemperate behaviour"

by those countries. Furthermore, it states that

"states with nuclear weapons, such as Pakistan, possibly North Korea and potentially Iran will remain vulnerable to instability",

with the possibility of the collapse of central authority and nuclear material falling into the hands of hostile regimes. In summary, it states that

"accelerating nuclear proliferation will create a more complex and dangerous strategic environment, with the likely clustering of nuclear armed states in regions that have significant potential for instability".

The decision on which the Government are seeking the endorsement of the House tonight would enable us to have an independent nuclear deterrent until at least the 2040s and possibly into the 2050s. We cannot, of course, see 50 years into the future, but that is the whole point. While none of the existing nuclear weapons powers poses an imminent military threat to the United Kingdom, to retain our deterrent is, in the words of the Defence Committee, to maintain "the prudent hedge" against an unknowable and possibly unpleasant future. It represents a vital ability to deter potential aggressors who will be both more diverse and less predictable than in the past.

Norman Baker: The right hon. Gentleman did not mention Israel in his list of nuclear states. Does he accept that Israel's possession of nuclear weapons is a major destabilising factor in the middle east and that it is encouraging Iran to acquire nuclear capability; and what is his policy on dealing with that matter?

Mr. Hague: People cite the example of Israel having nuclear weapons, although I suspect that if we had been in Israel's situation over recent decades we would have wanted to have nuclear weapons, so I am not going to give advice to the Israeli Government about that.

The realistic planning that I have been speaking of has to assume that the UK will continue to be engaged in regional hot spots, including—but not limited to—the middle east, and that British military operations might have to be conducted in the face of local states possessing weapons of mass destruction of some kind. Nuclear capability, even when its use seems remote, significantly enhances confidence in dealing with a potential adversary.

As will of course be pointed out in this debate, we cannot know that any situation will arise in the coming decades where we will need the threat of our deterrent; equally, we cannot know that no such situation will arise—and, indeed, arise quite quickly. Let us think of our predecessors in this House of 100 years ago—of 1907. They were entitled to think that they were living in an age of fairly assured peace and constantly rising prosperity, with nothing more serious than regional wars in the previous half century. They had no inkling that within 40 years they would face the two greatest cataclysms in human history—calamities which could only have been reduced in scale had they been better prepared for them. With the sobering example of previous centuries before us, and with all the evidence in this century—from the middle east in particular—pointing to the next few decades being, if anything, more dangerous than the last few decades, I have to subscribe to the view that the abandonment of our nuclear deterrent would be extraordinarily ill advised, and, indeed, a national act of folly.

Mr. Nick Raynsford (Greenwich and Woolwich) (Lab): The right hon. Gentleman has talked about our predecessors of 100 years ago. Does he accept that his point would be even more powerfully made if our predecessors of 80 years or 70 years ago were mentioned? Understandably after the shocking experience of the first world war, they sought disarmament for the best of motives, but they could not have anticipated the rise of the dictatorships in Germany and elsewhere that plunged the world into an even worse disaster, and which might have been mitigated, or possibly avoided, had the western democracies maintained a strong defensive stance.

Mr. Hague: The right hon. Gentleman makes a powerful point that supplements mine. In the run-up to that great world crisis in the 1930s, we would have been better able to respond, and to try to avoid it, if this country had been in a position of military strength rather than weakness.

Mr. David Hamilton (Midlothian) (Lab): The right hon. Gentleman referred to events of 100 years ago. Of course, 100 years ago we had the British empire. Even when I was at school, the map of the world was coloured red. *[Interruption.]* Well, I am not as old as some in this Chamber. What we should be discussing is Britain's role in the world at the current time, with the nuclear issue being a part of that debate.

Mr. Hague: Of course this debate is about our role in the world at present, which is why I am talking about the middle east, North Korea, Iran and elsewhere. I am simply pointing out that, in deciding on what should be our current role in the world, we have to be conscious of the lessons of history; otherwise, we will repeat some of the mistakes of history, such as that to which the right hon. Member for Greenwich and Woolwich (Mr. Raynsford) has just referred.

Stephen Pound (Ealing, North) (Lab): I appreciate that the right hon. Gentleman is a distinguished historian, but I am sure that 1907—not that I personally was around then—was the time of the great Anglo-German naval arms race. The Dreadnought was the weapon of mass destruction of its time. Does the right hon. Gentleman not accept that that arms race was a contributory factor in causing the awful war that broke out in August 1914?

Mr. Hague: First, that arms race had not started in 1907. Secondly, we are not talking about an arms race—this country is getting rid of 20 per cent. of its warheads, and it has got rid of 70 per cent. of its previous stock of warheads. We ought to bear it in mind that if the arms race before the first world war had gone in the same direction as current Government policy on the stock of nuclear warheads, there probably would not have been a first world war.

I have nothing but respect for those who wish—

Mr. Phil Willis (Harrogate and Knaresborough) (LD): Will the right hon. Gentleman give way?

Mr. Hague: Go on, then.

Mr. Willis: All Members of the House have enormous respect for the right hon. Gentleman and we do understand the arguments that he is putting forward. However, the logic of his position is that if every single state in the world were given a nuclear weapon, the world would be safer. That is nonsense, is it not?

Mr. Hague: That is not the logic, and it is the reason why we have the non-proliferation treaty, to which we are signatories. Everything that the Government have proposed is in line with that treaty, as is resisting other states developing nuclear weapons. By the way, I have the greatest of respect for the hon. Gentleman, as well; we North Yorkshire MPs have to stick together. However, he must not think that if we announced today our intention not to have a nuclear deterrent in future, other countries—those in Tehran, for example—would say, "What a relief! We are now going to abandon our nuclear intentions." That is not the way the world works, as he and I know; we simply have to make the realistic decision.

I have nothing but respect for those who wish the world could be free of nuclear weapons—most or all of us do—but our own total disarmament would no more make it so than wishing it so would. Crucially, the absence of our own nuclear weapons would make us more dependent, not less, on the United States of America. It is perhaps a paradox that those who oppose this decision are often among the fiercest critics of the United States; yet, in the ultimate crisis, such people would leave our security wholly dependent on the credibility and resolve of the White House—or of the Élysée—and its readiness to risk everything for the sake of Britain. Can we always be confident of that—that that would apply to the occupant of the White House for decades to come? I do not think that we can have that confidence.

For all these reasons, the arguments in principle for replacing our deterrent therefore seem to me overwhelming. The risks of not replacing it far outweigh the difficulty and expense of doing so. Furthermore, the advantages of a submarine-launched system, which is as invulnerable to attack as any weapons system in the modern world can be, also seem overwhelming. So we support the maintenance of a continuous at-sea deterrent, which until now has necessitated possession of four ballistic missile submarines. We would of course like to know when the Government think it will be possible to decide whether the new class of submarines can operate with only three vessels. The alternative of submarine-launched cruise missiles has also been suggested, but we share the Government's judgment that that would not only require the development of new technologies, but would require a submarine to be far closer to its potential target to have any deterrent effect. We also share the Government's view that the possession of ballistic missiles that can be launched from anywhere in the world toward anywhere in the world is an important part of successful deterrence.

Several hon. Members *rose—*

Mr. Hague: Let me make a bit of progress. I want to leave time for other Members.

I hope that the Secretary of State for Defence will say more when he winds up about cost—questions have already been asked about that—on which a fourth submarine would obviously have a major impact. One witness to the Defence Select Committee, Dr. Jeremy Stocker of the International Institute for Strategic Studies, has argued that

"the cost of the new submarines seems very high",

suggesting that the current fleet of Vanguard-class submarines costs a little under £6 billion at current prices, if the cost of warheads and missiles is considered separately. The Government's estimate for the new submarines, however, has come in at £11 billion to £14 billion. If these figures are indeed correct, I hope that Ministers will explain in more detail why the costs are expected to be so much higher.

The Government have stated that the cost of UK participation in American plans to extend the life of the Trident D5 missile will be about £250 million. It is not clear whether there will be further costs, in order to extend the life of the missile, if necessary, into the 2040s. We would also be interested to know how much the detailed concept work shortly to commence on the Vanguard will cost. Can the Secretary of State provide an estimate of the cost of the work that will be undertaken in the period of the comprehensive spending review?

Much of this debate will of course turn on a further important issue that has already been raised by Members—whether the decision in principle to design and build a new class of submarines must be taken now. The Government have said that the process will take 17 years, and that because the first two Vanguard-class submarines will come to the end of their service life in 2022 and 2024—even with a five-year extension—the continuous at-sea deterrent cycle could not be maintained after 2024 if the first replacement was not ready by then. It is said that the different construction of the United States' Ohio-class submarines allows their service life to be extended well beyond that of our Vanguard class. I hope that the Secretary of State will go into more detail on comparable decisions to be made about the life cycle of

the new submarines. Are the Government intending to build submarines with a life span of more than 25 to 30 years in future? What trade-offs in terms of capital costs and maintenance are involved? These issues need careful examination in future, but the timetable of the commitment that we are asked to make today is of course determined by the life span of the old submarines, and we have no reason to doubt that the early 2020s are likely to see the end of the service life of the first two.

Others have attempted to argue that past experience suggests that a period of 14 years is necessary to design and build new submarines, rather than the 17-year period claimed by the Government, for which they have given a reasonable justification. The truth must be that we cannot be sure how long it will take up to 17 years, but the eager seizing on 14 years seems suspiciously like grabbing at a date that is just the other side of the next general election. For a party split exactly down the middle on this issue, that is politically understandable, although it is not the way in which this vital national decision can be made by a potential party of government.

Mr. Lindsay Hoyle (Chorley) (Lab): I thank the right hon. Gentleman for being generous with his time. Does he agree that if we do not go ahead at this stage, the design team that is in place to design the submarines will be dispersed, we will be unable to put a team back together and we will end up having to buy American submarines, thereby not taking advantage of this country's engineering capability?

Mr. Hague: The hon. Gentleman makes a very strong point, which I want to add to. However, I have not quite finished with our friends on the Liberal Democrat Benches.

The Liberal Democrat policy paper on this matter said that the period between now and 2014

"should be used to allow a clearer picture to develop concerning the proliferation of states that possess nuclear weapons and their ability to directly threaten Britain".

The trouble with that is that when we arrived at 2014, we would still not know—even if the world was, against all indications, becoming a more peaceable place—what threats we might face in the 2040s. However, if the world had taken a turn in a more dangerous direction, it would by then be too late to prevent us from having a significant gap for several years in our continuous at-sea deterrent in the mid-2020s. That is like building a house for the next half century and deciding on the basis of the weather in the next few months whether to bother with a roof. That is not a viable policy.

Of course, because the uncertainties in these time scales are so great, the only way to time such decisions is with a sensible precaution, providing a reasonable time buffer. We should have very—

Willie Rennie: Will the right hon. Gentleman give way?

Mr. Hague: Oh well, to be polite I had better give way to a Liberal Democrat.

Willie Rennie: The right hon. Gentleman mentioned the cold war earlier. Does he agree with former President Gorbachev, who said that

"A responsible course of action for the...Government would be to postpone the decision on the future of the nuclear arsenal at least until the next review conference of the NPT in 2010"?

Mr. Hague: For all the reasons that I have given, I do not agree with former President Gorbachev about that. Of course, Russia still possesses some 10,000 nuclear warheads. We are being told to get rid of our 160 warheads, which is the number that will be left. We of course need major contributions to the disarmament process from Russia, and we have seen some in recent years; however, I do not agree with President Gorbachev's judgment. This country will derive the strongest leverage and the strongest negotiating position from making the decision that we are now asked to make, not from shirking that decision.

Pete Wishart (Perth and North Perthshire) (SNP): As the right hon. Gentleman knows, the submarines are to be based in Scotland, which has the greatest opposition to the renewal of Trident. Some 80 per cent. opposed it in the last opinion poll. Why should the submarines be based in Scotland; and would he respect the views of the Scottish people as expressed through their Parliament, if it decided to vote against Trident?

Mr. Hague: These decisions are made on a UK basis, as the hon. Gentleman well knows. I do not think that the people who do such a tremendous job in Faslane and other locations in Scotland would thank him for saying that those facilities should be closed. The decisions are made on a UK basis, and that is the right way for them to be made.

We must have very serious regard for the point made by the hon. Member for Chorley (Mr. Hoyle) about the maintenance of the relevant base of industry and skills, noting that the delay between the commencement of the Astute class submarine building programme and its predecessor evidently contributed to delays and higher costs in the Astute programme. The Government rightly intend, subject to satisfactory arrangements, that the new submarines will be built in the United Kingdom. The Defence Committee was advised by Mr. Murray Easton of BAE Systems that

"if there is a further delay, or any delay, in the submarine ordering programme it will have a significant and, I think, catastrophic impact on our ability to design and build and, therefore, for this country to have its own nuclear submarine design and construction".

That would of course include nuclear-powered conventional submarines as well as nuclear-armed submarines. It seems to us therefore that to wait several years would run not only a strategic risk but a very serious managerial and financial risk that could make the entire programme more difficult and expensive to execute.

Paul Flynn (Newport, West) (Lab): Will the right hon. Gentleman give way?

Mr. Hague: Now that I have been speaking for nearly half an hour, I feel that I should try to conclude, so I will not give way again.

The Government are right to avoid a politically motivated delay that would make the programme more expensive, and right too to emphasise that a great deal of work has to be done to ensure that there is what the White Paper calls

"a much greater collaborative effort between the MoD and industry than has been the case in the recent past."

I hope that the Secretary of State for Defence can assure us not only that the costs involved are necessary, but that the MOD will have the skills necessary to

[Mr. Hague]

deliver any future submarine programme to time and on budget. I also hope that Ministers will invite the National Audit Office to monitor the contract to protect the public purse. That point has already been made.

Those are the reassurances that we would like to receive from the Government about cost and about the management of the whole industrial process. But our support for taking the decision to begin this work and for taking it now is unequivocal. Taking this decision, which is entirely within our rights under the non-proliferation treaty, in no way diminishes our authority to argue for the strengthening of that treaty—a point made by my right hon. Friend the Member for Wokingham (Mr. Redwood)—and to try to counter the proliferation of nuclear weapons across the world. This country has an excellent record in that respect, not only in the ways I have already mentioned, but in ratifying the comprehensive nuclear test ban treaty and in ceasing production of fissile material for nuclear weapons. We hope that the Government will couple this decision with leading an intensified international effort to improve the non-proliferation treaty. It was signed more than 40 years ago, but the 21st century has produced a combination of challenges that the makers of the treaty could not predict. Those challenges include shortcomings in our ability to detect states covertly developing nuclear programmes; the need to bring new nuclear weapons states, which did not sign the NPT, into a framework where they too contribute to the non-proliferation regime; and how to respond to the rise of an extensive global nuclear black market.

All those problems need work, including the need to secure world stockpiles of nuclear material against theft; to strengthen the proliferation security initiative; and to strengthen the International Atomic Energy Agency. That work should go alongside this decision today. The efforts to help non-nuclear weapons states, such as Iran, with peaceful nuclear technology must be credible, and so must the united international resolve to prevent them from acquiring nuclear weapons in defiance of the NPT.

All that work—to prevent black market proliferation and to uphold the non-proliferation treaty—is of huge importance to our national security. But it will also be of huge importance to our security for four or five decades to come, acting within the terms of the non-proliferation treaty, to ensure that the United Kingdom can continue to deploy a weapon of last resort. That is why the Government are right to come to the conclusion that they have and why, if we were in their place, we would do the same. On that basis, the Opposition will support their motion tonight.

2.14 pm

Nigel Griffiths (Edinburgh, South) (Lab): Thank you, Mr. Deputy Speaker, for calling me in this debate and allowing me to make a personal statement and contribution. It is a pleasure to follow the right hon. Member for Richmond, Yorks (Mr. Hague). I welcome this opportunity to tell the House—before the media—why I have, after much reflection, concluded that I cannot vote with the Government today and have tendered my resignation.

I thank right hon. and hon. Members on both sides of the House who have shown me great courtesy during my time as Deputy Leader of the House and in more recent days. I hope that I have discharged my duties diligently. I want to be remembered not so much for being the Government's representative in this House, but more for being this House's representative in the Government.

I am especially grateful for the strong support and kind words of my right hon. Friend the Leader of the House and of his predecessor, my right hon. Friend the Member for Ashfield (Mr. Hoon). It has been a privilege to serve this House and to do so with such distinguished colleagues.

My thoughts at this moment are with a former Leader of the House, the late Robin Cook, one of our truly great parliamentarians, who encouraged me to follow him into politics, who came to Edinburgh, South to help to secure my re-election and whose example guides me today. Robin knew that in politics one has to take tough decisions—and few decisions come tougher than resigning from Government. I have taken such a decision, and in doing so, like Robin, I leave the Government with no bitterness.

I am overwhelmed by the messages of support I have received, but in truth, even if I had stood here as a latter-day Thomas Stockmann, I would remain true to my convictions. I have served my Government loyally for a decade, and the same Government have served Edinburgh, South well. From the children in the new school buildings in Gracemount and Liberton, and at Craigour Park and St. Peter's, to the patients in our new royal infirmary at Little France, we owe this Government a great debt. In my constituency, thousands of local citizens and thousands of people in low-paid jobs have been lifted out of poverty through the leadership of this Prime Minister and the funding provided by this Chancellor; I have been proud to vote through these, and so many other measures.

After reading the White Paper, "The future of the United Kingdom's nuclear deterrent", I have concluded that it has no future—that this country has to become a country for peace, not a country for war. We have led the world in campaigning to meet the Kyoto targets. We have led the fight to eradicate global poverty. Now we must lead the world in campaigning for the eradication of the nuclear threat—and we must lead by example. As the poet and essayist Emerson said:

"The real and lasting victories are those of peace, and not of war."

I have seen colleagues wrestle with their consciences and lose their beliefs. That is not a path that I have chosen to follow.

I have been asked by colleagues whether any inducements have been offered to me to change my mind. Honesty compels me to say that I have. The hon. Member for New Forest, East (Dr. Lewis) presented me with a complimentary copy of his latest publication in favour of Trident. He even signed it, but alas it came too late, so the efforts of that warmest of cold warriors were wasted on me.

Serving my constituents in Edinburgh, South has always been my priority. It has been a privilege to have served not just the Government, but, I hope, the whole House and my country in various capacities, as Under

Secretary with responsibility for competition policy and consumer affairs; for construction and coal miners' compensation; for small businesses; for enterprise and social enterprises; and, until this week, as Deputy Leader of the House of Commons. Public service is indeed an honourable estate.

It is to this Government's credit that we have the opportunity to debate this decision, as I said from the Dispatch Box last week. Past Governments took such decisions in complete secrecy, without even consulting the full Cabinet, more out of fear of domestic opposition than fear of giving away our secrets to foreign enemies. I praise the openness of the decision-making process now.

Let me put on record my tribute to our armed services. My father served with pride in the Royal Air Force—in fighter command 85 squadron, flying a De Havilland Mosquito night fighter—fighting the Luftwaffe in the second world war. In my time, I know from chairing a major Kosovo refugee appeal about the tremendous work of our brave forces, saving lives and protecting people in the Balkans; they are the finest fighters and the finest peacekeepers in the world.

I also have direct experience of the cold war nuclear legacy, as I had some ministerial responsibility for our multi-million pound contribution to dismantling Soviet nuclear submarines. It was as a Minister that I visited the naval yards in Arkhangelsk—Archangel—in 2004 and witnessed the terrible legacy of rotting hulks leaking their toxic nuclear waste into the sea. It is so sad that this generation is having to pay for the mistakes of a previous one.

There are those who oppose any spending on defence and our armed services, but I am not one of them. There are those who argue that the decision is premature, but I am not one of them, either. Tough decisions must never be put off. However, there are those who question the wisdom of the £15 billion investment in Trident, and I am most certainly one of them, for I cannot foresee any circumstances in which this country or its territories would be threatened by a nuclear weapons state and we would need to retaliate with a nuclear strike, or where the threat of a nuclear strike by the UK would shape such a state's actions.

The truth is that we have led the world in decommissioning land mines and now in nuclear weapons. The world is watching us now. Let us be leaders for peace. Whatever the good intentions of the White Paper to ring-fence the budget, I remain concerned that funding will be diverted by future Governments from more pressing defence equipment needs.

I have another fear about the position in 10 or more years' time—the accelerating impact of global warming. In 1996, I represented Friends of the Earth at the Berlin summit on sustainable development. I believe that current predictions of dramatic, if not catastrophic, climate change by 2050 will be telescoped into a shorter time frame. I fear that rising sea levels will threaten coastal towns long before that time, displacing large populations here in Britain. I believe that we will need every penny available to invest and cope with re-housing and other consequences. Let us incubate the new skills, develop the new technologies and find new ways to fight global warming and climate change. What greater goal can we set our young people?

I now leave the Government over this issue. I recognise that others hold equally sincere but opposite views, which I can respect. Perhaps I am a little self-indulgent in that. But others can still not seem to make up their minds, and of them I am less tolerant. To maintain the present Vanguard submarines and delay a replacement decision is not a credible stance, and I shall not vote for such options. I will, however, vote against the White Paper for the reasons that I have given. I go with a heavy heart, but a clear conscience.

2.23 pm

Nick Harvey (North Devon) (LD): It is an honour to follow the hon. Member for Edinburgh, South (Nigel Griffiths) and I commend him for the courage of his actions and the clarity with which he explained them to the House today.

I should like to address three points: the principle of the nuclear deterrent; the strategic context and the danger of proliferation; and the timing of the decision that we are asked to take today.

Members with differing views will go through the Lobby to support the amendment in the name of the hon. Member for Hemsworth (Jon Trickett). There will be those who oppose the principle of the nuclear deterrent, some of whom have done so for many years, whereas others have come to that view more lately. Others support the principle of the nuclear deterrent, but abhor the manner and timing of the Government's conduct of the issue. I believe that both views will be represented among Labour Members going into the Lobby, and both those views are certainly represented among my Liberal Democrat colleagues.

I readily acknowledge that we have had a vigorous debate, conducted in a tone of great respect, in the ranks of my own party; people who have held very strong views for many years continue to hold them. It is not my view, however, that now is the right moment for Britain to give up its nuclear deterrent. In many respects, we face a more dangerous situation now than we have for several decades. In the Vanguard system, we have a nuclear deterrent that, contrary to everything that has been said, is quite new. The youngest of the four submarines was put into service only six years ago, so by common reckoning, the system has about 20 or so years of life ahead of it. The capital costs of the system have been paid for. The moment when dangers loom on the horizon that we have not had to contend with over the past 10 or 20 years is not the right moment for Britain to renounce its nuclear weapons. I wish to put that on the record from the outset.

The Government ask for various practical measures to be taken, but they also ask for a great decision to be taken in principle. The practical measures on which the Government wish to embark are the concept and design work that will keep open the option of having replacements for the Vanguard submarine. The White Paper also refers to participation in the life extension programme for the Trident D5 missiles. If we had before us a simple appropriations motion, seeking the House's approval to proceed with those practical steps, I would have no difficulty whatever in supporting it—but that is not what the Government are asking.

Colin Challen (Morley and Rothwell) (Lab): Harold Wilson said that a decision delayed is a decision made.

[Colin Challen]

Both amendments are a fudge because they will allow the decision to be taken at a later date; in fact, they are predicated on a decision being taken at a later date. I therefore urge the hon. Gentleman to say exactly what he thinks should happen to the amendments.

Nick Harvey: Mr. Speaker has selected one of the amendments, but the two amendments in the names of the right hon. Member for Southampton, Itchen (Mr. Denham), the hon. Member for Southampton, Test (Dr. Whitehead) and the right hon. Member for Birkenhead (Mr. Field) are sound reasoned amendments. They make the pertinent point that the appropriate moment for the House to take the decision in principle should be at the main gate decision, which we know from the Government's own White Paper will be taken between 2012 and 2014. The Select Committee also arrived at the view that no final decision needed to be taken until the same time. I say again that if we were simply being asked to take the practical measures to keep the options open until that date, I would have no difficulty supporting it, but that is not what we are being asked to do. We are being asked to make the big decision in principle now.

There has been some wriggling and some discomfort—a question was asked at Prime Minister's Question Time today—but right hon. and hon. Members should be under absolutely no illusions. The motion on the Order Paper asks the House to support the decisions in the White Paper. Let me quote what the Prime Minister says in it:

"We have therefore decided to maintain our deterrent system beyond the life of the Vanguards... we have to decide now whether we want to replace them."

It goes on:

"We have therefore decided to maintain our deterrent "

by building a new class of submarines. These are decisions that the House is asked to endorse. It is not a simple appropriations motion, subsequent to which the House will have the opportunity—when the contracts are let and the serious money is spent—for further scrutiny. No, this is a decision in principle.

Mr. Borrow: I understand the difficulty that the hon. Gentleman and his colleagues face today. On the assumption that the Government motion is passed, will he give an undertaking that the Liberal Democrats will have a clear position by the next general election? When people vote in it, they need to know whether they will get a pro-Trident or an anti-Trident policy—or will the Liberal Democrats sit on the fence again?

Nick Harvey: The hon. Gentleman is wrong in thinking that we are in some difficulty today; we are in no difficulty whatsoever. It is perfectly clear to any rational person that this decision does not need to be taken today and we do not therefore feel any discomfort.

One of the things that the Prime Minister said when he produced his statement in December was that there was to be a great debate between then and the House coming to the decision that it is making today. I understand that the Labour party cancelled its spring conference, but I can tell the hon. Gentleman that our party had such a debate. We have arrived at a clear position, and if he is interested in it I will be happy to share it with him. The fact of the matter is that we have taken the view that I have already laid out before the House today. We support the deterrent and we will continue to do so. I said that the next thing that I wanted to do was examine the strategic context.

Emily Thornberry (Islington, South and Finsbury) (Lab): The hon. Gentleman talks about the Liberal Democrats having a clear position, so he presumably does not agree with one of his colleagues who, as I understand it, described the Liberal Democrats' position as a mishmash and as a compromise to get it through their conference. The hon. Gentleman tells us that if it had been a simple debate on acquisition today, he would have had no problem voting for it, but can he speak so confidently for all those sitting on the Liberal Democrat Benches?

Nick Harvey: Yes. The resolution of the Liberal Democrats was that these initial steps should be taken. However, I put it to the hon. Lady, who has sent a letter to Liberal Democrats in the past 24 hours, that she would be very well advised to look at the plank in her own party's eye before she starts to think that she can detect a speck in the eye of the Liberal Democrats.

Dr. Liam Fox (Woodspring) (Con) *rose—*

Nick Harvey: I will not give way because I am going to move to the second phase of my speech, and I said that I would refer to the strategic environment.

The strategic environment now is potentially more dangerous than it has been for a good many years. We see that Iran and North Korea are taking serious steps to becoming nuclear powers and we know that that will trigger a reaction among their neighbours. In the middle east, Iran's neighbours are likely to feel that they must follow suit. It is very frightening that a variety of states in that part of the world might become nuclear powers. Similar regional proliferation could reasonably be anticipated if North Korea were to renege on the agreements it has recently made and went ahead with its ambitions to develop a nuclear weapon.

The strategic context is very dangerous, and that makes the forthcoming review conference of the NPT in 2010 all the more important. It should be Britain's objective to play as constructive, positive and progressive a part as it can at that conference, and we have done that in the past.

Dr. Fox: The hon. Gentleman began his speech by saying, and he is reiterating now, that this is not the time to give up Britain's independent nuclear deterrent. Will he clarify for the House in what sort of international security environment his party believes it would be possible to give up the nuclear deterrent?

Nick Harvey: I hope very much that the efforts that are being made towards multilateral disarmament, to which the Foreign Secretary restated the Government's commitment and to which the right hon. Member for Richmond, Yorks (Mr. Hague) restated the Conservative party's commitment, involve sincere commitments. All sane and rational people should be committed to trying to rid the world of nuclear weapons altogether. If the processes running up to 2010 and those that might reasonably follow from it could stave off the dangers of

the specific regional proliferations to which I have referred, and if the Americans and the Russians could get new energy behind the steps that they have already taken to reducing the number of their warheads, we might begin to develop a situation in which it is reasonable for Britain to consider giving up its nuclear weapons. However, there are an enormous number of "ifs" in that and if a week is a long time in politics, seven years is an eternity.

Several hon. Members *rose—*

Nick Harvey: I will not give way at the moment; I am laying out our position on this issue.

If a week is a long time in politics, seven years is a very long time and we are making this decision seven years before, according to the Government's own White Paper, a final decision will be taken and, on the estimation of the Defence Committee, seven years before a decision needs to be taken. We will do enormous damage to Britain's role and the part that we can play at the 2010 conference if, before that conference takes place, we declare that we will remain a nuclear power until 2055. We will forgo any opportunity whatever to play a leading part at that conference and be a force for good.

Mrs. Curtis-Thomas: I note what the hon. Gentleman says, but is not the reality that to maintain the deterrent that we have now, we have to send a clear signal to those involved in the industry and in the execution of the work that we have a long-term commitment? If we do not give them that, we will not retain the skills and our capacity. Without that, we can have no future deterrent and we will remain vulnerable to those powers across the world that will continue to develop their nuclear capacity. Unfortunately, because we will not have the knowledge of what they are doing, we will fall even further behind. Is that not an invidious position in which to place this country?

Nick Harvey: We need to establish a policy for Britain and not for British Aerospace. With respect to the hon. Lady, I believe that British companies are guided by the basis of the contracts that they sign. If we sign a contract approving their doing the concept and design work, they will be rather more interested in that than in our sending some signal. In the process of sending the signal that she wants to be sent, we will send a signal right around the world that Britain was going to remain a nuclear power until 2055. The workers in British Aerospace will be rather more interested in the contract that the Government sign than they will be in getting the signal of the sort that she suggests.

I refer back to the point that my hon. Friend the Member for Dunfermline and West Fife (Willie Rennie) made earlier. Former President Gorbachev was exactly on the mark when he said that Britain should not make a decision before the 2010 NPT conference. He added:

"The UK Government's rush to deploy nuclear missiles whose service life would extend until 2050 is...astonishing".

He is entirely right. I also refer to the comments of Kofi Annan speaking in November. He recognised the more dangerous strategic context to which I have referred and said:

"We are sleepwalking towards disaster...worse than that—we are asleep at the controls of a fast-moving aircraft. Unless we wake up and take control, the outcome is all too predictable."

He went on that to say that if Britain took the decision to renew our system now to take us through to 2055, it would inhibit and damage the part that we could play. *[Interruption.]* Yes it is what he said; it is pretty much exactly what he said.

Mr. Richard Benyon (Newbury) (Con): The hon. Gentleman talked about receiving signals, but did he receive the signals given to the Defence Select Committee by the Royal Navy? It clearly understands the strategic importance of keeping our industrial base in this unique field and choreographing the important work that has to be done on our attack submarines as well as on our nuclear submarines. Does he understand that the delay that his party is calling for would deeply damage our skills base and its ability to continue this important work?

Nick Harvey: The hon. Gentleman misunderstands me. I have not called for any delay in the programme of building. I acknowledge the Government's timetable, I have talked to British Aerospace and I have been to Barrow and discussed the implications. I have not called for the build to take place at a different time from what the Government say; I am talking about the point at which Parliament should approve it. In my view, the approval of Parliament should be given at the final main-gate decision when the big money is going to be spent and when the contracts are going to be let. I am not saying that the bill would be any later than the hon. Gentleman would wish it to be.

Mr. Benyon: It is a cop-out.

The Secretary of State for Defence (Des Browne) *rose—*

Nick Harvey: The hon. Gentleman says that it is a cop-out and the Defence Secretary rises to his feet. If it is a cop-out, how come that is exactly the way in which the Thatcher Government did it with Trident? When they came to the House and said that they were going to embark on the Trident programme, the concept and design work had already been done, as the White Paper acknowledges. I am calling for the same procedure to be adopted at that stage next time as it has been this year. We have already heard from Members that much of the concept and design work for Trident was carried out in secrecy because the Government did not even want certain members of the Cabinet to hear about it. I applaud the Government for the openness of this procedure. It is good that there has been a White Paper and that there is a parliamentary debate. But they are not asking us to approve the concept and design; they are asking us now, seven years before they are going to let the contracts, to take a decision on the whole thing. It may be the last opportunity that we get for the best part of 50 years.

Des Browne: This is the first time that I have heard a Liberal Democrat spokesman say in a debate that a decision does need to be taken now. I have always understood the Liberal Democrats' position to be that this was not the right time to the make the decision. Will the hon. Gentleman make it clear to the House that if the position that he is now arguing is not that we should go back to the way in which things were previously done, it is quite avowedly that we should make a decision about the design and concept of a new fleet of submarines,

[Des Browne]

but that we should not do that in any way that is informed by principle—because the principle does not need to be addressed now? That is what he is saying.

Nick Harvey: What I am saying is that the final approval of Parliament should be given at the point at which the contract is going to be let, when the money is going to be spent and when we reach the point of no return, as was said by the Defence Committee in its report and is said, in effect, in the White Paper from the Government. There is nothing particularly radical about that view. It is what the amendments tabled by the hon. Member for Southampton, Test and the right hon. Member for Birkenhead say. It is the meaning of the amendment that has been selected, which was tabled by the hon. Member for Hemsworth. It seems a perfectly rational view. It is one that many external commentators have picked up on. The *Financial Times* leader this morning commends exactly that course of action.

Let me make it perfectly clear to the Secretary of State for Defence that I am not objecting to the initial contracts for concept and design work, or the missile extension programme. They are perfectly responsible and if that was what we were being asked to debate today, there would not be any need to divide or go into different Lobbies, but that is not the issue. The Government are asking Parliament to write a blank cheque now and to forgo any further say on the matter for seven years and let the Government go on. We have not even had the detailed costings for the designs. It is a ridiculous stage at which to ask Parliament to make its final decision.

Mr. Borrow: On that point, will the hon. Gentleman give way?

Nick Harvey: No, I will not give way to the hon. Gentleman. I have not finished making the point that the non-proliferation treaty requires us to act with all sincerity to try to bring about disarmament. I would have liked to hear a lot more from the Government, and to see more in the White Paper, about how they intend to take that agenda forward. I acknowledge the steps that have been taken. The right hon. Member for Richmond, Yorks was right to document them in his speech. They are all good progress. But the next significant round of multilateral disarmament negotiations will be the 2010 NPT review conference. I agree with the Select Committee, whose recent report deplored the lack of a convincing narrative from the Government on their strategy for that conference. We have not heard that narrative from the Government. If the Government on the one hand suggest that we should take a decision now that would make us a nuclear power until 2055, they should on the other give a far more convincing account of how they intend to push forward the course of multilateral disarmament, in the light of that decision.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Will the hon. Gentleman confirm that he has read appendix A of the White Paper, the two information sheets on non-proliferation issues that accompanied it, and the reply to the House of Commons Select Committee, which lists succinctly the non-proliferation efforts—both done and to come.

Nick Harvey: I have certainly read those documents, but, as I have just outlined, I remain unconvinced and I believe that the Select Committee remained unconvinced. It would not have issued a report in the terms that it did if it did not remain unconvinced. As I have already explained, the need for the final decision to be taken now has simply not been mapped out or explained by the Government in a way that I, or the Churches, or the Campaign for Nuclear Disarmament, or all the organisations that are lobbying us, find remotely convincing. *[Interruption.]* I say to the Secretary of State for Defence that there are a variety of external commentators who are looking at this matter and even those that clearly have a view on the principle of the issue, such as CND, are making the same point about timing as the Churches, the *Financial Times* and others. That point was also made in the amendment tabled by the hon. Member for Southampton, Test and the right hon. Member for Southampton, Itchen.

It is absolutely right that the ultimate political decision should be taken at the latest possible time. The Royal United Services Institute last week also made the point that a variety of decisions will be made over the next decade. It said:

> "During that period further decisions will be required before the bulk of procurement money is actually committed, at which stage the decision will be binding."

That is the point. The big money decision will be at the point when the design work and the concept work has been concluded and the contracts are going to be let.

There is a reason the Government are so keen to have the matter decided now and it is entirely political. They suggest that we are the ones who have the political difficulty. I do not think so. This is straightforwardly an arrangement between the Prime Minister and the Chancellor to deal with the issue and put it to bed before the handover of power. The Prime Minister has a vision of himself as having saved the Labour party from unilateralism through the creation of the new Labour project, and his determination in bouncing the House into the decision now is to try to ensure that, as part of his legacy, that decision has been made and the Labour party in the country is bound up in his vision of Britain for another generation to come. In effect, his objective is to continue to rule the Labour party from beyond the political grave. The decision is not necessary at this time and it is an outrage that the House is being asked to make it at this time. We should take the decision in 2014, when the contracts are let, and I will vote accordingly this evening.

2.46 pm

Jon Trickett (Hemsworth) (Lab): I beg to move, To leave out from "House" to the end of the Question, and to add instead thereof:

> "notes the Government's decision, as set out in the White Paper The Future of the United Kingdom's Nuclear Deterrent (Cm 6994), to take the steps necessary to maintain the UK minimum strategic nuclear deterrent beyond the life of the existing system and to take further steps towards meeting the United Kingdom's disarmament responsibilities under Article VI of the Non-Proliferation Treaty, but believes that the case is not yet proven and remains unconvinced of the need for an early decision."

In the few minutes that I have I want to tackle a number of arguments. I begin by paying tribute to my

hon. Friend the Member for Edinburgh, South (Nigel Griffiths) for the friendship that he showed to Back Benchers in his recent post and more particularly for the friendship that he showed to miners waiting for compensation in my constituency and throughout the country. He was a good friend to the miners and did a huge amount of work during those years. He is now tempting the House into, in effect, an immediate unilateralist position. I want to argue that there is no reason for us to proceed immediately in that direction.

First, I want to remind Members of exactly what these weapons are, because that seems to have been forgotten. They are the most destructive instruments that mankind has ever been able to create. The Nagasaki bomb killed 140,000 human beings. The weapons that we have now have eight times that capacity. There is the capacity to kill—to fry, in effect—1 million people with the explosion of a single device. Our submarines have the capacity to deliver 48 of those. We are talking about a huge destructive capacity—an awesome capacity—which we must all think very carefully about. It is that thought that leads me to the position that I have adopted and to the argument that I want to try to develop in the few minutes that I have at my disposal.

It seems to me that the Secretary of State made little of what is, in a way, the most important point, which is that the debate is taking place this afternoon thanks to the Government's finding the time. I pay due respect to the Government and to the Secretary of State for the good-spirited way in which the debate has been handled. But, frankly, the arguments that have been deployed are specious. I want to look at three of them.

The first argument is about unilateralism. A straw man has been erected in relation to the amendments in the names of 113 Members. It has been argued that, somehow or other, a unilateral decision has been suggested. The fact of the matter is that the only unilateralists in the House are those who are arguing for unilateral rearmament now. What I would like to see, as I am sure many hon. Members would, is a period of time during which we can get the arguments right and enter a process of multilateral discussions, possibly leading to a round of disarmament, under the NPT, which we are legally obliged to undertake—

Mr. Borrow: Will my hon. Friend give way?

Jon Trickett: No.

We are legally obliged to undertake such discussions by a legally binding treaty. The talks are only two years away. Indeed, I understand that there will be a prep conference in May. It is extraordinary that we should unilaterally be deciding effectively to begin the process of rearmament within weeks of a legally binding obligation to begin multilateral negotiations on non-proliferation.

Mr. Wayne David (Caerphilly) (Lab): Will my hon. Friend give way?

Jon Trickett: No; I want to make some progress.

The amendment, which is in my name and that of many dozens of hon. Members, deliberately allows for a period of time before the next round of talks in which the arguments can be properly deployed and the debate can be properly argued. It seems to me that there would be the possibility at that stage of either unilateral disarmament, or the process of rearmament that the Government are proposing. The amendment would allow both approaches to be followed.

Colin Burgon (Elmet) (Lab): May I draw to the attention of my hon. Friend a quotation from Eisenhower? He was certainly no sandal-wearing hippy, and he said:

"In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes."

In the light of that quote, what role does my hon. Friend think that companies such as British Aerospace have had in our decision-making process?

Jon Trickett: My hon. Friend makes a telling point by referring to a Republican President. There is no doubt at all that British Aerospace has many excellent work people with all kinds of engineering skills. One should pay attention to that skills base. However, it seems that the Government lapse from time to time into the argument that the reason behind the decision is industrial, rather than political or in terms of defence.

Des Browne: I challenge my hon. Friend, or any other hon. Member, to find one quotation from a Minister that advances that argument. It has never been advanced in this debate—not once. My hon. Friend should not claim that it has been, because it has not.

Jon Trickett: I accept the point that my right hon. Friend makes in all honesty. However, even this afternoon, people speaking in support of the Government's case have made precisely that point.

I want to move on to address equally specious arguments that have been developed, such as that about the reduction of warheads. Obviously, the destruction of any warhead is a welcome development, so the Secretary of State's announcement in the White Paper—this was reaffirmed today—that the number of warheads would be reduced was good. However, that is not a non-proliferation measure. Everyone who has read the Defence Committee's report knows that the number of warheads active on the seas will still be 48. There will thus be no non-proliferation. While it is welcome that the stockpile of warheads in the UK is being reduced, that is not an argument that we are complying with our legal obligations to engage in non-proliferation. The Select Committee report clearly makes that case.

The Defence Committee was unconvinced about the timing. Paragraph 7 of the conclusions and recommendations of its ninth report says:

"Neither the White Paper nor the exchange of letters between the Prime Minister and the US President"—

I will refer to them later—

"explain adequately why decisions on UK participation in the...missile life extension are required by 2007."

If the Select Committee is unconvinced, so am I. Frankly, many aspects of the report argue clearly that it would be possible to delay the decision for some years.

Mr. Borrow: Will my hon. Friend give way?

Jon Trickett: No.

Adam Price (Carmarthen, East and Dinefwr) (PC) *rose—*

Jon Trickett: I give way one last time.

Adam Price: Was the hon. Gentleman as impressed as I was by the detailed evidence provided by independent experts from both sides of the Atlantic that argued that the life of the current Vanguard class could be extended by 20 years, not the five years argued by the Government? That suggests that the timing of the decision is political, rather than strategic.

Jon Trickett: The point stands for itself.

I quickly want to move on to address the question of legality. Many legal opinions have suggested that the Government's proposals are not compatible with our article VI obligations under the NPT. I wrote to the Attorney-General to find out whether the Cabinet had received a legal opinion on the matter. The reply that I received today does not indicate whether the Cabinet did receive a legal opinion. However, the reply clearly says—in so far as the legal position is justified—that the Government are bound to act in good faith to bring about disarmament, but that there is no time scale in which to engage in that. If we are bound to do something and to act in good faith, yet the Attorney-General says that we can do so whenever we choose, that is not actually acting in good faith. If that is the best legal case that the Government have, it is a very weak one.

Mr. Gordon Prentice: *rose—*

Jon Trickett: I am not going to take any more interventions, because I am running out of time fast.

For those reasons and a range of others, I do not think that we need to make a decision today. We should not take a decision, because the Government have not convinced us.

Finally, I want to refer to the exchange of letters between the Prime Minister and the President. Some 72 hours after the White Paper came out as a consultation document, the Prime Minister sent a letter, on 7 December, to the President in which he wrote:

"We have therefore...set in train the steps necessary to maintain our current submarine-based nuclear deterrent system".

I asked the Attorney-General's view about the letter because it seemed to be a binding commitment effectively to bring about the process of beginning to rearm. The rest of the two letters referred to the missile system.

The Attorney-General's response failed to convince me that a decision has not already been taken. This afternoon's debate has thus been pre-empted by a Government decision. That is a serious charge to make, but the letters stand in an appendix to a Select Committee report for any Member to have a look at. If that is the case, surely the Government ought to say clearly where we stand legally. Today's edition of *The Guardian* reports that work has already begun on the process of rearmament. I wonder whether the House's decision has been pre-empted. The Attorney-General's letter tells me that the Government will have regard to any vote of the House today. I hope that the House is the sovereign body in this country. If we were to choose to delay, or to refuse to accept, the decision, I would hope that we had not already entered into an agreement with George Bush that would effectively pre-empt the House.

If the amendment falls—as it might; I do not know—I recommend that hon. Members vote against the substantive motion.

2.57 pm

Mr. James Arbuthnot (North-East Hampshire) (Con): Whatever the merits of the debate, the Royal Navy, Aldermaston and British companies have, with our American allies, maintained a continuous at-sea deterrent for many decades, which is an astonishing achievement of which they should be proud.

In this Parliament, the Defence Committee has conducted three inquiries on the future of the UK's strategic nuclear deterrent. We have intended—successfully, I think—to encourage and inform a comprehensive debate on the future of the deterrent. I pay particular tribute to the members of the Select Committee for the constructive way in which they have carried out these controversial inquiries.

The White Paper is an important document. This is the first time that we have had such openness and such a debate at this stage. I welcome that, and I think that the courage of the Government in coming to the House in such a way should be commended. I have been waiting for this debate to make my conclusions. I do not want to disparage those who take a different view—I have found the decision extremely difficult.

First, I would like to go through the arguments against the Government's proposal. This is an awful lot of money to spend on something of doubtful usefulness. At a time when we are funding our armed forces at a peacetime level, this seems an odd priority. We believe that we are the closest allies of the United State of America, and what do we add by buying this deterrent? We add a bit of uncertainty in the minds of the potential aggressor, but that is an awfully expensive bit of uncertainty. And how can we say to North Korea and Iran, "We can, but you can't"? It is not that our going for unilateral nuclear disarmament would have any persuasive power with them—clearly it would not—but making such statements does reduce our moral authority.

The Government have made little attempt to explain how deterrence works. The purpose of having nuclear weapons will have failed if we ever have to use them, yet the only point of having them is that someone might think that we might use them. It is on the basis of such arguments that we are spending £20 billion. When could we use them? Perhaps the only scenario is that the United Kingdom will not know who has exploded a nuclear weapon, and then what would we do? Could we use them in retaliation? I believe that retaliation, as such, is illegal. We can use them to hit back in self-defence, but by the time that we are involved in a nuclear exchange, all thoughts of stopping anyone else doing anything again will be long dead, along with most of us. Perhaps those rules are suspended in war, but that is far from clear. Legally, perhaps we could only use the weapons if we were firing them in first use, and that is a rather scary prospect.

The Foreign Secretary said that the deterrent was an "insurance policy" against an uncertain threat, but talk of an insurance policy is simply wrong. If someone destroys a house, the purpose of an insurance policy is to pay to rebuild the house; it is not to destroy the house of the person who destroyed it. Let us find a better analogy. The best one that I can think of is a booby trap. The Secretary of State assures us that if someone walks into our "house", there is a likelihood

that that devastating booby trap, wandering round the oceans of the world, will go off. That is not like any insurance policy of which I have ever heard. In what circumstances could the horribly high rate of collateral damage caused by a nuclear weapon be justified? It is hard to deter those who have a religious conviction that death is better than life, or who are irrational, so the weapons are aimed at a tiny proportion of the threats against us—those from rationally led states. That is not a conclusive argument, but the equipment is very expensive for deterring that sort of threat.

I am not convinced that we can delay the decision; I think that we have to make it today.

Clare Short (Birmingham, Ladywood) (Ind Lab): The right hon. Gentleman has expertise as the Chair of the Select Committee on Defence. Could the UK purchase American submarines more cheaply, and delay the decision? I am asking him as an authority on such matters. Would that not be a possible strategy for the UK?

Mr. Arbuthnot: That is a good question, because the Secretary of State for Defence came before the Select Committee and said that there was no certainty that the Americans would sell us nuclear weapons. *[Interruption.]* Sorry, nuclear submarines.

As for the arguments in favour of the decision, given that other countries are pursuing nuclear weapons, it is an odd time to be disarming unilaterally. While our moral authority may be reduced if we tell Iran to do as we say, and not do as we do, our actual authority is increased by the possession of nuclear weapons. Unilaterally disarming would not have any beneficial effect on non-proliferation. Nobody reduced the number of their warheads when we reduced ours to 200. We gave ourselves moral authority by doing that, but countries such as Iran and North Korea were interested in military authority, not moral authority.

The world has become multipolar rather than bipolar, but it remains true that being strong discourages attack, and being weak can be an invitation to war. Theodore Roosevelt is quoted as saying:

> "I have always been fond of the West African proverb: 'Speak softly and carry a big stick; you will go far.'"

I strongly believe that the UK does not want to be dependent on others, even including the United States, for deterrence. For those reasons, on balance, I am inclined to support the proposal, but I am deeply troubled by it.

Dr. Julian Lewis (New Forest, East) (Con): Before my right hon. Friend leaves that point, will he consider one other factor? How could this country engage in a conventional response to conventional aggression if the people who initiated that conventional aggression had even one or two mass destruction weapons, and we had been unwise enough to give up all of ours?

Mr. Arbuthnot: I was a grateful recipient of my hon. Friend's brilliant essay on nuclear deterrence, which partly persuaded me. For the reasons that I have given, I have decided to support the proposal. I am not inclined to take the risk of allowing the unilateral nuclear disarmament of this country to send us naked into the conference chamber, as Nye Bevan once put it. The trouble is that those considerations apply just as strongly to Iran as they do to the United Kingdom. Why should we expect a proud Iranian nation to go naked into the conference chamber? It is a difficult question. My answer is that we have the world that we have.

We would like a world with no nuclear weapons in it, but there is not the smallest hope of achieving that without gradually reducing the nuclear weapons of those states that have them, while doing our utmost to ensure that no new countries acquire them. Will we succeed? I am sad to say that I doubt it, because I am profoundly pessimistic about the future of the world. Climate change has the capacity to make the planet uninhabitable for humans, and now that nuclear technology has been invented, it will never go away. There are nuclear weapons around, and sooner or later one or more of them will get into the hands of people who we would rather did not have them. We now have the ability to destroy the world, and I regret to say that it is natural human behaviour that when we have the ability to do something, sooner or later we try it out. I believe that that will happen before climate change has had time to do its work.

3.7 pm

Mr. Bruce George (Walsall, South) (Lab): It is a great pleasure to follow my successor, the right hon. Member for North-East Hampshire (Mr. Arbuthnot), as Chair of the Defence Committee. I share his concerns and, despite my previous views, I long ago reached the conclusion that nuclear weapons are a disagreeable necessity. Some say that we should retain strong conventional weapons, but I tell them that conventional weapons can be even more destructive than many nuclear weapons, so I cannot see the morality in bombing the hell out of cities with vast numbers of conventional bombs. There is no morality in that argument.

I am not an historian, but I am interested in history, and after the events of 1989 there was a naive belief that world peace was breaking out. That never happened. If we consider the past 400 or 500 years, we can see that major treaties that were meant to end warfare never did. Westphalia, Utrecht, Versailles and events after the second world war were followed not by the outbreak of peace, but by endless wars. One reaches the regrettable conclusion that if one takes the over-confident, liberal view—it is called that, but it does not have anything particular to do with the Liberal party, although I do not mean to be disparaging—[HON. MEMBERS: "Go on!"] No, I will not be disparaging. Liberal Members are looking very uncomfortable, having conceded the need for nuclear weapons in principle. I do not mean to paraphrase George Bernard Shaw, but they have conceded the principle; now we are arguing not about the cost, but about the timing. The fact that they have conceded that principle is, in my view, a welcome step forward.

We are living in a highly dangerous world. To throw one's conscience at countries that do not share those liberal values is highly dangerous. I hate to be called a realist—although I have been called worse—but we have to accept the world as it is, not as we would wish it to be. A single submarine sailing the channels and oceans will not be the deciding factor in a nuclear conflict—it is just one submarine on patrol—but whatever phraseology one uses, whether or not we like the concept of insurance, it is a price worth paying. As almost everyone who makes the deterrence argument

[Mr. Bruce George]

has said, it is a bluff; we never want to use the weapon, but it can deter others from using their weapons against us.

The question has been asked, how do we deter terrorists? It is not easy, but we should read French strategic thinking, because the French have thought deeply about the issue. They promise retribution to any state that arms terrorist organisations—not a full nuclear strike, but a response nasty enough to deter.

Mr. Mohammad Sarwar (Glasgow, Central) (Lab): Will my right hon. Friend give way?

Mr. George: No, I am sorry I cannot. There is a time limit.

We have to retain Trident and replace it with Trident. Some might think that exchanging one model for another is hardly a momentous decision, but it is. Furthermore, it is a decision that many people approach with pre-conceived ideas. This is not mea culpa, but I believed for some time that replacing Polaris with Trident was the wrong decision. I have never traded in my CND badge—as the Foreign Secretary did—because I never actually wore one or wanted to do so. My views were not unilateralist, they were pragmatic. I believed that taking a large chunk of the defence budget away from conventional forces was not a price worth paying. Subsequently, I have publicly recanted on several occasions the arguments I advanced at that time. My research assistant and I wrote the minority report to the 1980-81 Defence Committee report. We wrote a very good report, but on reflection it was tosh. Those who make similar arguments have not yet made that concession. Anybody opposed is making specious arguments. The arguments are not finely balanced.

Mr. Salmond: Will the right hon. Gentleman give way?

Mr. George: No; I am sorry.

Mr. Salmond: The right hon. Gentleman will get two extra minutes.

Mr. George: Even if I had an extra two hours, I would not concede. The hon. Gentleman can sit down and whinge as much as he likes—*[Interruption.]* I would bet on that.

The arguments are not between people with principle and conscience and those who lack those qualities. The defence of the realm is not just a pragmatic and moral issue; it has to be determined on the basis of conscience. It is difficult to argue to some people the case for spending the 3 per cent. of our defence budget that the Foreign Secretary set out, which is far less than I believe it would have cost to replace Polaris by Trident. Then, we were talking about 15 or 20 per cent. of the defence budget, which was wholly erroneous.

In those days, when I had changed my mind about the replacement of Polaris by Trident, I none the less always supported the Labour Opposition line because of what was in our manifesto. In the last three elections I voted for myself—a wise decision—on a manifesto that said that Trident would be an essential element in Government policy. I am standing by that, but people who lectured me 20 years when I was thinking of abandoning a manifesto commitment are now abandoning a commitment that was freely agreed to by the Labour party.

Mr. Michael Mates (East Hampshire) (Con): Will the right hon. Gentleman give way?

Mr. George: Provided that the right hon. Gentleman is brief.

Mr. Mates: Of course I shall be brief. The right hon. Gentleman was speaking so frankly that I wanted to give him an extra minute. He mentioned the proportion of the budget to be taken by Trident and its replacement. Does he agree that if there is to be a continual reduction in the overall defence budget, more and more will be taken from the conventional forces that he and I want to be robustly maintained?

Mr. George: This is not the place to argue the case for a significant increase in defence expenditure, but I have always argued for it—even against the right hon. Gentleman's Government. Every report produced by the Defence Committee between 1979 and 1997 argued that the defence budget should not slip further and further down. As to the specious arguments, I have heard nonsense about costs. They are the same sort of arguments that I delivered 25 years ago. Some say the cost will be £78 billion, yet the Secretary of State for Defence says it will be £15 billion over 15 years, and I believe him, so those claims are scare tactics.

What about breach of the non-proliferation treaty? For every academic who says that there is a breach, we can find people equally, if not more, reputable who argue that there is no problem with the NPT.

Mr. Gordon Prentice *rose—*

Mr. George: No, I am not giving way. The hon. Gentleman can make his own speech.

What about the argument on opportunity costs? That relates to the point made by the right hon. Member for East Hampshire (Mr. Mates). There may be opportunity costs in spending £15 billion, but that could easily be remedied if the Government had the bottle to say that they regard almost 2 per cent. of gross domestic product in an increasingly dangerous world as inadequate.

Should we stay nuclear? I argue that we should. Should there be three or four Trident submarines? That is a matter of judgment, because if there is an accident three will become two, which will not give us a continuous presence. There are so many other arguments—

Madam Deputy Speaker (Sylvia Heal): Order. The right hon. Gentleman's time is up.

3.17 pm

Mr. Michael Mates (East Hampshire) (Con): It is a real pleasure to follow the right hon. Member for Walsall, South (Mr. George), who succeeded me in the Chair of the Defence Committee, so we have now heard a triumvirate with broadly similar views.

Unlike some other speakers, I do not want to deal with the strategic issues that underlie the question of whether to maintain our independent deterrent. The House will not be surprised to hear that I agree that we should keep it, although the arguments in favour are quite different from the time when we were debating

whether to replace Polaris with Trident, as my right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot) said, and the case is not as clear cut as it was then. I want to explain why I believe that if we update our deterrent, the sort of deterrent we need will be different from when we took that decision.

In 1980 the world was bitterly divided between blocs—NATO and the Warsaw pact—and in those circumstances it was no wonder that we maintained a 24-hour, 365-day a year deterrent. It consisted not just of the Polaris missiles, but of free-fall nuclear bombs, nuclear depth charges and Lance surface-to-surface missiles based in Germany. It was a formidable arsenal, but with the end of the cold war most of it has been stood down. No one today would seek to justify the level of deterrent we believed we needed then. The political and strategic picture is wholly different.

The different threat level is already reflected in the way in which the deterrent now operates—there is one submarine on patrol and I understand that it is at several days' notice to fire, rather than on continuous alert. Since 1994, the missiles have been de-targeted.

The level and immediacy of the threat is now regarded as so low that the submarines can undertake hydrographic work and join in naval exercises with other vessels. The sub-strategic deterrent that was considered essential now consists of one Trident missile with one warhead rather than a multiple weapons system. We should welcome that reduction in the size and scale of our deterrent posture; it fits with the times we live in and is consistent with our international obligations on the reduction of nuclear capability. A renewed deterrent will need to be equally flexible to respond to any changes in the strategic picture over its long lifespan. It will also need, in financial terms, not to be too much of a drain on an already over-stretched defence budget.

In considering a replacement for the current deterrent, the White Paper examines various options. It rejects the notion that a land-based system would be practical. Equally understandably, it rejects as too costly and impractical the notion of a surface ship carrying ballistic missiles. Finally, the option of an air-based deterrent with converted aircraft has been turned down, not least because cruise missiles are vulnerable to being shot down and are unreliable, and no nuclear cruise missile could be introduced without testing it—and such a test is forbidden by the test ban treaty.

The Government have rightly decided that the new deterrent will be based on submarines similar to the Polaris and Trident systems. The issue in 1980 was whether we needed four or five such boats in order to maintain a continuous deterrent. Today, the question is whether we could manage with three. I believe that the Government need to give serious consideration to both the number of new submarines and to their size. In their White Paper, the Government say the decision has yet to be taken on how many submarines will be required. Quite rightly, Ministers take the view that we must have sufficient submarines in order that a continuous at-sea deterrent can be maintained. I agree with that, but we need to consider whether and how we might devise a way of meeting that requirement in a manner that could reduce both the capital and the running costs.

Given the change in the strategic picture and the unlikelihood of a sudden massive attack that required the availability of an instant response to deter it, I believe that we should look at the possibilities of international co-operation to meet our deterrent needs. In that regard, we should explore the possibility of coming to an understanding with the French. Before eyebrows reach the ceiling, let me say that I am not talking about the security implications, simply about patrolling. The French see themselves as having a similar deterrent requirement to ourselves and they are in the process of updating their independent deterrent, but now with four submarines instead of five.

It has always been the position of successive Governments that the only way to guarantee one ballistic missile submarine at sea all the time is from a fleet of four. That relates to the right hon. Member for Walsall, South's point about the possibility of an accident. However, if an understanding could be reached whereby the at-sea and, therefore, invulnerable deterrent was shared between ourselves and France at times, it seems to me possible, or even likely, that each of us could manage with one submarine fewer. Such an arrangement need not in any way affect the integrity or independence of our deterrent, nor need there be any degradation of the security relating to targeting, pay loads, patrol patterns or anything else. It would simply involve an agreement over the timing of the departure and return of each country's deterrent patrol. There would thus be a guarantee of a European deterrent at sea in the unlikely event of a surprise or short-notice nuclear attack. Such a scenario may seem unlikely or even impossible as we speak, but we are talking about the uncertainties, both strategic and political, of the next 30 or 40 years. Had we been taking such decisions in 1980, when the right hon. Member for Walsall, South and I were debating this, and painting a picture of 30 or 40 years' time, we would have been seriously wrong about the timing of the ending of the cold war.

I immediately hear objections that one cannot rely on the French and that their priorities might be different from ours, but I do not believe that those form an insuperable barrier to co-operation. While a French deterrent patrol was at sea, we could maintain a submarine alongside, ready to sail in a matter of hours. I believe that a ballistic missile could even be fired alongside should an attack appear with no or little warning, unlikely as that is. I think that that is technically possible. However, that is not the threat we are aiming to meet because a no-notice attack is in the realm of the most unlikely, bordering on impossible, at the moment.

Last year, on a visit to Brest—the headquarters of France's deterrent forces command—I discussed this thought with Admiral Boiffin, the commander of all France's strategic deterrent assets. He readily agreed that there could be considerable cost savings on both sides if there were to be co-operation and he acknowledged that he could see no military objections, given the extreme pressure on defence budgets. But, of course, he added that it was not a decision for him but for his political masters in Paris. That is why I am putting it to our political masters in London. I commend this thought—it is only a thought—to the House as a serious way to try to maintain our deterrent in the most cost-effective manner.

The second area where I believe the change in the type of threat merits a change in the operation of the deterrent is over the size of any submarines. We can

[Mr. Michael Mates]

reduce their size and we do not need as many tubes. If we can get some sort of synergy between the next generation of ballistic submarines and the next generation of hunter-killer submarines, there are huge potential cost savings.

Overall, in replacing this deterrent we need to look for cost-effectiveness and co-operation, and a way to do that with the least impact on a defence budget that is already very stretched.

3.24 pm

Dr. Gavin Strang (Edinburgh, East) (Lab): The House should not forget that the scale of indiscriminate destruction that can be unleashed by a single nuclear warhead is unparalleled. It was Nikita Khrushchev who said that in a nuclear war, the survivors would envy the dead. Almost by definition, nuclear weapons inflict death and suffering on civilians, and the suffering is not confined to those present at the blast. Descendants of survivors of Hiroshima and Nagasaki are still being born with genetic defects today. The House will be aware that the current generation of so-called small nuclear weapons are many times more powerful than the two dropped in Japan at the end of the second world war.

I spent most of my political life during the cold war. There was a very real fear in Europe in particular that there really would be a nuclear war. There was a recognition on the part of many of the leading countries, including the United States and Britain, that if nothing were done, it would only be a matter of time before a large number of countries acquired nuclear weapons. This was a terrifying prospect. Clearly the more countries that have nuclear weapons, the greater the chance that they will be used. It is against this background that the international community, with Britain playing a major role, resolved that the world should instead become free of nuclear weapons. In 1968, the nuclear non-proliferation treaty was agreed, and it was ratified in 1970.

At the heart of the treaty is a deal between the non-nuclear weapons states and the nuclear weapons states. The non-nuclear weapons states agreed not to seek to acquire nuclear weapons; in return, those states get assistance with civil uses of nuclear energy and, crucially, the promise of complete nuclear disarmament from the nuclear weapons states. It is generally believed that the non-proliferation regime, with the non-proliferation treaty at its heart, has played an important role in curbing the spread of nuclear weapons beyond the nine or so states currently believed to hold them. The treaty is, as Ministers have put it, the cornerstone of the international non-proliferation and disarmament regime.

The end of the cold war brought a window of opportunity to make real progress in fully implementing the nuclear non-proliferation treaty. The tragedy is that this is not the way in which it is turning out. In recent years, there has been growing disillusionment among the non-nuclear weapons states. They fear that the nuclear weapons states are not prepared to fulfil their disarmament obligations. The world's non-proliferation mechanisms desperately need strengthening. That window of opportunity still exists.

No country is better placed than Britain to make a major contribution internationally in this field. After all, neither Britain nor western Europe is subject to any direct military threat and the Government have stated that no such threat is foreseen. This is the time when Britain should be taking the initiative to encourage nuclear disarmament and non-proliferation. It is profoundly depressing that the Government want to procure a new generation of Trident.

The decision to buy a new generation of Trident would damage non-proliferation efforts. After all, we have an obligation to move towards complete disarmament, and making provision to renew Trident clearly runs counter to that obligation. We seek to persuade non-nuclear weapons states not to pursue nuclear weapons programmes, and we seek to persuade the international community of the need to strengthen the world's non-proliferation mechanisms. Those exhortations will be met with increasing cynicism if, at the same time as we make them, we buy a new generation of Trident. It will not be just our credibility that is damaged—faith in the world's non-proliferation regimes will be further undermined. By renewing Trident we will effectively say to other countries that nuclear weapons are so vital that we are prepared to spend billions of pounds to make sure that we have them in the 2020s and beyond, even though the Government admit that we do not face a foreseeable direct military threat. Far from persuading other nations to remain non-nuclear, we will send a signal that nuclear weapons are vital.

The Government argue that we should renew Trident, not because of any foreseeable threat, but because we cannot accurately predict the nature of the world in 30 or 50 years' time. Surely, the same is true for any country in the world. Germany, Japan and Egypt, for example, do not know what threats will face them in the 2020s and beyond. There is nothing in the Government's justification for renewing Trident that does not apply to every country in the world. That clearly undermines our argument that non-nuclear weapon states should continue to forgo nuclear weapons. The Government rightly say that we do not know what the future holds, but we can be sure that a decision not to renew Trident would avoid the damage that would be done to non-proliferation efforts if we go ahead with renewal.

I would like the UK to decommission Trident. Other countries have given up nuclear weapons: South Africa abandoned its nuclear programme, as has Libya, and Ukraine got rid of its nuclear weapons too. We applauded those countries for the course that they took. None of the countries that abandoned their nuclear programmes are any less secure, and neither would we be. Indeed, Britain would be a safer place if we did not renew Trident because, first, we would avoid the detrimental impact of Trident renewal on the non-proliferation regimes and, secondly, we could spend our defence budget more effectively. Instead of spending £20 billion on renewing Trident and £1.5 billion every year running it, Britain could put more resources into defence equipment and operations more relevant to our security needs in the 21st century.

The prospect of nuclear proliferation is as dreadful today as it was in the 1960s, when the nuclear non-proliferation treaty was agreed. This is a critical period, and the decisions that we make today will have an important bearing on the deployment of nuclear weapons world wide. Consideration of whether to procure a new generation of nuclear weapons should take place in the context of the role that Britain should play in the world

today. My vision of Britain is of a leader in global non-proliferation, keeping our commitments and strengthening the world's nuclear safeguards, which is why I will vote against the renewal of Trident.

3.31 pm

Mr. Michael Ancram (Devizes) (Con): As my right hon. Friends the shadow Ministers know, and as I have indicated over the past six months, I cannot support the Government in the Division lobby tonight. The effective decision to replace Trident is premature, it has not been fully considered, and it is not justified. The debate is not about being for or against nuclear weapons. I was strongly supportive of Trident and our other nuclear deterrents during the cold war. Trident will be with us for the next twenty years, and possibly longer, so that is not the issue.

This debate is about the deterrent which, in 17 years' time, we will bequeath to the next generation. None of us can predict what international relationships will be like so far ahead, yet we are being asked to make a full commitment to a highly expensive weapons system that, in the event, could prove ineffective as a deterrent and is questionable in its justification. We are committing not ourselves but the next generation, who may have very different views on deterrence and, indeed, on which defence priorities we should spend the massive sums involved.

There are three key questions. First, do we need a deterrent? My answer is yes. In an uncertain world, it is surely better to deter aggression than to respond to it after it has occurred. To be successful, however, a deterrent must be proportionate to the perceived threat; it must be clearly effective and credible; and therefore need never be used. Belief in the aggressor's mind that there is the will if necessary to use that deterrent is essential to its credibility, which is why it must be proportionate. Cold war deterrents worked because the balanced threat of mutually assured destruction and the nuclear doctrine between two rational enemies who understood the consequences assured its success. Any future deterrent must be powerful enough to create fear in the potential enemy; its nature must be such that the enemy believes we would really use it if attacked; hence it must proportionate to the threat that the enemy poses.

The next question, which is crucial, is: does the deterrent need to be nuclear? Nuclear warheads are weapons of mass destruction. When we faced the vast Soviet nuclear arsenal, they made sense, because the Soviet bloc was a known enemy that posed a quantifiable threat. The nuclear arsenal of the West was sufficient to deter that threat and, in my view, it was proportionate to it.

Since 1989 things have dramatically changed. The enemy today and in the future is unclear and its threat is unquantifiable. Proponents of replacing Trident argue that there might be a revival of the Russian confrontation. That is a pretty long shot. Even longer is the scenario of a new cold war-style ideologically-driven nuclear arms race where our nuclear deterrent would once again become relevant. The only ideological conflict that I can see is one where it would not be a deterrent anyway, because of the nature of that ideology. We are told that Trident is an insurance against such remote possibilities, but £20 billion is a pretty hefty premium against a pretty unlikely threat.

Today's and, I suspect, tomorrow's threats come more from international terrorism and so-called rogue states. Iran is sometimes cited as encompassing both. Let us, for the sake of argument, assume that she could pose a nuclear threat to the United Kingdom. Does the House really believe that a British Government, even in response to an attack, would in the 21st century be prepared to obliterate Tehran? I do not believe that and, more importantly, I do not believe the Iranians believe it, yet that is the stark key to successful deterrence, and if that belief does not exist, it is not a deterrent.

The truth is that the idea of automatic reactive mass obliteration, which was so fundamental to the concept of mutually assured destruction, does not wash any more, and people in the west would not accept it. Yet Trident's credibility rests on it. To me, Trident was a deterrent of the 20th century; it is not a deterrent of the 21st. We should be looking for something more proportionate and therefore more credible, and that might well not be nuclear. If we need time to do that, we should make that time.

If the deterrent is nuclear, should it be Trident? Trident was originally chosen because it was mobile and invisible, and therefore invulnerable to pre-emptive strike. We are told that that is still the case today. But will it still be invisible in 20 years? That is the crucial question. Do we believe that, by then, advances in technology will not have found a means of tracking submarines underwater from space or from the sea itself? If so, Trident will be redundant and the massive expenditure will have been wasted. Are we prepared to bet against that?

Are there alternatives? Having chosen Trident, the Government are determined not to weaken their position by conceding that there might be alternatives. I understand that. They have a case to make. However, after pressing them for many months, I was pleased that they finally acknowledged that alongside the options in the White Paper, there has been research into the electromagnetic launch of projectiles to achieve hypersonic velocities, and that study of kinetic energy missiles has been undertaken, albeit now discontinued. My hon. Friend the Member for The Wrekin (Mark Pritchard) referred to those. I have heard also from other sources of more substantial research work into these technologies which suggests their potential to be developed into variable, non-nuclear but powerful weapons systems that could become credible deterrents.

That is what we should be exploring, yet such options are not even discussed by the Government in this debate or in the White Paper. In fairness to the generation upon whom we are effectively seeking to dump an irreversible commitment to "son of Trident", we should at least show that we have examined the options before doing so. I believe and have argued previously that before the House takes a final decision, we need a senior independent examination of and report on all the options, not just those in the White Paper. The decision is far too important to railroad through the House.

Do we have to decide now? American experts, including Professor Richard Garwin and former Principal Deputy Assistant Secretary of Defense Philip Coyle, tell us that on United States' experience, our submarines could also have their life extended significantly beyond present

[Mr. Michael Ancram]

calculations. Indeed, Philip Coyle says that the Vanguards included later improvements on the US design and

"my hunch would be that because of the improvements made by the UK, UK systems would have longer lifetimes than US systems".

Whatever the exact truth, there is undoubtedly flexibility on time. The Government should use it to allow a proper assessment of their case to be made. Their failure to do so smacks of a rushed decision that will affect not us, but the next generation. We owe the next generation better than that. We owe them an honest assessment and a fully and responsibly justified decision. The White Paper and the motion offer neither of those. I will therefore support the amendment in the Lobby tonight.

3.39 pm

Sir Gerald Kaufman (Manchester, Gorton) (Lab): There is no doubt that nuclear weapons are the greatest menace to life on this planet. Climate change is an immense concern, but as was shown in Al Gore's Oscar-winning film, "An Inconvenient Truth", at last week's European Union conference, and by this week's Bill, with effort it can be contained and even reversed.

The effect of nuclear explosions, on the other hand, is permanent and irreversible. I have paid my respects at the peace memorial at Hiroshima, where descendents of the original victims still pay the price of one day's folly. I have seen the Japanese city of Kokura, the intended target of the second atom bomb. When cloud prevented the bomb from being dropped there, the United States bomber crew, thinking it a pity to waste it, dropped it on Nagasaki instead, causing hundreds of thousands of immediate casualties and indefinite trauma from fall-out.

The Chernobyl explosion made lamb meat uneatable in Cumbria. If the nuclear power station at Three Mile Island had gone up, the effect of the so-called China syndrome would have caused irremediable havoc, not only in the United States but throughout the world.

When Neil Kinnock placed me in charge of the defence review after Labour's election defeat in 1987, it became speedily clear to me that the menace to Britain and the world of nuclear weapons could not be solved simply by Britain getting rid of Trident. There were then four other proclaimed nuclear weapons powers, each of them a threat to the entire planet, together with Israel, which has never admitted to possessing nuclear weapons but is universally known to have them. The only hope of reducing and eventually ridding the world of this threat was not by self-congratulatory unilateral action but by international negotiation. That is why my policy document, "A power for good", said:

"It will...be the policy of the Labour government to use all effective means to reduce nuclear armaments and to move towards the objective of a nuclear-free world.

The Labour Party believes that fully verifiable international agreements, achieved by negotiation with and between nuclear-armed powers, are the best way of achieving those ends."

That is why, when the Labour party's national executive approved that document, Neil Kinnock declared, when he discussed this issue with world leaders, that

"they were totally uncomprehending that we should want to get rid of a nuclear missile system without getting the elimination of nuclear weapons on other sides, without getting anything for it in return."

Clare Short: My right hon. Friend will remember that when we on the national executive were persuaded by his policy document, we made a commitment to try to come out of nuclear possession together with all the other smaller nuclear powers. Does he think that that part of the policy was ever honoured or that any serious effort was put behind it?

Sir Gerald Kaufman: What I do remember is that the right hon. Lady supported the document before the national executive, as did Robin Cook.

At that time, when we were considering these matters, the German Foreign Minister said to me:

"agreements are better than unilateral moves because they can be verified and cannot be reversed."

That, of course, was after the Labour party's disastrous defeat in the 1983 general election on a manifesto that I called

"the longest suicide note in history".

That, of course, was when my right hon. and noble Friend Lord Kinnock was still hoping to become Prime Minister rather than a twice-failed Leader of the Opposition. And that, of course, was before India, Pakistan and North Korea had become nuclear weapons powers.

That shift of policy removed an insuperable barrier to the Labour party's electoral credibility. Without it, many of my hon. Friends would not be in this House today, including some who may be contemplating voting against the Government this evening. Do those hon. Friends really believe that our shared objective of world nuclear disarmament can be achieved by unilateral disarmament by Britain? Do they really believe that if we gave up Trident, the eight other nuclear weapons powers would say, "Good old Britain! They have done the right thing. We must follow suit."? Pull the other one!

Mr. Sarwar: Will my right hon. Friend give way?

Sir Gerald Kaufman: If my hon. Friend will allow me, I should like to continue.

The only way in which we can give a lead in world nuclear disarmament is to sit down with the others and to engage in hard bargaining. That, after all, is how we achieved success at the Brussels climate change talks last week. Britain did not achieve that success by being absent or by opposing European Union membership—as we did, let us not forget, in the longest suicide note, long before our active and co-operative United Kingdom membership of the European Union enabled my right hon. and noble Friend Lord Kinnock to become a European Commissioner.

The Climate Change Bill on its own, however admirable, cannot bring about world action to remedy climate change. That requires international co-operation. Voting tonight to give up Trident will not persuade Israel and North Korea to give up nuclear weapons. Their threat will remain until international action is taken to reduce and remove nuclear weapons.

In my speech to the Labour party conference commending our defence document, I said:

"A move by a Labour government to get rid of nuclear weapons without agreement internationally could be reversed by a non-Labour government."

Defeating the Government tonight—which is what must be the intention, in all honesty, of anyone who

votes against them—could so reduce our party's credibility as to contribute to a Labour defeat at the next election. Do my hon. Friends really believe that there is the slightest hope of a Tory Government not renewing Trident, given the opportunity, or of a Tory Government taking active steps towards international nuclear disarmament?

A cartoon in *The New Yorker* once showed an army officer in a bunker saying to his assembled troops:

"Gentlemen, the time has arrived for us to make a futile gesture."

Futile gestures can be personally satisfying, but what do they get us? I will tell the House what they get us: 18 years in opposition. It is one thing to revisit the scene of the crime; it is quite another to revisit the scene of the suicide.

3.47 pm

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): When a Minister resigns on an issue of principle, as the hon. Member for Edinburgh, South (Nigel Griffiths) has, one must pay tribute to his integrity. My right hon. and learned Friend the Member for Devizes (Mr. Ancram) made a brave and important speech this afternoon, and he also deserves a tribute for his integrity. I hope, however, that they will both forgive me for saying that I believe that they are fundamentally mistaken. I believe passionately that deterrence has been seen to work in the past and that it continues to be very persuasive for the future.

During the cold war, which could at any time have led to a hot war, I had no doubt that the Soviet Union would have contemplated conventional aggression but was deterred from doing so by the realisation on both sides that any conventional attack could quickly escalate into something far more awesome. That mutual restraint was a crucial consideration, and it differentiates countries such as the United Kingdom from some of the rogue states that might be contemplating acquiring a nuclear weapon. It was asked what difference it would make to a country such as Iran if Britain did not give up its nuclear weapons, but I believe that there is a fundamental distinction.

I would also say to my right hon. and learned Friend the Member for Devizes that even bad Governments, evil states and aggressive regimes can be deterred. They are not all irrational. We now know that, during the Gulf war, the United States made it clear to Saddam Hussein that, if he used the chemical weapons that he had at that time, he would invite a similar response. There is every reason to believe that that carried considerable credibility.

I had the privilege of serving as Defence Secretary for three years, and for having responsibility for our Trident programme at the time. However, it was not me but the Prime Minister who would have had to take any decision on the use of that deterrent. When I was appointed Foreign Secretary, however, I found that I was one of two Ministers nominated by the then Prime Minister to act on his behalf in the event of either his death or incapacity at a time of grave crisis for this country. That is a pretty sobering responsibility with which suddenly to find oneself. I share with all Members, including those with whom I disagree, the realisation that nuclear weapons, unless dealt with in a sane and responsible fashion, can have awful consequences for the world in which we live.

Why do I come to a different conclusion? I do so for several reasons, which I have no hesitation in sharing with the House. Of course, the cold war is over and the threat that we faced at that time is unlikely to reappear, but it is not guaranteed that it cannot reappear. We are going to live in a world in which the United States and Russia will remain nuclear superpowers for the foreseeable future. The two powers of the future, India and China, are already nuclear powers. What are the implications for western Europe? Were Britain and, I presume, France to be persuaded by the arguments that we have heard from certain quarters, would western Europe be unable to defend itself from the kind of threat that, however unlikely, could arise? In the context of half a century, we cannot assume that the nuclear umbrella that the United States has provided will necessarily continue to be available.

The likely problem has never been that we would be attacked with nuclear weapons, but that a nuclear-armed aggressor could say to a country disarmed of nuclear weapons, "Unless you concede to our requirements, we will threaten to use our nuclear weapons against you, in the knowledge that you cannot retaliate." That is what deterrence is about; unless we have the capacity to deter, we are able to be blackmailed and have no alternative but to concede.

Mr. Kilfoyle: Where does the amendment mention abandoning Britain's independent deterrent? Why do Members such as the right hon. and learned Gentleman have to put arguments that, in my view, are entirely specious—those questions are not being asked tonight?

Sir Malcolm Rifkind: If the hon. Gentleman will forgive me, we are debating not just the amendment but the whole principle of the relevance of nuclear weapons at this time. As he mentions the amendment, let me say that whatever decision is taken tonight, it is absurd to suggest that the House and the country could not reconsider that decision if, unexpectedly, there was the prospect of major progress on multilateral nuclear disarmament. The contracts for the new submarines will not be decided until 2012 at the earliest. Whatever Ministers might say, if the world moves in a much more favourable direction, decisions can be reconsidered and taken in the way the hon. Gentleman might wish.

We live in a difficult and uncertain world. Russia is not turning into a modern, democratic society as we might have wished, and is rearming in a significant way. Russia under President Putin is no threat to the United Kingdom, but who can predict who might rule from the Kremlin and have available nuclear weapons with which to threaten the peace of the world in the next 50 years? Only a few years ago, a Mr. Zhirinovsky, who, interestingly enough, led a party called the Liberal Democrats, made considerable progress in moving towards power in Russia. Of course, he has been rebuffed, but none of us can be certain about what will happen in that country.

The worry about the new states seeking to acquire nuclear weapons, such as Iran and North Korea, is that they do not have the tradition of restraint—until recently, India and Pakistan did not even introduce a hotline to minimise the risks associated with nuclear weapons. To imagine that this country's security would somehow be safeguarded in a world in which new

[Sir Malcolm Rifkind]

nuclear powers are coming forward and in which, were the advice accepted, western Europe was to be the one region that not only did not have the capacity to deal with such threats but had by its own choice ceased to have that capacity, would be very foolish.

My right hon. and learned Friend the Member for Devizes referred, quite reasonably, to terrorist organisations. Of course we cannot threaten to use nuclear weapons against a terrorist organisation; but terrorist organisations are already seeking, and will continue to seek, to acquire the capacity to develop dirty bombs and other weapons of mass destruction, and they will look to rogue states—to Governments—to provide them.

We know already that some Governments have been willing to provide terrorist organisations with the most vicious armaments. It is those Governments whom we can deter by making clear, as we must, that in the event of any attack involving weapons of mass destruction—certainly nuclear weapons—we would not simply go for the terrorists concerned. We would go for those who had supplied them as well, even—especially—if they were Governments who did not accept the proper international constraints.

It is not as if we are saying that progress towards multilateral disarmament is either undesirable or unattainable. The Government are right to point to the fact that under successive Governments—both the last Conservative Government and this Labour Administration—the United Kingdom has moved further than other nuclear power in reducing its nuclear capability. I was Secretary of State for Defence when we made the decision to get rid of our free-fall nuclear capability, to get rid of tactical nuclear weapons, and to make the first substantial reductions in the number of warheads available for our Trident system. That policy has been pursued.

I pay tribute to my right hon. Friend the Member for East Hampshire (Mr. Mates), who said that the time had come to begin discussions with France on possible co-operation. Any threat to France or the United Kingdom in this regard must be a threat to both, given the geographical proximity of our two countries. When the Conservatives were in office we initiated informal discussions with the French Government to establish whether there were common thoughts on nuclear doctrine and on the way forward. My right hon. Friend made some imaginative proposals in suggesting that this might be the time at which to take those discussions further.

The Government deserve the House's support not because this decision will be irreversible, but because it gives a clear indication of our national intent.

3.56 pm

Mr. Don Touhig (Islwyn) (Lab/Co-op): Britain is a nuclear power, and has been a nuclear power for 50 years. We became a nuclear power at the end of the last war when we faced a threat from the then Soviet Union, and the development of the uncertainty of the cold war emphasised that threat. Fortunately the cold war has passed into the history books, but I agree with the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind) that, given the way in which Russia has developed and is developing, there is no certainty that we can be secure in our relations with that country.

Now we are faced with new dangers and new threats from international terrorism and potential rogue states that would seek to undermine international security by sponsoring acts of terrorism, which could involve dirty bombs and nuclear weapons. In 1956, who would have predicted that in 2007 countries such as North Korea, India and Pakistan would have a nuclear capability, or that Iran would have nuclear ambitions? Now, in 2007, who can predict with any certainty the threats and challenges that this country, and indeed the international community, will face in 2024? That inability to predict the future means that scrapping the United Kingdom's independent nuclear deterrent would be a grave mistake, not just for this generation but for future generations.

The White Paper sets out three possible scenarios. We might face the re-emergence of a strategic nuclear threat, we might face the emergence of a new nuclear threat, or we might face the deliberate equipping of terrorist groups with nuclear weapons by a state sponsor. Each of those scenarios might seem too terrible to imagine, but sadly any one of them is possible, and it is for that reason that we must retain our nuclear deterrent.

Those who say that the way forward is merely to give up nuclear weapons must prove that we would not become a soft target for state-sponsored terrorism, or for others who seek to threaten us. I know that, in truth, it is not possible to prove that. While I appreciate the arguments that are advanced, I think it is naïve to suggest that if we gave up our nuclear deterrent, states with nuclear ambitions would follow our example. That is not the real world. Life is not like that; would that it were.

By making the decision to maintain our deterrent system beyond the life of the Vanguards with a new generation of ballistic missile-carrying submarines and extending the life of the Trident D5 missiles, we are renewing the insurance policy that we have had since the end of the war to protect us against those would threaten our security. Would any householder faced with the uncertain prospects of storms and other bad weather not make sure that he or she had a proper insurance policy? In an unpredictable and uncertain world, that has to be right for us.

As all the attention has been focused on the renewal of Trident, it is easy to overlook the fact that the White Paper also commits us to a further 20 per cent. cut in operationally available warheads. That is a good step forward that should be welcomed by all Members. For all the uproar over the renewal of our nuclear submarines, there is a clear commitment from this Government that any nuclear deterrent should be sensible and set at the minimum level necessary for the future defence needs of the United Kingdom.

Some might say that we can put off making this decision. That is wrong and lacks political courage. When I look at the Members representing the Liberal Democrats, I wonder where is the party of Gladstone and Lloyd George—the party that had the conviction and moral courage to take the decisions of the day and not run away from them. It will take an estimated 17 years to design, build and fully deploy a new submarine. A delay in making a decision would mean that there

might be a period when there is a substantial gap in the possession of our deterrent. In what is a rapidly changing world, that is a risk, and we can ill afford to take it.

Attention has been drawn to the cost of the nuclear deterrent, and I am sure that that will be referred to again in other contributions. Indeed, it is right to draw attention to the cost of the Trident replacement. The capital cost of replacing the submarines and extending the life of the missiles is estimated to be £15 billion to £20 billion over 15 years. I agree that that is a massive cost, but if history teaches us anything it is that our freedom is not bought cheaply. There is a cost to preserving our way of life. I, for one, would prefer that we defend our freedom by deploying this deterrent than by sending millions of our young men to the killing fields of war, as we did twice in the last century.

4.2 pm

Mr. Alex Salmond (Banff and Buchan) (SNP): There have been many fine speeches in this debate so far. The outstanding one was that of the right hon. and learned Member for Devizes (Mr. Ancram). In a previous incarnation, he was the Member for Edinburgh, South; he was beaten in that constituency by the current Member for that seat—the hon. Member for Edinburgh, South (Nigel Griffiths). There is clearly something in the water in that constituency that gives people profound good sense when considering the issue we are debating.

Way back in the 1980s when the right hon. Jim Hacker was the Prime Minister, he developed a "grand design", which was to get rid of Trident and to invest the money in conventional forces and make the United Kingdom a safer and happier place. He was dissuaded from that course of action by Sir Humphrey, who in doing so was eventually forced to say that the ultimate reason for having Trident was that it was a Rolls-Royce nuclear system and that Britain deserved the best. Even thus far in this debate, I have detected that there is still that underlying argument about Britain deserving the best, because I think that ultimately this argument is about not deterrence, but Britain's place in the world. It is about virility and vanity, aspiring still to that superpower status, and saying, "We need a submarine platform, ultra-ballistic missile system, and Trident is still the best, so that's the one that Britain should have."

The Foreign Secretary tells us that that system amounts to only 1 per cent. of the nuclear weapons in the world and that we are negotiating that away to virtually nothing. In fact there are, according to the Foreign Secretary, so few warheads left in the Trident system that I sometimes wonder why on earth we have it in the first place. Perhaps we should follow Saddam Hussein's example and merely pretend that we have a nuclear deterrent. Perhaps we could have a virtual nuclear deterrent in order to have deterrence. The destructive force of the real Trident system—the destructive force that is still available—is awe-inspiring and deadly, and, as several Members have said, when we think about it possibly being used, that force is calamitous.

In the 1980s, many eloquent speeches were made by Members on this matter. I was particularly struck by the current Chancellor's contribution of 19 June 1984. In a debate similar to this one, he said:

> "The dominant theme of this debate has been the concern expressed by hon. Members about the escalating cost of the Trident programme, a project which is unacceptably expensive, economically wasteful and militarily unsound. It is a project which, while escalating the risks of nuclear war, puts at risk the integrity of our conventional defences."—[*Official Report*, 19 June 1984; Vol. 62, c. 188.]

Anybody in politics is entitled to change their mind—I have even done it once or twice myself—but I find it extraordinary that people could be against Trident when we faced the real and present danger of the might of the Soviet Union, yet for Trident when we face the potential might of North Korea. That is an extraordinary change of position to adopt. The situation was brilliantly summed up by the right hon. Member for Walsall, South (Mr. George), the former Chairman of the Defence Committee. He revealed to us that he had been speaking "tosh", as he put it, back then. I am bound to think that he did not just speak tosh in the past—he is quite capable of speaking it now and well into the future. There has been an incredible volte-face.

I want to speak about civil society in Scotland. Members will recall that Scotland is, after all, to be the scene of the deployment of this new weapons system for the next 50 years, so what the people of Scotland think about it might be of some interest and concern to the House. It is not just that 80 per cent. of people oppose it; throughout Scottish civic society, people are pointing out, led by the Scottish Trades Union Congress, that it is unacceptable. Some Labour MSPs make the mistake of saying that there will be a jobs boost. They claim that 11,000 jobs will be created, but unfortunately, parliamentary answers in this House reveal that the figure is 1,300. The cost works out at £5 million a job. As the Scottish TUC has pointed out, the alternative cost is the many thousands of jobs anywhere in the public sector that could be generated by such a figure.

However, there are not just economic arguments but moral arguments, too. Scotland's Cardinal, Keith O'Brien, has written to me enclosing a statement not just from the Catholic Church in Scotland, but from all the Christian Churches in Scotland: the Church of Scotland, the Quakers, the United Free Church, the United Reform Church, and the Scottish Episcopal Church. Talking about the Churches coming together to make such a statement, our Cardinal said:

> "I think you would be right in saying in your own statement to Parliament that this is a unique even in the history of the Christian Churches in Scotland".

The Churches' statement is a fine one. I will read just two points from what the Churches said:

> "In April 2006 the Catholic Bishops of Scotland called for Trident not to be replaced but...decommissioned."

The General Assembly of the Church of Scotland said:

> "To replace Trident would represent a further announcement to the world that safety and security can only be achieved by threatening mass destruction; this is to encourage others to believe the same, and thus to hasten proliferation."

When people in this House say that there is no possibility that Iran or North Korea—or even the French—would respond to our renunciation of nuclear weapons by doing the same, they miss the point entirely. They miss the encouragement that will be given to proliferation if we go ahead and invest in a system for the next 50 years.

Adam Price (Carmarthen, East and Dinefwr) (PC): The Foreign Secretary, in referring to the remarks by

[Adam Price]

Mohamed el-Baradei, seemed to give the impression that he was criticising only the United Kingdom in this regard. In the interest of accuracy, I quote what he actually said:

"Nuclear feeds nuclear. As long as certain countries"—

all nuclear countries—

"continue to insist on the indispensable character of nuclear weapons for their security, other countries will want to procure them."

That is his argument.

Mr. Salmond: The point is well made, and of course, it is not just Mohamed el-Baradei; Mikhail Gorbachev and Hans Blix have made very similar arguments, pointing out the dangers in terms of proliferation if the Government go ahead with this disastrous course of action.

The Foreign Secretary repeated what can only be described as the smear made by the Defence Secretary on television a few days ago. She suggested that Mohamed el-Baradei is somehow conspiring against Britain, and that it is unfair that he is commenting only on Trident and not on the other countries. We should remember that this is someone in whom the world is investing so much hope in preventing the proliferation of nuclear weapons. Surely this House should have the decency to pay some attention to the points of view that he is expressing. Incidentally, Hans Blix would have no problem whatever in discovering weapons of mass destruction in Scotland—on the River Clyde.

The Prime Minister says that the country is in grave danger. In fact, he keeps coming to Scotland to try to avert that danger—of Scottish independence. He has said that we are really serious about Scottish independence.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Will the hon. Gentleman give way?

Mr. Salmond: I know that I am on the subject of seriousness, but I cannot resist the hon. Gentleman.

Jim Sheridan: In the hon. Gentleman's usual satirical style, he pokes fun at every party that disagrees with him. In the last few minutes of his contribution, can he give us just a slight insight into what the SNP's defence policy would be?

Mr. Salmond: I poke fun because there has been so much inconsistency in this debate, but even the hon. Gentleman would have to concede that the Scottish National party has been rock-solid consistent in its opposition to nuclear weapons throughout the history both of the party and of nuclear weapons.

In a world of 200 nations, 10 of which are nuclear powers and 190 of which are not, I would like an independent Scotland to be one of the 190, not one of the 10. The desultory argument that has been made is that unless we have nuclear weapons, we will be threatened. If the former Foreign Secretary, the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind), for whom I have great respect, had been the Defence Minister of the state of Iran, he could have put forward exactly the same argument: "We will be threatened unless we acquire a nuclear deterrent." It was said earlier by the Conservative Front-Bench spokesman that we should understand why the state of Israel requires nuclear weapons, but that is against every international agreement. Every country in the world could say, "We are under threat, we require nuclear weapons." The path on which that argument would set us is not to 10 countries having nuclear weapons, but—given their declining cost—to 100 or 150 having nuclear weapons. Do we really think that in those circumstances, any form of international agreement would stop a nuclear exchange?

It is really important that we try to exert whatever moral force we can towards the de-escalation of the nuclear threat. My point about the Prime Minister is that he said that there was a serious risk of Scottish independence. We believe that it is a fantastic opportunity, but if it is a serious risk, why do people want to put their nuclear weapons in a country that could shortly be independent? Is that really a risk that this House would like to take? I can tell the House that this is something up with which the people of Scotland will not put. Surely in those circumstances the safe course of action for the right hon. and learned Member for Kensington and Chelsea, now that he no longer sits for a Scottish constituency, would be to advocate that the replacement of the weapons system be sited on the River Thames, as opposed to the River Clyde.

Unless people can accept the risk in their own community and unless they can recognise that arguments for proliferation could apply to every country in the world, they will take us down the road not of mutually assured destruction, but of certain destruction, from the proliferation of nuclear weapons.

4.12 pm

Mr. Michael Meacher (Oldham, West and Royton) (Lab): One cannot but draw encouragement from the fact that when occupants of both Front Benches come together in agreement there must be a good deal to be said for the opposite argument. So it is today. Like others, I do not believe that the Government have adequately or convincingly answered certain fundamental questions about renewing Trident, in particular its true cost, why a decision has to be taken now, whom it is meant to deter, and how it is genuinely compatible with non-proliferation.

Nor has there been a real opportunity to obtain fuller answers, because the process of consultation has been unjustifiably squeezed. There is an unmistakable sense in this latest exercise that both Parliament and the electorate are being bounced into this decision. I still believe that there is a strong case for further and fuller consultation of the electorate before such a momentous decision—which will cost taxpayers some 6 per cent. of GDP—is made.

The argument against renewal of Trident is extremely strong—

Mr. Chris Mullin (Sunderland, South) (Lab): I think that my right hon. Friend meant 6 per cent. of the defence budget, not 6 per cent. of GDP. He may wish to amend the record.

Mr. Meacher: No, I am referring to a cost of £75 billion—I shall discuss that further in a moment—which is roughly 6 per cent. of GDP. It is substantially higher as a proportion of the defence budget.

The post-cold war environment today is, of course, utterly different from 20 years ago and even the Ministry

of Defence cannot plausibly identify an enemy—either currently or in future—against whom Trident might be necessary. I will come on in a few moments to the uncertainties of future events in the world and to what I believe to be the central issue of the debate.

Mr. Borrow: My right hon. Friend mentioned his concern for the views of the electorate as against those of the House. Should he be successful and become the leader of our party in the autumn—[HON. MEMBERS: "Hear, hear!"]—will he give an undertaking to reverse the party's policy of multilateral nuclear disarmament. If he fails to do so, will he abide by party policy?

Mr. Meacher: I am pleased to see the widespread support that I receive—at least on one side of the House! I would certainly reopen this decision, as I believe that consultation has not been adequate. I would like to see a consultation along the lines of the first strategic defence review, which lasted for a year—1997 to 98, I believe—as nothing less would be right now. On that basis, and taking account of all the relevant options—they have not all been put sufficiently to the electorate—I believe that we should have a further two-day parliamentary debate. I give an absolute commitment that I would abide by the result. I believe that it would provide a fresh and genuine mandate.

If we are talking about the threats that our country faces today, we know that they are primarily terrorism, climate change and long-term energy security—against all of which, of course, nuclear weapons are useless. Furthermore, this is not an independent British nuclear deterrent, since the platform, the delivery system, the warheads, and even the onshore support, are all dependent on our US relationship. The Trident II D5 missiles are leased from the US missile pool under a system known in the trade as "rent a rocket".

Jeremy Wright (Rugby and Kenilworth) (Con): Will the right hon. Gentleman give way?

Mr. Meacher: No, I am not giving way again.

Not only are the warheads designed by the US, but several crucial components without which the system could not work are manufactured in the US, and the system is also reliant on US software for all aspects of targeting. What is even more serious in respect of our over-dependence on the US is that the US provides this kit to us not because they believe that we are necessary to the defence of the west, but because it makes us subservient to US foreign policy. We have already seen that with Iraq and Lebanon, and could well see it again over Iran. I, for one, believe that that is a political price far too high to pay for the next 30 or 40 years.

The enormous cost, of a distinctly vague and uncertain role, has already been touched on. Even MOD officials have admitted that the lifetime costs of Trident renewal could be two to three times the £15 billion to £20 billion figures mentioned in the White Paper—and that covers only the initial building of the system. That is close to the £75 billion I mentioned earlier, which is the amount arrived at by the independent think-tank, the British American Security Information Council.

Figures of that magnitude starkly expose the recently highlighted funding gap within the MOD's current procurement plans beyond 2012. That includes some major equipment procurement such as two carriers, the joint strike fighters and possibly a third tranche of Typhoon Eurofighters. The budget means that we cannot have both those and Trident together: we have to make a choice. I would submit that those systems are likely to be far more relevant and valuable for our defence capability in future than nuclear weapons.

The truth is that none of our wars have been won with nuclear weapons and none of our enemies deterred by them. General Galtieri was not deterred from seizing the Falklands, even though we had nuclear weapons and he did not. The US had nuclear weapons, but that did not prevent them from being defeated in Vietnam and now in Iraq. The French had nuclear weapons, but that did not prevent them from being chased out of Indo-China and Algeria. Israel, of course, had nuclear weapons, but that did not prevent them from being evicted from Lebanon by Hezbollah in 2000 and again last year.

The only argument that the Government and the Opposition fall back on is that we might one day in the hypothetical future, in a worst-case scenario, face a rogue state. However, the logic of the "rogue state" argument, as has rightly been pointed out, is that if we need nuclear weapons against such an eventuality, so does everybody else—not just Iran but the 40 or so technologically advanced states that are already capable of producing nuclear weapons. The question that then arises, which we need to answer tonight, is whether British will really be a safer place if we trigger a spate of nuclear proliferation across the world leading to regional arms races and a world of 40 or more nuclear states. Far from the risk of nuclear war being diminished, I submit that it is far more likely to be enhanced—whether from miscalculation, terrorist acquisition or another cause.

There is no question but that renewing Trident will undermine the spirit of the non-proliferation treaty. There has been a lot of discussion about that, but let us be clear that the deal in that treaty is that the non-nuclear countries will not seek nuclear weapons, on condition that nuclear countries move steadily and in good faith to full—I emphasise the word "full"—nuclear disarmament. If we decide to renew Trident, that will be a clear message that the nuclear states—although I entirely concede that they are making some important reductions in their nuclear weaponry—are nevertheless still baulking at the end process of nuclear disarmament. That is all too likely in time to lead to a steady growth of further proliferation among a whole swathe of non-nuclear states. Ultimately, that could prove unstoppable.

No one—certainly not me—supports the view that Britain can unilaterally bring about nuclear disarmament world wide. That is a complete canard. Of course we cannot, but there is a window of opportunity. Most experts agree that there is no requirement for an immediate decision to be taken on this issue before at least 2014. That gives us an invaluable opportunity to take the lead, which is what I think we should do, in trying to set up a multinational, multilateral nuclear disarmament conference embracing not only the existing nuclear states but also the non-nuclear states that might be tempted to go down this route, in order to give a decisive multilateral push to halting nuclear proliferation.

Mr. Graham Stuart (Beverley and Holderness) (Con): Will the right hon. Gentleman give way?

Mr. Meacher: No, I do not have the time. I believe that what I have described is a much better route to a safer world, and we are in pole position to take a global lead.

Finally, let us not forget that over the past generation more nations have given up nuclear weapons than have developed them. None of those countries—Brazil, Argentina, Ukraine, other former Soviet states and South Africa—regard themselves as less safe than they were before—

Madam Deputy Speaker: Order. The right hon. Gentleman's time is up.

4.23 pm

John Barrett (Edinburgh, West) (LD): It is good to follow a few excellent speeches in the debate. I particularly compliment the right hon. and learned Member for Devizes (Mr. Ancram) who, as the hon. Member for Banff and Buchan (Mr. Salmond) said, was the Member for Edinburgh, South before the current hon. Member for Edinburgh, South (Nigel Griffiths), who has made his resignation speech. The right hon. Member for Edinburgh, East (Dr. Strang) was of very much the same opinion, and I am sure that the Labour Member for Edinburgh, North and Leith (Mark Lazarowicz) will also oppose the Government tonight, as will I as the Member for Edinburgh, West. There may be something in the water.

Tonight's decision on Trident will haunt the House if we get it wrong. If anyone is still wondering why there is a rush to make a decision now, the answer is clear. The Americans are extending the life of their D5 Trident missiles and they want answers in 2007. They need to know whether we are willing to join them. There is no pressing military, political, technical or other reason to make the decision now. The only reason we are being bounced into this decision is the current Prime Minister and his wish to leave the country's hands tied long after he has gone. It is not the submarines that are reaching the end of their shelf life; it is the Prime Minister.

Dr. Julian Lewis: Will the hon. Gentleman explain why, months before the Prime Minister made his statement, the Chancellor of the Exchequer said that he believed that we should keep the nuclear deterrent not only in the present Parliament, but in the long-term future, and why the defence White Paper, as long ago as 2003, made it abundantly clear that the decision would have to be taken in this Parliament? That was nothing to do with the Prime Minister leaving office.

John Barrett: I am sure that the Chancellor would like to see the dirty deed done for him before he comes to office. In the Government's White Paper we are told that only the Prime Minister can push the nuclear button. That is of little comfort to many inside and outside the House.

I am glad to be called to speak in the debate, because not only do I feel strongly about this issue, but I know that many of my constituents feel the same way. Many have written to me and some have asked for copies of the Government's document on the future of the United Kingdom's nuclear deterrent. Others have written on behalf of larger groups and organisations, for example, the Churches.

Emily Thornberry: Will the hon. Gentleman give way?

John Barrett: No, I am just going to give way once.

It has been interesting to hear those views and I have read and answered every letter and e-mail. There has been a steady flow. It would be good to give a few examples of people who wrote to ask me to support the Government's position, but there was not one. One letter was from an Edinburgh city councillor, who asked me to oppose the Government tonight—he asked for my support and he is a Labour councillor.

I have said on many occasions that there are two threats that we must face up to: global warming and terrorism. Nuclear weapons, as has been said earlier, are useless against both. There has been much talk about the uncertainty of the future. Why, then, are the Government so convinced that, in the face of that uncertainty, a nuclear arsenal is the answer? If deterrence is working, will someone explain exactly which nations are being deterred? Which country is so mad that it would launch a nuclear strike on us and, at the same time, so reasonable that it would be stopped from doing so by our possession of these weapons?

The potential use of the weapons is also a key issue. Page 14 of the Government's White Paper refers to the fact that the Government believe that the use of the weapons would not be unlawful and that the threshold for legitimate use would be high. Well, that might be good enough for some, but it provides little comfort to me or many outside this place. Combined with the statement that

"we will not rule...out the first use of nuclear weapons"

it means that the weapons might be used either in a pre-emptive strike, possibly to kill tens of thousands of innocent civilians, or in retaliation, again to kill tens of thousands of innocent civilians. Either way, it would be a disaster and immoral.

Relying on intelligence to launch that first strike is asking others to do the same if they feel under threat from us. Giving everyone a gun does not make our streets a safer place to live in. We in this country are members of a very small, exclusive club of nuclear powers. A very few countries want to join, but most countries are not members and do not want to join. Most European countries do not possess nuclear weapons. If it is good enough for Spain, Italy, Germany, Sweden and Norway, it should be good enough for us.

Page 22 of the White Paper describes the Government's preference for an invulnerable and undetectable system. That is the key component of the entire system. However, the proposal is also based on the assumption that the technology to detect the position of submarines at sea will not be developed soon. When that technology is more accurate and widespread, the position of the submarines will not be a secret at all. Having all the missiles in a submarine whose position is known makes that submarine a target for every terrorist and rogue state that we can think of.

If proliferation is a problem, what moral justification is there to say that we are entitled to possess nuclear weapons, but others, such as North Korea and Iran, are not? Members do not have to take my word for it, they can listen to what Dr. Hans Blix had to say. I remember well when the House was presented with the evidence

in relation to Iraq. When he challenged that dodgy dossier, which claimed that Saddam Hussein had nuclear weapons, the Prime Minister should have listened to him, and we should listen to him now. He has said that modernising Britain's arsenal will put the non-proliferation treaty under strain and will increase the likelihood that non-nuclear states such as Iran will want to join that nuclear club. The chairman of the Weapons of Mass Destruction Commission knows what he is talking about and we should heed his words.

What could be done with the money saved if Trident were not replaced? Our priorities should be protecting the planet, building a first-class health and education service, investing in our children's future and looking after the vulnerable in society. Further afield, the wars that we should be waging with those resources are the war against poverty and hunger in Africa and beyond and the battle against AIDS, tuberculosis and malaria, which have killed more than 6 million people this year. We should be caring for the victims of war, not creating more. We should be helping orphans, those trapped in refugee camps in Darfur and the millions who do not have access to clean drinking water.

I will be voting against the Government's plans to replace Trident. Once again, the Prime Minister will have the support of much of the Conservative party, which is no surprise as many Conservative Members see him as their natural leader. We have the opportunity to look forward and raise our gaze above the horizon. Those who want to build a future based on the threat of weapons of mass destruction will not only make the world a more dangerous place, but miss a golden opportunity to leave behind an age in which mankind has spent much time developing weapons with the capacity to destroy all life on the planet many times over. Saying that the best that we can think of is to spend billions of pounds on a weapon of mass destruction is an admission of failure. We should be offering the British public something better. Nuclear weapons were developed to deal with the threat of the last century. It is time to move on and consign them to history.

4.31 pm

John McDonnell (Hayes and Harlington) (Lab): There is an anachronistic feel about the debate—it is like a debate from another era. Time and the world have moved on, and we should move on as well.

In the modern world, new fears have emerged that are based on new threats. Those fears and menaces demand new responses. If we do not recognise that the world has changed and simply respond to new fears with old solutions, we not only fail to address the real threats, but we risk contributing to setting in train a process of global instability and nuclear proliferation, which has the potential of spiralling out of all control.

The old way of responding to fear was a form of international trench warfare. Armed to the teeth with nuclear weapons and clinging to each other in aggressive alliances for mutual protection, we sat tight in the trench monitoring the enemy's every move. In a bipolar world, the enemy was visible, obvious and predictable. The new threats are unpredictable and often barely visible. Sometimes the threats come from other states, but they are more likely to come from small, invisible and unpredictable terrorist groups. In the modern world, new techniques are used to deal with states and terrorism.

Mr. Sarwar: Does my hon. Friend accept that the biggest threats to this country come from terrorism and climate change, and that the investment of tens of billions of pounds in a nuclear arsenal and weapons of mass destruction will not help a bit to tackle those two important issues?

John McDonnell: It is irrefutable that if we look into the 21st century, the major threats are exactly those that my hon. Friend identifies. I fully concur that this investment will not contribute to tackling those threats.

If a state is the cause of international or regional tension, the international community is becoming increasingly adept at engaging in negotiated solutions to bring such wayward states into line. The demonstration of a united approach through global institutions such as the UN and the use of economic and diplomatic isolation have become an effective means of resolving individual state-led threats. If diplomatic and economic isolation have not worked, the threat, or actual use, of conventional forces in the last resort has been deployed. That is the proportionate response in the modern setting.

The argument put forward to justify a new nuclear weapons system is that we cannot predict what threat will emerge in the future, or what rogue state will arrive on the scene to threaten us with nuclear attack. In reality, we can and we do. Rogue states do not just develop on the world state unannounced; they develop over time. Ironically, it is often the British and United States Governments that have nurtured and armed them, and assisted in placing in political power a brutal regime to rule them. However, that is another story.

Tackling rogue states effectively in the future will not rest on the deterrent effect of the nuclear arsenal of an individual country such as Britain. The concept of Britain's independent nuclear deterrent looks even more preposterous now than it did four decades ago. Any strategy to deal with an errant state will, of necessity, be dependent on international co-operation. It will be based on the early identification of possible conflicts and the promotion of conflict prevention and conflict resolution.

Even if, in a transitional phase, there was an underlying role for the deterrent effect of nuclear weapons, it would not be based on the fiction of an independent British deterrent, but on an internationally controlled deterrent, possibly under UN determination. Indeed, bringing nuclear weapons under international decision making is the obvious first step towards their eventual elimination. If the only remaining argument for Britain's retention of Trident and our development of new nuclear capabilities is the unpredictability of the emergence of threat states, I point out that any workable rogue-state strategy has to be based on extensive dialogue with our international partners and on the securing of a new international agreement. If we decide to replace Trident today, we not only undermine our commitment to nuclear non-proliferation, but pre-empt any attempt to secure a new international settlement.

In this new world, we have new responsibilities. The prime task of any state is to protect its citizens, but we are now formally members of much wider communities and we have a responsibility to work in co-operation with the members of those communities. Individual nuclear solutions, especially in Europe, are as outmoded in the 21st century as gunboat diplomacy was in the late 20th century. The onus is on us to consult extensively

[John McDonnell]

with our European partners about the future defence of Europe and the role that Britain should play.

Political attitudes in the US are changing rapidly, too, and there needs to be a wider discussion with all political parties in the US about the future of nuclear weapons. As for the UN, given the role that Britain played in developing and signing the nuclear non-proliferation treaty, if we are to maintain any credibility Britain should at the very least lead an honest debate on the progress that has been made in implementing that treaty before any decision is taken on Trident replacement.

Mr. Graham Stuart: Does the hon. Gentleman think that the world would be a safer place if all western democracies unilaterally gave up all nuclear weapons?

John McDonnell: I believe that it would be a more dangerous place if we invested in a new phase of nuclear development; it is as simple as that. Our job is to promote security and peace, not to undermine it. There is a feeling in our country that the Prime Minister has avoided the meaningful, widespread consultation and debate that a decision of this magnitude deserves. Complaints have been made in the House today about decisions being bounced. There are allegations of a done deal with President Bush and the pre-emption of the parliamentary vote. That does not convey the impression that the country is at ease with the decision-making process that the Labour leadership has fixed on for this critical policy decision, and that is no way to determine a fundamental policy that will affect the lives of the next generation.

Clear choices face our country: do we come into the modern world and recognise that the world and its challenges have changed, or do we sink back into the imagined comfort of the fiction of a British independent nuclear deterrent? The £20 billion, or whatever the escalating figure for the Trident replacement is, will buy us a very expensive comfort blanket that will have an effect on our conventional forces. Do we, out of post-imperial vanity, try to maintain our place at the international high table by ploughing much-needed resources into weapons of mass destruction, or do we appreciate the role that we could play alongside our European partners as a leading peacemaker, a conflict preventer and a conflict resolver?

The debate is not just about Trident—it is about how we see the future of our country. It is about whether we have the courage and honesty to come to terms with the 21st century. Gone are the days of empire, and gone is our vainglorious strutting on the world scene as a military and nuclear power. Instead, we can shape a progressive future for our country as a force for peace in the world. We can lead the world in the debate on how we can progressively eradicate the threat of nuclear war. Today's debate could be the start of that process, but if we precipitously embrace Trident's replacement, we could stall that hope for a generation. I choose hope, and that is why I will vote against the Government and the replacement of Trident tonight.

4.39 pm

Robert Key (Salisbury) (Con): At the height of the second world war, my parents' home in Plymouth was blitzed by the Nazi dictatorship with conventional weapons. In 1947, we moved to Salisbury, which was a garrison city. During my schooldays, I vividly remember the invasion of Hungary, the days of Checkpoint Charlie and the terror—always hanging over us—of the cold war, growing to the time of the Bay of Pigs. All that has conditioned the brief remarks I am about to make.

I want to address the issue of what we think we are deterring and what we think we are defending. However, it is important to recognise that the Government have taken an important step forward by holding the debate at all. On both sides, we have seen responsible government and responsible opposition operating in the best interests of our country.

We need a decision on the issue now. I stand by the three reports that the Defence Committee, of which I am a member, has taken a year to prepare. They lead me to make various conclusions. I regret that the Government did not participate in the Committee's first report, because that meant they failed to consider publicly the threats the UK faces and how they might evolve in the future, which the House should consider.

Our second report considered the consequences for the UK manufacturing and skills base of abandoning the nuclear deterrent. We concluded that the industrial and social consequences should not be the main factor in the decision on the future of Trident. The third report, published last week, looked at the timing of the decisions on our deterrent, its scale and the legal and treaty aspects.

At present, I am the only Member of the House who is a member of the General Synod of the Church of England, and I think it is extremely important that we should listen to the message sent by the established Church. It is because it is the established Church that it should make its views clear. The Church of England did not simply say that it was opposed to any kind of nuclear deterrent. The Archbishop of Canterbury said:

"I believe that the least a Christian body ought to do in these circumstances is to issue the strongest possible warnings and discouragements to our Government."

He made a strong moral case against nuclear weapons in general. Of course, his views are not unanimous. On 11 October, the Bishop of Liverpool said:

"Nuclear knowledge can't be unlearnt, its evil genie of weaponry can't be sucked back into the test tube. It's a fact of the modern world, as factual as those sinister imaginations that can not only contemplate human terror but actually inflict it."

The Bishop of Rochester, writing in *The Sunday Telegraph* under the heading "I believe in Trident, and using it if necessary", said:

"The task of the Churches...is to resource the debate by setting out the moral criteria which need attention rather than trying to make Government policy from the sidelines."

I concur absolutely. Last week, I took part in a debate in Synod where I made it clear that I believe we should proceed with Trident.

We need to consider that there will be new technologies in the future. There will be new weapons and they might be more morally acceptable, but it is important to recognise that morality is not the exclusive preserve of protesters, whether outside the gates of Parliament, hanging over the river, outside the gates of No. 10, or outside Faslane, Devonport or Aldermaston. Most people, including most Christians, reject the pacifist morality that says it would be better to be subjugated by superior

military power and lose our freedoms than to possess nuclear weapons, on the grounds that no dictatorship lasts for ever and our moral judgment would be intact—even if we were in chains or dead.

At this time of nuclear proliferation and global terrorism, there is no evidence that disarmament by the UK would have the slightest influence on people who wish us harm. I was elected to Parliament to represent about 118,000 people, many thousands of them in uniform or working as civilians in the Ministry of Defence. Tonight, all Members will have to decide on the balance of moral arguments, but I will not risk the security and freedom of my constituents and of our nation by voting not to renew a nuclear deterrent.

France has been much mentioned, which is important. Only three weeks ago, I was in Paris as a member of the Defence Committee. We listened and talked to representatives from the French Defence Ministry and the Assemblée Nationale. We were briefed by the President's defence adviser in the Élysée and I raised various issues, including possible collaboration over nuclear submarines and aircraft carriers. However, I have to tell the House that my impression was that the French were longing for us to give up our nuclear deterrent, and I cannot help recalling that the last time the destiny of the United Kingdom was in the hands of the French, William the Conqueror paid us a visit.

Finally, the community in the west needs to be quite clear what this is all about and what we are defending: not our territory from physical invasion, but our western tradition of culture, civilisation and democracy, at the heart of which is Christianity. What is at stake is the proportionate force that we should possess to defend those values of humanity, well-being, tolerance, freedom of worship for every religion, justice, the rule of law and freedom itself. Those are the issues that we are debating tonight and I am in no doubt at all that the risk should not be taken of abandoning the defence of those values.

4.45 pm

Joan Ruddock (Lewisham, Deptford) (Lab): Many right hon. and hon. Members tonight have acknowledged that the cold war is over, but the White Paper on the future of Trident is still rooted in cold war thinking. It makes no real analysis of the future role of the US-led and nuclear-armed NATO alliance of which we are a part, nor of the new Europe in which we live. It is a mass of assertions with no attempt to examine how best to approach security in a world where climate change and competition for resources and markets will be paramount.

Instead, we are given three scenarios for threats that the White Paper tells us can be countered only by Britain maintaining its nuclear weapons system until 2050. We are told that a major nuclear power, presumably Russia, may re-emerge to threaten us. Now Russia may be an imperfect democracy, but why should the Russians, who have everything to gain from a more united Europe, specifically aim their nuclear weapons at Britain? Whatever the potential conflicts over oil, does anyone really believe that nuclear weapons could be used to settle any such future conflicts?

The White Paper goes on to pose a second threat: new states acquiring nuclear weapons and threatening our vital interests. Iran is the country most often cited. Embroiled as that country is in middle eastern politics, with a nuclear-armed Israel on one side and a nuclear-armed Pakistan on the other, it is impossible to understand why Iran would want to target its nuclear weapon, if it acquired them, specifically at the United Kingdom. I am the last person to support Iran in its endeavours, but it is inescapable that if we argue that we need nuclear weapons to protect us against future threats, so can Iran. As the head of the International Atomic Energy Agency, Mohammed El Baradei, recently warned, a decision now to renew Trident sends exactly the wrong message to those countries that we would wish to deter from the acquisition of nuclear weapons.

The third threat posed in the White Paper is that countries might sponsor nuclear terrorism from their soil. This, frankly, is the most preposterous assertion of nuclear deterrence. Do we really believe that the dirty bomb in the suitcase is going to have a survivable country-of-origin label on it? We all know that suicidal terrorists cannot be deterred by nuclear weapons and they know that it would be impossible immediately to identify a sponsoring state so as to justify nuclear retaliation.

Let us however suspend disbelief for a moment and accept that all these threats can be deterred only by nuclear weapons. Why then should Britain be uniquely targeted by Iran, North Korea or any other state? The White Paper asserts continually the deterrent value of British nuclear weapons without advancing a single plausible threat scenario. But it is not even that simple. As the Prime Minister wrote to George Bush last December, in the letter to which my hon. Friend the Member for Hemsworth (Jon Trickett) referred, the new British nuclear weapons coming into service in 20 years' time would be assigned to NATO, as now. With the end of the cold war and an expanded Europe, do we really think that we would get agreement from all our allies to use British weapons of mass destruction? Or that the US would not intervene if Britain wanted to act independently but that did not suit the US? It is just not credible.

Dr. Julian Lewis: Will the hon. Lady give way?

Joan Ruddock: No, I am sorry; I would be taking up the time of others. The hon. Gentleman and I have debated many times.

We must ask what kind of world we want to live in, and how best we can contribute to achieving it. The threats that we face today and that we will face in future are not UK-centric—they are global, and they require global solutions. International co-operation on climate change, world trade and technology transfer are vital if we are not to face climate catastrophe and a scramble for diminishing resources. International co-operation on terrorism, genocide and poverty reduction are vital if we are to reduce conflict and stem the mass migration of people.

Britain has made a huge contribution in all those spheres, but we have signally failed to place them in a coherent foreign and security policy. The renewal of Trident depends absolutely on US co-operation. It ties us into a US view of the world, when many of us—perhaps most of us—would prefer a looser relationship and a greater recognition of the security that we derive from our place in Europe. Planning to give up nuclear weapons is not the hopeless gesture that has been portrayed by many right hon. and hon. Members. It is what the vast

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majority of states that have become nuclear-free zones want us to do—states which have formed themselves into nuclear-free zones; states like South Africa and Ukraine, which gave up their nuclear weapons; states like Argentina and Brazil, which abandoned their programmes by mutual consent. The international community persuaded Libya to give up its nuclear weapons programmes; progress has been made on North Korea; and Iran remains under intense pressure. Negotiation is our only intelligent option.

At the 2000 non-proliferation treaty review, Britain made

"an unequivocal undertaking to accomplish the total elimination of nuclear weapons".

Tonight, however, we have been asked to spend billions of pounds and years of endeavour so that we can deploy new weapons of mass destruction to patrol the seas until 2050. We should begin, instead, to reconfigure our security policy by agreeing that Britain will become a non-nuclear weapons state by 2025. That would bolster demands that the US and Russia negotiate a new agreement to replace the strategic arms reduction treaty, and it would give us an opportunity to play an even more positive role in the multilateral negotiations that will be part of the 2010 review of the non-proliferation treaty.

The right hon. and learned Member for Devizes (Mr. Ancram) referred to the credibility of deterrence. I very much concur with him, and I admired his speech. A weapons system is credible only if it can be used, and I have not heard any argument showing how Trident could be used to our advantage. I know the consequences of using it, however—thousands of innocent people would be vaporised; millions would die in agony; and radiation would persist for generations. The health and environmental consequences are incalculable: I have never been willing to be party to such a barbarous act, and I will not support my Government tonight.

4.53 pm

Clare Short (Birmingham, Ladywood) (Ind Lab): I wish to make three points in the short time available tonight. First, the decision does not need to be made now, and the argument that it must is an effort to embarrass the Liberal Democrats and is not credible. The Prime Minister said at Prime Minister's Question Time that the next Parliament could revisit the decision, which makes it clear that the decision does not have to be made tonight. The case against making it today was adequately summarised in an editorial in today's *Financial Times*. The Prime Minister is trying to lock the Labour party into policies that he supports, and the Chancellor is suddenly trying to prove that he is tough on security by spinning on the back of a speech about the economy his support for a replacement for Trident, without any proper debate about Britain's foreign policy and its role in the world after the disastrous mistakes in Iraq.

Secondly, there is no argument in the White Paper, in the Prime Minister's introduction to the White Paper, or in the speech by the Conservative spokesman, that could not be reasonably made by Iran and many other countries. The greatest threat we face in the nuclear context is proliferation. The non-proliferation treaty is unravelling. The decision that we are asked to make before it needs to be made means that Britain will not consider how it can best contribute to driving forward and re-establishing the strength of the non-proliferation treaty, and is in danger of weakening it.

The United Kingdom has a nuclear weapon targeted at no one, with no one targeting a nuclear weapon at us. Iran is in an extremely unstable region, with Israeli nuclear weapons undoubtedly targeted at it. If the argument is made that the future is uncertain, what right does anyone have to say that Iran should not get a nuclear weapon? If Iran gets a weapon, Saudi Arabia will want one, as will Egypt, Turkey, Jordan and perhaps even the Gulf states, which have made some moves towards getting a capacity in nuclear technology. There will be very dangerous proliferation in the most unstable region in the world.

That is the real threat that the world faces and that we face, and it is being cast to one side by the blanket decision to replace our existing weapon in 20 years, rather than concentrating on how we in the UK could contribute to strengthening the non-proliferation treaty and preventing dangerous proliferation, particularly in the most dangerous region in the world.

The third reason why the UK should reconsider its approach to nuclear weapons is that they chain us into the role of US poodle. We acquire the weapons from the United States and we have to send them back to be repaired and serviced, so we can retain the weapons only if we are always on good terms with the US. That means that we do not have an independent foreign policy, as has been demonstrated so disastrously in Iraq. That has humiliated our country and helped to make the world more dangerous by dividing it more deeply and undermining international law.

I do not believe for a moment that we should seek to fall out with the United States. We have a long shared history, a common language and so on. However, every post-war Prime Minister apart from Edward Heath, bless him—because he was so focused on entrenching us in the European Union—has been obsessed with the special relationship as the centrepiece of our foreign policy. Why? It goes back to Britain losing an empire and failing to find a role. We are not the big power that we used to be, but we are best friends with the biggest power in the world, so if we can get a weapon from the US and stand alongside it, we are still important and powerful. That is an almost pathetic role to see for ourselves in the world. It is like the child who is frightened of others and therefore makes best friends with the biggest bully in the playground.

As has been said by other hon. Members, the biggest risk that we face is global warming, which could threaten the future of human civilisation. There is no question about that. I do not believe we will reach the international agreements that are needed to prevent that threat without establishing a much more equitable world order. Doing so should be the centrepiece of British foreign policy, seeking strong multilateral institutions, a much strengthened United Nations, much more equitable trade rules and so on, so that we can achieve the environmental agreements that we need to preserve the future of humanity.

Enormous threats are also posed by the growth of population that is coming. We are moving from a world population of 6 billion to 8 or 9 billion by 2030 to 2050, and 90 per cent. will be born in the poorest countries

where the environment is under strain and states are weak. That threatens to bring not only terrible human suffering, but massive movements of population that will cause enormous instability and aggravation in the world.

Another major threat is the anger in the Muslim world about the injustice that is being suffered in the middle east. Instead of seeking to arm ourselves with a weapon because we fear that disorder, we should seek to unite with others to bring about a just settlement in the middle east. We say that we are committed to resolving the Israel-Palestinian conflict, but we always line up our policy with that of the United States which does not act in that way. The situation is thereby constantly aggravated and the danger of large numbers of angry young people throughout the Muslim world concluding that the only way to resist state force is with non-state violence, which threatens the future of all of us, is growing and growing.

Lots of the speeches that have been made today have sought to re-run the old arguments about unilateral nuclear disarmament, but that is not what we are talking about. We are talking about whether we commit ourselves to replacing our weapon in 20 years' time or whether we could look for a strategy that uses our influence and our willingness to disarm to strengthen non-proliferation, with a stronger multilateral system, greater equity, more authority for the United Nations and a just settlement in the middle east.

What Britain needs is an independent foreign policy to make a real contribution in the world and to make up for the humiliation that we imposed on ourselves with our dreadful policy on Iraq. To decide to replace Trident in 20 years' time is to continue to tie us to that mistake and continue to humiliate our country.

5.1 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): The right hon. Member for Birmingham, Ladywood (Clare Short) seemed to say at the beginning of her speech that the timing of this debate was intended to embarrass the Liberal Democrats and that there was no need to take the decision now. She then cited the Prime Minister's answer referring to the further decisions in the next Parliament as though that was evidence of that.

The whole point of taking the decision now is that we will not be able to make decisions in the next Parliament if we do not support the Government tonight. If we are to continue with the present deterrent, the submarines need to be renewed or replaced. Detailed design concept work needs to start now if we are to maintain continuous at-sea deterrence. By having the submarine continuously deployed, we do not inadvertently raise the threat threshold, which could happen if a submarine was deployed from standby. Constant deployment is also important in keeping crews at the highest level of professionalism.

The Defence Committee's report sets out the pros and cons on the timing issues, but the weight of the evidence set out in chapter 3 points clearly to the need to take a decision about the submarines now, given that 30 years is the safe and cost-effective limit of life extension and 17 years is the required period to do it. Our report also says that the Government deserve to be commended for exposing the proposal to public debate and decision in Parliament, which previous Governments have not done at this stage. That transparency is very much in keeping with one of the 13 steps that emerged from the 2000 non-proliferation treaty conference calling for just that. The decision that we face tonight to give the go-ahead to work on the detailed design concept is being taken at an earlier stage and more openly and fully than before.

Alison Seabeck (Plymouth, Devonport) (Lab): Does my hon. Friend agree that the work force in my constituency at DML and at the dockyard would not accept the argument that the issue of the industrial skills base is specious? It is important that we take the decision now; otherwise, we will lose those skilled workers to the domestic sector, not the maritime industrial sector.

Linda Gilroy: I accept my hon. Friend's argument and will go on to make it in more detail.

Those who argue that the decision can be taken at a later stage are simply wrong. They should be clear that by recommending delay they are putting at a very high risk the capacity to build boats in future, for all the reasons set out in the Defence Committee's fourth report on the skills base. In effect, those who support delay back the unilateralist something-for-nothing approach. If our capacity to build submarines falls apart, the idea that the Americans will sell us the boats is not at all credible, as the Defence Secretary told us in his evidence on 6 February. This relates to the skills needed to maintain the submarines and corresponds with what I have been told on visits to bases where that maintenance is performed. As soon as the design concept was made available for the Vanguard submarines, our US allies made it clear that we had to take ownership of them and understand them inside out. Only in that way can we have a deterrent that is independent and that we are capable of managing to the very highest of safety standards—an essential characteristic, as I am sure all hon. Members would agree, of a system with such awesome potential destructive force. If we want a deterrent, we need to decide to give the go-ahead now and to build it ourselves.

Why do we need the deterrent? The reason comes down to human behaviour. Optimists might believe that if we set an example, others will follow, but there is no evidence that that would happen if we were to give up our deterrent now. Iran and North Korea do not appear to be hanging around waiting for us to make a decision. Sadly, the world is becoming more uncertain in this respect, not less. When we ask people whether they would like to give up nuclear weapons and spend the money on something else, of course they say yes. However, when we ask whether we should do so before others do it, a clear majority say no.

Fundamentalists, dictators, tyrants and, yes, terrorists are all bullies, in my book. In democracies, there are all sorts of ways of checking the worst excesses, and the ultimate safety valve is the ability to change the people in power through the ballot box. Bullies, however, are best stood up to by those who know the difference between being assertive and being aggressive, and that is something that the UK does really well.

All hon. Members take pride in the role of our armed forces in peacekeeping and peace-making. Their role of standing up to some of the world's most aggressive bullies to create enough space for the bullied to regroup, to regain confidence and to assert their right to a better

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way of life—as in Bosnia, Kosovo, Sierra Leone and Afghanistan—is often more controversial. However, that is as much about our security as it is about theirs. These days not many of us are called on to put ourselves in harm's way to achieve such outcomes, but it is British men and women—and, increasingly, their Commonwealth and Gurkha colleagues—who tend to be at the forefront of taking such action on our behalf.

Our deterrent is deployed all the time, and it has given us in western Europe freedom from the kind of mass killing that two world wars brought in the first half of the 20th century. It also has a part to play in creating the context in which we use hard power to make that space for ourselves and others to do the peacekeeping, peace-making and stabilisation work. In the even more uncertain times ahead—in which state-sponsored terrorism might well be joined by tensions arising from population movements driven by climate change, drought and water shortages in particular, and by greater use of nuclear energy in the world—whatever we decide on nuclear energy, it is highly probable that the deterrent will have an increasingly clear role. With the emergence of new superpowers and their client states and interests, we must not risk falling hostage to blackmail in relation to their retained and emerging nuclear arsenals. Only a nuclear deterrent can deter nuclear threats.

I believe that retention gives us a more powerful hand in working for non-proliferation. We are the only permanent member of the Security Council to have reduced to one platform—the submarine—and we have only 1 per cent. of the world's nuclear weapons. Our seat on the Security Council certainly does not depend on our continuing to have a nuclear deterrent, but with it we can use our achievement of reaching a minimal deterrent to pull others in that direction. We should maintain the multilateralist position of seeking something for something, not something for nothing. The arguments are, at heart, not only simple but the same as they have always been: something for something, or something for nothing; multilateralism versus unilateralism.

For the reasons that I have set out, all the amendments tabled today—including the one that has been selected—would result in back-door unilateralism, even though people do not quite understand that. That would happen because of the delay, and because of the engendering of a lack of confidence in the industry and in the individuals who work in it. Unilateralists tell us that we can reconstitute the skills base or keep it on ice, but neither claim is true. Scientists and engineers who do this work at the cutting edge of science, along with those who design and make space ships, have skills that are literally in the realms of rocket science. They will not stick around in large enough numbers and complex teams to do anything less. People need look no further than the cost and time overruns on the Astute submarine programme to see the risks of letting the skills base fall apart.

I have spoken mostly of the submarine, but I also wanted to say that the Government have responded to the Select Committee's report, and to deal with the points of my hon. Friend the Member for Hemsworth (Jon Trickett) about the missile. Knowing the risks of letting the skill base fall apart, only those who believe in giving away something for nothing—unilateralists—should go on into the Aye Lobby on the amendment. Multilateralists cannot credibly share the same lobby with them.

5.10 pm

Mr. James Gray (North Wiltshire) (Con): The debate has been enormously serious, and I approach it with a degree of angst that I have detected in a number of other Members who have spoken.

I was struck by the contribution of my right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot), whom one would expect to be one of the most robust cold warriors and supporters of Trident imaginable. However, he declared some real worries, although he ultimately concluded that renewing Trident was the right thing to do.

I also have huge respect for the contribution of my parliamentary neighbour and right hon. and learned Friend the Member for Devizes (Mr. Ancram), a previous shadow Defence Secretary and Foreign Secretary, who none the less came to the conclusion that he would vote against the retention of Trident.

Until today, I took the view—the Whips are listening—that this was a matter of conscience rather than a matter for a whipped vote. Had I come to the relevant conclusion—the Whip on the Front Bench, my hon. Friend the Member for Romford (Andrew Rosindell) raises his ears expectantly, and I assure him that I shall not rebel this evening—I would have been more than ready to rebel, because I believe that this is more than anything an issue of conscience. After all, the House's decision could result, perhaps long after all of us are dead, in a catastrophe that we would all do anything possible to avoid. I have therefore approached the matter with huge concern.

Having listened with great care to all the arguments made today and during the run-up to the debate, I was initially struck by the notion that if we did not spend all this money on Trident we could spend it on conventional warfare. As I represent a constituency that has a number of defence bases, that argument was attractive at one stage. I have been convinced, however, by the argument advanced by the Secretary of State and the White Paper that the two pockets are entirely separate, and that spending on Trident will not affect the defence budget. The defence budget is too low anyway: it should be higher, and we should spend more on our conventional weapons. Whether or not we have Trident, that argument will not be affected.

I admire the idealism of the traditional CND argument, which a number of Members have advanced today. There have always been people who are ready to say, "I am a pacifist. I hate all forms of warfare, all arms, land mines, nuclear weapons and anything to do with armaments. I would abolish it." That idealism does not, however, appeal to me personally. We would certainly have done less well in the first world war had we abandoned our armaments in the run-up to it, as we did, to some degree, in the run-up to the second world war. I suspect that the catastrophe of 1939-45 would have been less bad had we rearmed sooner and listened to Winston Churchill among others.

I am one of those who are convinced that we won the cold war not because of the activities of CND but because we were satisfactorily armed. The Soviet Union

looked across the water, saw that we and the United States were armed, and chose not to do what it might otherwise have done. Had Margaret Thatcher not stood firm on the subject of cruise missiles outside Newbury, for example, I am clear that the Soviet Union would still be in existence today, and there is at least a risk that some parts of western Europe would be dominated by that evil empire.

I am not one of those who would do away with arms because they do not like them. Our arms are a necessary part of preserving peace. After all, no one says to an armed policeman, "If you put your baton down, Britain will be a safer place." Sadly, outside this Palace today we see policemen who are armed because it is believed that bad guys are trying to get into this place with guns. Asking a policeman to put his guns down would not mean that the bad guys would do likewise. I was struck by that aspect of one or two contributions this afternoon. For example, the right hon. Member for Birmingham, Ladywood (Clare Short) indicated that if others did not have such weapons, we should not have them either. That argument is quite wrong. It seems obvious to me that we are the good guys and that they are not; it is therefore perfectly reasonable that we should have such weapons.

In my opinion, arms are the balance of peace. Indeed, the motto of my regiment, the Honourable Artillery Company, is "Arma Pacis Fulcra". One must have arms to achieve peace. Does any Member present who speaks with honesty and sincerity seriously believe that if we were to snap our fingers and say "We are no longer a nuclear force"—if we were to say "Follow us, O world, for we have done the right thing: we are doing away with Trident and not renewing it"—the world would be a safer place?

Incidentally, those who support the "delay" amendment, notably the Liberal Democrats, are merely fooling themselves, or fooling the people out there. This evening we must reach a decision: either we support the notion of nuclear deterrence, or we do not. While I respect the argument of those who say that we do not, it is not my argument.

I do not believe that even those who have spoken from the CND standpoint believe that the world would be a safer place if we abolished nuclear weapons. We all know perfectly well that if we did away with them, or indeed with conventional weapons—for the same argument applies to them—the world would be a worse place, not a better place.

It is with a heavy heart, in a sense—because I personally feel unhappy about these matters—that I concluded that I would support the Government this evening.

5.16 pm

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): It is always difficult to participate in debates in which the traditional sides do not necessarily line up, and one finds oneself alongside dear friends and colleagues who take a different view. It is somewhat uncomfortable. I can tell the House, however, that I will support the Government this evening—I have not changed my views on these matters for many years—and also that it is not nearly as uncomfortable tonight as it was in 1982-83, when we debated the defence of the country in the context of the arguments and battles taking place in the Labour party at the time.

One of the allegations made about today's debate is that it is premature, and that we should not be here because the widespread debate that the country would expect us to have about this important issue has not taken place. That has not been my experience over the past six months—I have been inundated with representations from all kinds of people with a legitimate interest in the issue—and, indeed, the original decision to reach a conclusion at about this time was made some years ago. I think that there has been a wide debate, and that that has been reflected in the speeches today. Many different views have been expressed, some of them very unexpected, by Members in various parts of the Chamber.

Like others, I do not intend to hog the debate, but I want to make a couple of points based on the representations that I have received. One of the key points made to me has been that if the United Kingdom renews its Trident submarine, it will breach the non-proliferation treaty. I do not accept that that is the case, and I think the public should be told loudly that it is not the case.

The non-proliferation treaty was drawn up as a deal. As it has already been mentioned by other Members, I will not go into what the deal involved, but the treaty was drawn up prior to 1967 by the countries that were then nuclear powers, with the aim of reducing their nuclear capacity over a period in return for concessions on civil power and so forth. It was not about unilateral disarmament. Does anyone in the House think that the Russians, the Americans or the Chinese would have signed a non-proliferation treaty if they had thought that they were signing themselves up to unilateral disarmament, and would not be able to renew the weaponry that they had?

There is a very fine line between maintenance and renewal. We have already seen that in China, and investment in new nuclear weaponry technology is currently taking place in Russia. If Mr. Gorbachev has lessons to teach the British, he also has lessons to teach the Russians. The song he is singing now is not the song he was singing when I met him in Moscow many years ago. The nuclear non-proliferation treaty is about trying to de-escalate nuclear dependency. It is in that context that the world's courts must interpret it. We must strongly say that.

Another representation that has frequently been made to me—it is an argument that was made by the right hon. Member for Birmingham, Ladywood (Clare Short)—is that if Britain renews its nuclear capacity, that will send the wrong message to other countries who want to rearm. It might send the wrong message, but it will not change the decision that such countries will make or try to make, because fascists and totalitarian people and dictators do not listen to the logic of the kind of debates that we have in this House. Instead, they ask, "Can we throw our weight about more if we have a nuclear weapon?" and they say, "If it is possible for us to get a nuclear weapon, we will try our best to get that weapon." To repeat a point that was made by the Conservative Front-Bench spokesman, if another country does not have that weapon, such people will be the first to say, "No, we will not engage in a diplomatic argument about the issues before us, and we will not even have a conventional warfare argument about our problems"—whatever they might be about, such as oil, Russia or the middle east—"because we have nuclear capacity and we know

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that you don't have nuclear capacity and that is all that matters." I could talk a lot more about that.

Representations have also been made to me that we do not know, and cannot imagine, who the enemy is. My hon. Friend the Member for Lewisham, Deptford (Joan Ruddock) made that point. However, that is the main reason for having a deterrent. According to the doctrine of uncertainty and ambiguity, we must invest in the cutting-edge of defence technology in the hope that others will understand that we are doing so and we will never have to use what we develop. If we do not invest in that, we will leave ourselves wide open to attack—or blackmail, which can be even worse—by others who hold different views from us.

I am currently reading a book for fourth level students about the history of Britain, and it is interesting to learn what people at one point in time thought would happen in the future and what actually happened four or five years later—in Scotland among other places, I might add. It is hard to predict the future. We do not know what will happen in China. What will happen if China breaks up into different parts? What will happen if Russia breaks up into different parts, or if someone who makes Putin look benign takes over and decides to throw their weight around within the Russian sphere of influence or in the middle east? If we have given away our nuclear capacity and we then try to have diplomatic or other arguments with such people, we will be in a very weak position. We do not know what the future holds.

My views on this matter are not in any way connected to always supporting the Americans. I do not always support them; I did not do so on Iraq. However, that is, in a sense, a short-term problem. The decision that we are discussing is a much longer term decision. I believe that we must take it in principle. It is no use saying that we will wait until 2014, which is what the Liberal Democrats are saying. It has been conceded this evening that the Liberal Democrats have no argument against the principle of nuclear capacity, and I am glad that they are prepared to support the design and development of any new capacity. However, I say, not only to Liberal Democrat Members but to some of my party colleagues, that that is not enough. What we are discussing is a big decision. We have to tell the British people what we believe in—what our principles are.

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. Many hon. Members are still seeking to catch my eye. I have therefore decided to invoke the shorter speech rule, which will operate from approximately 5.42 pm. From then, speeches will be no more than four minutes long. I hope that that will enable more Members to speak in the debate.

5.24 pm

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): Like a previous speaker, I have received not a single letter from any of my constituents urging me to vote with the Government tonight in favour of replacing Trident. However, not for one moment do I think that there is not a strong understanding in my constituency and throughout the country of the need for this House to vote in favour of a replacement tonight. Yes, our constituents put us here to talk about the most immediate and pressing issues that they face, and for many those are public services, NHS dentistry, and the closure of accident and emergency wards and local tax offices, for example. However, they also put us here to take the difficult and unattractive decisions that do not satisfy any immediate interests, but which are nevertheless vital to the national interest. The decision before us tonight is one such decision.

A number of constituents and local church and environmental groups have contacted me, expressing concern about, and opposition to, the notion that we should support replacing Trident. I do not intend to discuss all the various arguments, a number of which have already been covered more than adequately, but one idea that has some currency in the country is that Parliament has not been given enough opportunities to examine rigorously all the issues affecting the decision that we are about to take. That notion has been scotched well and truly, however. There have been three Select Committee reports and a White Paper, and numerous opportunities for Members to visit Her Majesty's naval base Clyde, at Faslane and Coulport, in order to have frank discussions with a wide variety of service and civilian personnel in management and operational roles, and to question them about the nature of our deterrent and how it is managed. So Parliament has had adequate opportunity to scrutinise the issues before us.

A number of my constituents have also expressed the view that since the end of the cold war, the world has changed so fundamentally that nuclear weapons and the nuclear deterrent are redundant. A local church group said to me that since 9/11, the world had changed so much that nuclear weapons had no place any more. It is true that since the end of the cold war, the nature of the threat has changed; no one is pretending otherwise. It is also true that our nuclear capability and posture and the configuration of our nuclear resources have changed to reflect that change.

In some of the correspondence that I have received, the view has also been expressed that since 9/11 a new era has been ushered in, in which terrorist attacks have displaced the threat of strategic nuclear strikes, and that because nuclear weapons are less relevant in the war on terrorism, they are redundant in this new era. That view is dangerously misguided. Of course nuclear weapons are futile in deterring someone from blowing themselves up on the No. 12 bus, but so is most of the kit that comprises most of our conventional warfare capability. The fact is that the nuclear deterrent serves a very limited but vital purpose: to help create the conditions in which a nuclear attack on the United Kingdom would be futile, and therefore highly unlikely.

There has been a lot of discussion this afternoon of what is unknown about the future strategic threats that this country will face in the decades ahead. There is indeed a lot that we do not know, but there are some assumptions that we can make. We can assume that the number of countries seeking to acquire a nuclear capability will increase. Although we might have no idea of the intent in the decades ahead of countries that will have such a capability, we can fairly safely assume that the march of political freedom and liberalism across the globe will not progress uniformly. There will continue to be points of collision between

the values of liberalism—it is one of our country's destinies to promote those values throughout the globe—and manifestations of tyranny. So it is not totally outlandish to envisage a scenario in which the UK might once again be a target of a nuclear state.

In a world in which an increasing number of rogue states and illiberal regimes are seeking to acquire a nuclear capability, it is essential that a core of strong liberal democratic nations retain their nuclear deterrents for the foreseeable future. While it is difficult to identify any nation on earth now whose nuclear capability combines with an aggressive intent to pose an existing threat to the UK, the fact is that we can never say that such a threat will not re-emerge in the decades ahead. A minimum credible nuclear deterrent is therefore vital. Trident has proved successful as a flexible and secure platform for maintaining that deterrent, and the time has come for the House to make the positive decision to replace it.

5.30 pm

Mr. Peter Kilfoyle (Liverpool, Walton) (Lab): Unlike the Foreign Secretary, I was never a member of the Campaign for Nuclear Disarmament. Nor have I ever been a unilateralist or a pacifist. On the other hand, I have never had anything to do with the kind of swivel-eyed, Dr. Strangelove-type reactionaries, who for some reason I always associate in my own mind with the hon. Member for New Forest, East (Dr. Lewis).

There is something worrying about the occupants of the two Front Benches coming together on an issue that has echoes of Iraq all over again. Much of the argument has been made on the basis of fear, uncertainty and disinformation. We all know where similar arguments took us in March 2003. This is obviously a different subject, and there are strongly held feelings on both sides. I also appreciate that some hon. Members have strong constituency interests, but I have noted two points especially in the debate today.

The first was a point made by my hon. Friend the Member for Hayes and Harlington (John McDonnell) when he said that he had a sense of déjà vu. So did I, especially when I heard the speeches by my right hon. Friend the Member for Manchester, Gorton (Sir Gerald Kaufman) and the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind). They had the benefit of consistency in what they had to say, but they were talking about a situation that obtained 20 or 25 years ago. Matters have moved on a great deal since then.

The second point is about the way in which the same tactics are employed to knock down propositions that have not been put. I have heard many references to unilateral disarmament, as if hon. Members would have a chance to support that option tonight. That is not true; it is a fallacious argument, and it is typical of the kind of debating cul-de-sac that we are taken into on such occasions.

The key question is time. I am reminded of the classic film "Clockwise". The John Cleese character organises his day to the very second so that he can ascend to the heady position of chairman of the Headmasters Conference. Of course everything goes awry, but he is determined to have his day. I tend to think that this debate is connected to the Prime Minister's approaching abdication from his post. That is behind the rush to push the issue to a conclusion tonight. I can see no other reason why this decision must be made now.

Many hon. Members have talked of this decision being an insurance policy. This must be the only insurance policy to be taken out against we know not whom, based in countries we know not where, and with weapons we know not what. We are told that at some point in the indeterminate future we may need weapons against a country that will repeat the threats of the 1970s and 1980s. Frankly, I just do not buy that.

Nor do I buy into any of the other arguments that have been put about the need to take this decision now. I wonder why the Americans need a mere 13-year lead-in time to build one of their superior submarines, compared with the 17 years that we need. That is very odd. We will also be going back to the very same supplier who provided us with an inferior product before, which—according to the latest Government estimates—will last only 25 years, when the Americans' system lasts 40 years. That is most perplexing. What happens to our procurement policies—

Des Browne: Let me deal with the point about the design life of the submarines. They were ordered to last for that long. They were designed for 25 years because that is what the Government of the day said that they could afford to buy—not because the people who built them could not make them last longer. They could, of course, have made them to last longer, as the Ohio class submarines were, but they would have cost much more.

Mr. Kilfoyle: I am grateful for the Secretary of State's advice, but that was 30 years ago, and time has moved on—not only that, but it depends on who we believe about the design life of these particular vessels. Until comparatively recently, we were told that the lifespan of the Vanguard class submarine was 30 years minimum—not 30 years maximum, not 25 years with a possible extension of another five years, but 30 years minimum. *[Interruption.]* It is all very well for Opposition Members to point to the Select Committee report, but I am telling the House what Ministers and senior members of the Ministry of Defence—including Lord Moonie, with whom I checked this information today—stated at the time, as a matter of public record. They were adamant that there would be a minimum life of 30 years.

Is it not strange that our American friends base the life of their vessels from the ship-going period of their commission rather than from when they are first launched, as there is a gap? If the figures are fiddled around with, it is possible to argue, given the lead-in time and the lifespan that we now attribute to those vessels, that we should be putting in our orders now. It seems, however, that the figures—and, indeed, part of the science—have been conjectured to fit around the political desirability of taking a decision now.

We are told that we have expert advice. The one issue on which I agreed with the Prime Minister on 4 December was the fact that such things are "a matter of judgment". It is indeed a matter of judgment, and for every scientist who says that this is what we should be doing now, other scientists can be produced who say the opposite. For example, Dick Garwin has already been mentioned, and advocates of the Select Committee's paper will agree that he appeared before it. However, Dick Garwin did not speak, as someone claimed he did, only on

[Mr. Kilfoyle]

behalf of Philip Coyle; he also spoke on behalf of Ted Postol, who designed the Trident system in the first place, and Frank von Hippel, who was one of the designers of the warheads that we copy.

I have to say that if eminent scientists are giving advice—they actually believe in nuclear deterrence and are party to these decisions not only as scientists, but as leading members of various administrations—it behoves us to listen to what they have to say. We should not be bounced into taking a decision here tonight that pre-empts the sort of informed debate that needs to happen before the House can take a properly objective and science-based decision.

5.38 pm

Mr. Alan Reid (Argyll and Bute) (LD): In the current uncertain international situation and all the threats of proliferation, I believe that this is no time for Britain to give up its nuclear deterrent. North Korea has already tested a nuclear weapon and Iran is in the process of developing nuclear weapons. Those developments clearly put pressure on other powers in their regions to consider acquiring nuclear weapons themselves. Such proliferation could lead in the longer term to a possibility of one or more such states posing a threat to Britain.

The goal that we should all be striving for is to rid the world of all its nuclear weapons, but I do not believe that that can be achieved by Britain unilaterally giving up its nuclear weapons. We must participate in multilateral negotiations. In that context, the next nuclear non-proliferation treaty talks in 2010 are of immense importance, and the Government should be doing all they can to make those talks a success.

What I find puzzling is the Government's proposal to declare now that we will proceed to build replacement Trident submarines after the conclusion of those talks, irrespective of their outcome. That is a proposal whose logic I simply cannot understand. In order to maintain Britain's nuclear deterrent, the only decisions that need to be taken now are to participate in the missile life extension programme and to commence the initial concept and design work for the replacements to our Vanguard-class submarines. I believe that the Government should authorise that work. However, I do not support the Government's decision now, which is far too premature, to build a new generation of submarines some time in the middle of the next decade.

Emily Thornberry: Does the hon. Gentleman therefore agree with what I understand is the Lib Dems' policy—cutting half the Trident weapons and extending the life of the other half for seven years?

Mr. Reid: I certainly support Liberal Democrat policy, and I will come to that later in my speech.

If we had to take the decision today to build replacement submarines I would certainly vote in favour, but we do not need to take the decision for several years. The Government should have asked Parliament today only to authorise participation in the missile life extension programme and to start the concept and design work on possible replacement submarines. It is vital that Parliament should be given a future opportunity to vote on whether we actually proceed to building the replacement submarines.

I simply do not understand why the Government want us to take that decision today. I can only speculate that the Prime Minister wants to take as many decisions as he can before he leaves office. He seems to want to commit the Government to decisions that do not need to be taken until after he has long gone.

The vast majority of the costs associated with any replacement system would begin to be incurred only at the main-gate approval stage. That is when the actual manufacture of replacement submarines would begin. The concept and design work that takes place before main-gate approval incurs only a small proportion of the overall procurement costs. Therefore the final decision on whether, and if so how, to procure any successor system could be taken at any point up to a decision on main-gate approval without incurring significant procurement costs. The main-gate approval for the replacement submarines is likely to take place in about 2014.

Scheduling the final decision for a more realistic date in the next decade would give Britain several years that should be put to good use in trying to create the circumstances in which maintaining our nuclear deterrent would prove unnecessary. As I said in response to the intervention, I fully support the Liberal Democrat proposal of an immediate cut in Britain's nuclear arsenal of 50 per cent. to reinvigorate multilateral disarmament talks and re-energise the negotiations. The remaining warheads would be sufficient to provide Britain with a credible deterrent.

Mr. David Anderson (Blaydon) (Lab): Can the hon. Gentleman explain exactly which 50 per cent. he would cut?

Mr. Reid: Fifty per cent. of the current missiles would be cut. Such a significant reduction to Britain's nuclear arsenal would send a strong signal that Britain continues to meet its obligations under the non-proliferation treaty and is serious about cutting nuclear weapons. If Britain used all its influence to spearhead a renewed drive towards disarmament and expressed a sincere willingness to give up our remaining nuclear weapons if sufficient progress were made towards total worldwide nuclear disarmament—in partnership, I hope, with a more sympathetic American Administration after George Bush has gone—the next NPT review conference in 2010 could make progress again after the failure in 2005.

By keeping our options open for some years, we can make a final assessment of whether we need to insure against an uncertain future with the advantage of being several years closer to that future and better able to judge it. Taking a decision on replacing the Trident submarines now pre-empts the outcome of the 2010 talks and greatly reduces the chances of their success. We should do all we can to make the talks a success and, after the talks, review the situation. If sufficient progress has been made by then towards a world free of nuclear weapons, we may not need to build replacement submarines. On the other hand, the talks could fail, in which case the right decision will be to build replacement submarines to carry the Trident missiles. But that is a decision to be taken in the middle of the next decade, not now. The Government have failed to convince me in the debate of the need to take the decision now, so I shall be voting for the amendment to postpone the decision to build replacement submarines.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. The four-minute limit on speeches now operates.

5.44 pm

Jeremy Corbyn (Islington, North) (Lab): When my hon. Friend the Member for Hemsworth (Jon Trickett) spoke earlier, he outlined the consequences of using nuclear weapons. They have been used only once in aggressive wartime—in Hiroshima and Nagasaki in Japan in 1945. Last month, we had a large demonstration in Trafalgar square against the replacement of Trident nuclear missiles. We had a video link-up with the mayor of Hiroshima, who pleaded with us to do everything that we could not to develop a new generation of nuclear missiles in this country, because people in his city were still dying as a consequence of the weapons that were used more than 60 years ago. That is the consequence of nuclear weapons.

This morning, I had an e-mail from the mayor of Salt Lake City, speaking on behalf of the Western Shoshone tribe. He pointed out that in the past Britain and the United States have undertaken tests in Utah, which have resulted in a large increase in cancers, thyroid cancers and all the health problems that go with them. Developing nuclear weapons—never mind using them—involves consequences for people's health.

I remind the House that a few years ago we debated with great earnestness the situation in Iraq in relation to weapons of mass destruction. A nuclear weapon is automatically a weapon of mass destruction. It cannot be targeted individually at a military target. It can be used only to destroy a whole area and to kill a very large number of people. It has no deterrent effect whatsoever. We are promoting this position largely through a sense of vanity, rather than anything else. If we pass the resolution tonight to endorse the Government's position, we will be set on a road that is both costly and illegal.

I want to make two points about the law relating to this issue. There is something called international humanitarian law and there are two important principles that are part of it. First, there is the general rule that a party to an armed conflict must always seek to distinguish between the civilian population and the combatants. A weapon that is incapable of drawing such a distinction is unlawful under international humanitarian law. A nuclear weapon cannot, by its very nature, make that distinction. Secondly, there is the principle that a party is entitled to use only that force that is required to achieve a legitimate military objective. A weapon that is bound uselessly to aggravate the suffering of combatants is unlawful under international humanitarian law.

When the Foreign Secretary spoke earlier, she took great pains to tell us that we were adhering to the principles of the non-proliferation treaty. I would argue strongly that we are not. The whole point behind the treaty is to stop the proliferation of weapons. If we develop a new generation of nuclear weapons, what moral authority do we have to say to any other country in the world that they cannot develop a generation of nuclear weapons? I ask the House to think who has greater moral authority around the world: the spokesperson for the British Government or Nelson Mandela on behalf of the people of South Africa, which unilaterally gave up its nuclear weapons and any pretence thereto?

I would also make the point that in 1996, the International Court of Justice ruled that

"the threat or use of nuclear weapons would be generally contrary to the rules of international law applicable to armed conflict and in particular the principles and rules of humanitarian law."

We face an important decision tonight. Either we endorse this vast expenditure, or we encourage a public debate that I believe will come down on the side of sanity, sense and peace in the world, and we do not go ahead with this vast expenditure that can lead only to a more dangerous world.

5.48 pm

Anne Milton (Guildford) (Con): I will be brief. *[Interruption.]* I will have to be brief. That is four seconds gone.

There is considerable misunderstanding in the House about what we are deciding. The Foreign Secretary's comments that we are not committing ourselves irreversibly to a nuclear deterrent, but are taking steps to maintain a nuclear deterrent beyond the life of the existing system, are important. When the Secretary of State for Defence sums up, he cannot emphasise that strongly enough. I had the privilege of visiting HMS Clyde last year as part of the armed forces parliamentary scheme. No one who visits there could fail to be outstandingly impressed by the professionalism of our armed forces. That professionalism equips members of the Royal Navy not only to spend 90 days at the bottom of the sea—not something that I would relish—but to deliver the extraordinarily impressive security arrangements that I saw. My visit clarified some of my thoughts about whether we continue to need a nuclear deterrent.

There is clearly much on which hon. Members agree. Although this sounds like motherhood and apple pie, it is important to make the point that none of us wants to have a nuclear deterrent. We would all wish that the resolution of conflicts throughout the world could be brought about by negotiation. However, we live in the real world, and the real world has become less safe. I was not a Member of the House when the decision on the invasion of Iraq was taken. I regret that decision deeply, and I believe that its repercussions will be with us for many years to come. However, none of us can predict with any certainty the threats that this country will face over the next 20 years.

There are three points that I would like the Secretary of State for Defence to clarify in simple terms that can be understood by hon. Members, especially those who have concerns about the proposal. We need a justification for why the decision needs to be taken now. I have something in common with the hon. Member for Islington, South and Finsbury (Emily Thornberry), in that I am utterly confused by the Liberal Democrats' position.

We need to know whether the replacement of any part of the deterrent will remain solely and completely in the control of the UK. We also need to know whether the process would harm or compromise any part of the non-proliferation treaty. Will we continue to pursue a reduction in nuclear weapons and will multilateral disarmament continue to be our aim?

My right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot) probably summed up my view almost word for word: with some unhappiness, it is yes to the decision tonight. However, I was especially

[Anne Milton]

struck by a point that he raised about dependence on the US. If we do not want to be entirely dependent on the US, we need our own nuclear deterrent under our own control.

We have had a thoughtful and interesting debate. This is one of those times when I wish that the public were watching. We have heard heartfelt contributions on a subject that is at the centre of what we are all here for—the security of the United Kingdom and its citizens.

5.52 pm

Mr. David S. Borrow (South Ribble) (Lab): Twelve months ago, when the Defence Committee started its first inquiry on Trident, I adopted a fairly sceptical approach. However, several issues have become clearer to me over those 12 months, principally the question of the timing of the decision. Believe me, if I thought that it was reasonable to delay the decision until after the next election, I would be voting for that tonight and I would have been urging the Select Committee to make that one of its recommendations. However, we must consider the industrial base and skills that are required. All the advice that we received from the UK military said that the process would take 17 years. Our first report questioned why the time period was 17 years rather than 14 years, which was the case at the time of the 1980 decision. We have heard a good explanation for that—although the initial design and conceptual work had been done prior to 1980, it has not yet been done at this stage.

I am surprised by the attitude of the Lib Dems. They have made it clear that they support that design and conceptual work. If they felt that they were being bounced into making a long-term decision to commit themselves to four boats between 2012 and 2014, they had the opportunity to table an amendment providing simply that they would agree to the initial design and conceptual work. I have read the amendment that most Lib Dem Members have signed, but such a provision is not in there. It seems that a lot of people are playing the "I'm a multilateralist, but I want to avoid making a decision" card.

I remember knocking on doors in the 1980s when the Labour party had a unilateralist position. I was comfortable with that, but it seemed to me that while some people were passionately in favour of that position—they would put up posters and deliver leaflets, and they wanted a Labour Government who would get rid of nuclear weapons unilaterally—many lifelong traditional Labour voters shuffled away, would not look one in the eye and ended up voting for the Social Democratic party, which was largely made up of ex-Labour people who had joined because they did not feel happy with our unilateral position, and then for the Liberals.

In 1989, Labour changed its decision at its party conference, and many of us found that difficult. However, I have fought four general elections, and won three of them, on party manifestos that promised to retain Trident and to take a multilateral approach. The Labour party's approach is that we will get rid of nuclear weapons only through negotiations, in which we say that we will put our nuclear weapons in the pot if other nuclear states do the same. That is the policy on which all three major parties fought the 2005 election.

It would be undemocratic if we made a decision today that made it impossible for the people of this country to elect, in three years' time, a Government who could build a new Trident successor. If the White Paper had put forward the view that we should not replace Trident, I would have expected an honourable Government such as ours to recommend that the design work and work on the initial concept still went ahead, so that if, in three years' time, a Government were elected who wanted to retain the nuclear deterrent, they would have the capacity to do so. If we do anything other than back the Government motion tonight, we will go against the manifesto commitment that more than 600 Members—

Mr. Deputy Speaker: Order.

5.56 pm

Jeremy Wright (Rugby and Kenilworth) (Con): It would be easy to convince ourselves in this debate that the world would be better off without nuclear weapons—we could all agree with that. We could also easily convince ourselves that we could do something more productive with £15 billion or £20 billion, but neither of those points are the issue. We have a responsibility not to decide the issue in a way that makes us feel better, but to make the decision that we think is best. I accept that that is difficult, because we are trying to develop a response to the security threats of the next 20, 30, 40 or even 50 years, which we cannot foresee. The point has been made that it is impossible to predict the world of the 2050s.

Hon. Members who spoke against the motion said that the most important threat that we face is not a nuclear power; it is climate change or world terrorism. I am sure that they are right, but who, 30 or 40 years ago, would have predicted that those would be the primary threats? The answer is very few people indeed. We have to project forwards, and ask whether we hon. Members are making similarly inaccurate predictions. Our judgments are based on educated guesswork. In some cases, it is highly educated guesswork, but it is guesswork none the less. In those circumstances, I prefer to err on the side of caution. If we do not know what threats we face, surely we must do our utmost to be ready for everything.

Even if the threats of today are those that we will face in the next 30 or 40 years, it is hard to argue that we face an increasingly safe world. It is quite the reverse. Some nations, which have already been mentioned, are developing nuclear capacity, so it is a spectacularly inappropriate time for Britain to be abandoning its nuclear deterrent. I do not accept the argument that that is not what we are discussing today; it is exactly what we are discussing. If we defer the decision, we may find that it is taken out of our hands. We cannot choose between keeping the deterrent and updating the deterrent; it is one and the same thing, because a deterrent that is out of date is no deterrent at all.

I shall briefly deal with the main arguments against the motion. The first is that we set a bad example by renewing Trident and that we weaken our hand as regards non-proliferation. I do not accept that, and I do not believe that we are in breach of our non-proliferation obligations by renewing what we already have; that is not proliferation. I do not accept that we weaken the message that we send, or that we send the wrong message.

The wrong message to send would be a refusal to renew Trident. At this moment in history, that would send precisely the wrong message—a message of weakness when we need to project strength. It would also be a message of complete irrelevance, because I do not believe for a second that if our country gave up what amounts to 1 per cent. of the world's stockpile of nuclear weapons, it would affect anyone's judgment in any way.

Secondly, I do not accept that the decision is precipitate; this is the right time to make it. We should err on the side of caution. If we do not take the decision today, we could find that our manufacturing and expertise capacity has been diminished to the point where we cannot make another decision when we want to do so.

I shall vote cautiously. I will not take chances with our national security, nor will I play political games with it. I shall vote for the Government's motion.

6 pm

Alison Seabeck (Plymouth, Devonport) (Lab): Had I been asked to deliver this speech 35 years ago when I was a young, idealistic student, I would have taken a different view and given a different speech. There are a number of reasons why I have changed my position. My support for the new programme is not based simply on its economic benefits for the south-west defence-based industries, although understanding the complexity of the procurement process and the nature of their highly skilled work has informed my position.

As we have heard in powerful speeches from colleagues in all parties, there are a number of key issues and questions. Do we need the deterrent? What is the threat now that the cold war is over? Are there legal arguments against the ongoing programme? They are good questions. Many colleagues pressed the point about where the future threat lies. Is there a threat? I do not know, but we cannot take risks. None of us is psychic. We do not know what the threat will be in 20, 25 or 50 years' time. We cannot work on the assumption that we will be able to get by on our stock of conventional weapons if a threat emerges at some future date. Leaving until later a decision on the go-ahead for submarines capable of launching the missiles—the decision is about giving the go-ahead for the submarine procurement process—could leave the UK facing an enemy with one arm tied behind its back.

We cannot rely on diplomacy to get us out of any future confrontation. It would not be rational to do so. Relatively recent history shows that such an option could leave our nation exposed. In the 1920s, following the war to end all wars, disarmament was the preferred option, for reasons we all understand. However, military dictators stepped in to fill the vacuum, as my right hon. Friend the Member for Greenwich and Woolwich (Mr. Raynsford) described earlier, because certain western democracies were seen as vulnerable. Diplomacy failed us then, and we were not prepared. It took the Herculean efforts of armament workers in the UK who rushed to produce weapons, as well as the incredible bravery of our service personnel against enormous odds, particularly in the early years of the war, to get us to the point where victory was possible.

Delaying the decision would be disastrous on defence grounds. Abandoning the programme may be a desirable outcome for many colleagues in this place and could be welcome in other quarters—probably foreign Governments who have no nuclear weapons and no desire to build them. However, there is no evidence to suggest that such a course of action would encourage others to follow our lead. I can see no way in which it would give states developing nuclear weapons—North Korea, Iran, Pakistan, India or Israel—any reason to stop their programmes. Indeed, it could have the opposite effect.

In Plymouth, a city associated with the armed forces and one of the cities most heavily bombed during world war two, we understand the deterrence process. Equally, we understand the importance of the SSBN—ship submersible ballistic nuclear—programme to the economy of our city and the wider south-west, as well as to the UK's maritime industrial base. My colleague, my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy), has already made that case well. I can but reiterate the point that the importance of a decision to continue with Tridept—on what is generally seen throughout the House as the most effective delivery platform for the missiles—cannot be overstated.

What we have in Plymouth is unique and what the defence industry requires is also unique. Admittedly, our skills could be used in other fields, but only the Ministry of Defence buys submarines and wants maintenance programmes for them. In Plymouth, we have the skills. Submarines cannot be conjured out of thin air if the strategic position changes at a future date. They cannot be built in the same way as fighter planes were rushed out in the second world war.

No one can feel comfortable in a world where nuclear weapons exist, but we do not live in a secure world environment. Twenty years down the line, I certainly do not want to have to explain to a population threatened by a state with nuclear weapons that we do not have the capability to respond.

6.04 pm

Mr. Bernard Jenkin (North Essex) (Con): The question before the House is very simple. We are being asked whether we want the Government to proceed with the preparation of the continuation of our nuclear deterrent in some years' time or not. Any amendment or rejection of the motion will mean that the House has instructed the Government not to continue with the concept, work on and preparation of the submarines.

A lot of this debate has turned on the question of the timing and the Select Committee, of which I am a member, looked at the issue carefully. Professor Garwood has been mentioned, among others, as someone advocating the idea that we had space for delay. The Committee considered this and other evidence and not a single member was convinced.

The misunderstanding arises from the different ways in which the two respective powers—Britain and the US—use the submarines. We simply have four submarines; at any time, we have one at sea, one in refit, one going to operations and one spare. That is the way in which we operate. The Americans have a very large number of submarines. We took evidence from Rear Admiral Andrew Mathews, who is director general, nuclear. He made it perfectly clear that we operate in a different way. The lifetime of the submarines is shortened because we use them more intensively and rely upon using them more intensively. To get, as he put it, one from four is much more difficult than two or three from 14, which is what the Americans do.

Moreover, we can extend the life of the submarines to 25 or 30 years, but their reliability declines over the

[Mr. Bernard Jenkin]

period. Because the Americans have that spare capacity in their much greater build, they can afford that redundancy and unreliability. We cannot, if we are to maintain our deterrent. That is why the decision needs to be taken today.

My only other comment is about the strategic context. The hon. Member for North Devon (Nick Harvey) said that the world was watching us today. The one way of making sure that the world will watch us no longer and give us no influence is to wantonly throw away the influence we have. By wantonly throwing away possession of our nuclear weapons, we will give something for nothing. I commend the speech of the hon. Member for Newcastle upon Tyne, North (Mr. Henderson) who dealt with the proliferation point extremely well. If we throw away our weapons, the world will watch us no more and will take no interest in anything that our Government have to say.

6.07 pm

Mr. Jim Devine (Livingston) (Lab): I am very proud of the Labour Government. My constituency has record employment; we have seen the introduction of the minimum wage; there is justice for pensioners; there is record investment in our public services. I hope that Front-Bench Members recognise that when someone like me votes against the Government and resigns as a parliamentary private secretary at the Department for Health, it is not an easy decision. It has been a hard decision, but I believed that I should come to the House to explain it.

As the House is aware, Robin Cook was my predecessor. The week before he died in August 2005, the very last article he wrote was in *The Guardian* on this subject. He said:

"It was the Wilson government of the 60s that built, launched and named the Polaris fleet. It was Jim Callaghan who first struck the Trident deal with President Carter... There could not be a more convincing way for Tony Blair to break from the past and to demonstrate that he is a true moderniser than by making the case that nuclear weapons now have no relevance to Britain's defences in the modern world... the spirit of the cold war lives on in the minds of those who cannot let go of fear and who need an enemy to buttress their own identity. Hence the vacuum left by the cold war has been filled by George Bush's global war on terror...nuclear weapons are hopelessly irrelevant to that terrorist threat. The elegant theories of deterrence all appear beside the point in the face of a suicide bomber who actively courts martyrdom. And if we ever were deluded enough to wreak our revenge by unleashing a latter-day Hiroshima on a Muslim city, we would incite fanatical terrorism against ourselves for a generation."

I hope that when my right hon. Friend the Secretary of State for Defence sums up, he gives some indication of when he would see a nuclear weapon being used.

The article pointed out that

"all levels of the Trident system depend on US cooperation. The missiles are not even owned by us, but are leased from the Pentagon in an arrangement that Denis Healey once dubbed as 'rent-a-rocket'. Renewing our collaboration with the US on nuclear weapons will deepen the bonds between Downing Street and the White House, at the very time when the rest of the nation longs for a more independent stance."

It is absurd that Britain should maintain its nuclear weapons to guarantee its security while lecturing Iran, et al, that the safety of the world will be compromised if they behave in the same way. Despite the anxieties about proliferation, more nations have given up nuclear weapons in the last generation than have developed them. It has been pointed out that Brazil, Argentina, Ukraine and South Africa have given up weapons, and none of them regard themselves as less safe or secure than before; nor need we if the leadership can find the courage to allow Trident to be the end of Britain's futile and costly obsession with nuclear weapon status.

6.10 pm

Mr. Richard Benyon (Newbury) (Con): In an aside to Conservative Members a few moments ago, the hon. Member for Banff and Buchan (Mr. Salmond) asked what it would be like to have a facility like Faslane in the Thames valley. If he came and stood in my bedroom—*[Interruption]*—a remote possibility, I grant, and looked across the Kennet valley, which is part of the Thames valley, he would see the rooftops and chimneys of the atomic weapons establishment at Aldermaston, which I revere for the work that it has done to safeguard this country's security in times past and, I hope, in times future.

I am sure that the hon. Gentleman will understand when I say that I wish that that facility did not exist. More precisely, I wish that we lived in a world in which the atomic weapons establishment at Aldermaston did not need to exist. Unfortunately, however, we live in the real world, not in a utopian one. If the hon. Gentleman came with me to the hill above my house, and looked further into the distance, he would see Greenham common, which is a living, breathing example of the peace dividend. More people work there in real jobs than were stationed there at the height of the cold war. The arguments around the perimeter of Greenham common now are about planning issues and whether the missile silo should house a museum or be used as a storage site for cars. That achievement demonstrates previous Governments' strength of purpose and the support and the sacrifice on the part of Members on both sides of the House.

In the short time available, I should like to address the points made by the hon. Member for North Devon (Nick Harvey) about the timing of the decision. He suggested that it was a political decision, rather than a strategic one. He suggested that in the dog days of his premiership, the Prime Minister, from hitherto unnoticed altruism towards the Chancellor, should make a decision that was causing agony in his own party. I have more generosity of spirit than the hon. Gentleman, as I believe that the Prime Minister and the Government have made the decision now because it is the right decision to make. I refer many hon. Members who have made speeches today to the Defence Committee report, as it is apparent that they have not read it. It is crucial for anyone who is considering adopting the position proposed by the Liberal Democrats to understand the way in which the Defence Committee came to accept that extending the life of the submarines was not sufficient and that we could not make a decision any later. I accept that, originally, the documentation suggested that it would be possible to make a decision in 2010. It is now accepted, however, that initial conceptual work must be done on those submarines before the 14-year period to which the hon. Member for North Devon referred, making a total of 17 years. When one compares the evidence of Professor Garwin, supported by the Oxford Research Group, with that of organisations such as the Royal United Services Institute and, more

importantly, the Royal Navy, the evidence comes down firmly on the Government's side of the argument.

6.14 pm

Dr. Alan Whitehead (Southampton, Test) (Lab): I support the retention of Britain's nuclear deterrent. I also support the renewal of Britain's nuclear deterrent. I am sorry that the amendment tabled by my right hon. Friend the Member for Southampton, Itchen (Mr. Denham), my hon. Friend the Member for Slough (Fiona Mactaggart) and me was not selected. The choice before us today is to take no decision at all or to take an irrevocable decision to continue with Trident as our platform for nuclear deterrence over the next 40 years.

If we support nuclear deterrence and renewal, we clearly need to look at the future of that deterrent, so we need to take decisions about how we approach the concept and design of a replacement nuclear deterrent. However, we live in a rapidly changing world. That was reflected in the strategic defence review, which stated that the strategic environment that we face today is very different from that of the previous 50 years. The review concluded:

"The challenge now is to move from stability based on fear to stability based on the active management of these risks, seeking to prevent conflicts rather than suppress them."

What might that doctrine look like in the context of future nuclear policy? That was articulated well by a witness to the Defence Committee, Dr. Stocker, who said:

"In today's so-called 'second nuclear age' where national survival is probably not at stake, threatening to devastate another society in total or in large part is neither appropriate nor credible, so actually deterrent credibility may now be based on our ability to threaten the least amount of damage to another society, but in a scenario in which nuclear weapons are relevant because somebody else is threatening to use nuclear weapons or other WMD".

According to that doctrine, is Trident the right replacement for Trident over the next 40 years? Does a system which was designed as part of a mutually assured destruction system fit that description of possible future deterrence? Is it wise to go ahead irrevocably with that system, without considering alternatives? It appears that there are alternatives, which should be considered in the process of renewal and in the context of concept and design, so that when we come to take a decision at gate entry, we have the concept and design most appropriate not for a cold war scenario, but for a continually changing world.

As things stand, we may have a Trident system that lasts until a few years away from the time when we claim that we will have reduced our carbon emissions by 60 per cent. from 1990 levels and will be living in a different world and a different economy. We need to take decisions on design and concept, and on the future, but I am not convinced by the argument that we should commit ourselves irrevocably today. I do not believe that future investment hangs on this decision. I do believe, however, that a vote in Parliament before final commissioning, in addition to a decision to go ahead with development of concept and design, is the right way forward. I hope hon. Members will reflect on that when they consider our deterrent in future.

6.18 pm

Willie Rennie (Dunfermline and West Fife) (LD): I believe in the deterrence theory. It has worked for decades to protect our country. Although I believe that, I also want to seize every opportunity to negotiate those massive weapons away. To me, the crucial question in this debate is whether the White Paper adds to the non-proliferation talks. Does it make it more likely that we will have a successful round of talks in 2010? The answer is clear. Without doubt, the White Paper is a barrier to progress.

The Defence Committee, which has been mentioned on numerous occasions this afternoon, was right to criticise the Government for failing to have a strong strategy for nuclear non-proliferation. The preparations for those talks in 2010 start next month. There is no indication that sufficient emphasis has been placed on the talks. The White Paper devotes many more pages to justifying why the UK needs to renew its deterrent than to setting out its ambitions for disarmament. What hope do we have if the Government have already given up on those talks in 2010? What hope do we have if this Parliament decides prematurely to renew Trident? The Government seem determined not to give the talks a chance. The message that will be sent to Iran and North Korea by the Government deciding to proceed today is: "Do as we say, not as we do."

Many of those in the Chamber have belittled Britain's role in the world and say that, because we have such a small nuclear deterrent, we have no chance of influencing the rest of the world. I reject that. Britain has a significant role to play in the world, but we squander that reputation on issues such as Iraq and our failure to act on Israel's invasion of Lebanon, as well as this issue of Trident.

What would the Liberal Democrats do? As I said in my opening remarks, the real test in this debate is whether the White Paper furthers the cause of nuclear disarmament. That is why we reject the premature bid to renew Trident. The White Paper clearly states—people seem prepared to ignore this—that the decision on main gate does not need to made until 2012 to 2014, when the first substantial chunk of investment will need to be made. A decision to reject the Government's plans today would not jeopardise the skills base, as many Members have claimed, but it would ensure that we give the talks in 2010 the best chance of success.

The Liberal Democrat view has many supporters. As we heard, former President Gorbachev has made a strong representation to the Government that they should not renew prematurely. Another supporter said:

"There's an argument about whether the replacement is too soon, whether we should be actually putting...off"

the decision

"for another 10 or 15 years but actually I think March is unnecessarily soon."

That supporter was the right hon. Member for Sheffield, Brightside (Mr. Blunkett), who went on to say to the Prime Minister:

"You are going to be remembered for lots of things...You don't have to remembered for replacing Trident."

We agree.

6.22 pm

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): Like many Labour Members, I came of age politically in the era when issues of war and peace, and our responsibility as a movement and

[Ms Diane Abbott]

as individuals to make the world a safer place for our children, were at the very forefront of the political debate. A lot has happened in the intervening years, but I believe in the same things as I believed in then.

Today we live in, if anything, a more dangerous world than ever, but if this evening this House takes a vote in principle to go forward with Trident, we will make it even more dangerous. That is partly because the vote will be premature and partly because we will not be doing it on the basis of full information, including scientific information. I refer the House to what Kofi Annan, the former Secretary-General of the United Nations, said on this issue:

"the more those States that already have"

nuclear weapons

"increase their arsenals, or insist that such weapons are essential to their national security, the more other States feel that they too must have them, for their security."

Many Members have said that if we let go of our nuclear weapons, other people will not automatically let go of theirs. In fact, we are not letting them go—we will have nuclear weapons going forward into the future. Nevertheless, if we insist on renewing and increasing our arsenal, how can that help with proliferation?

In reading past debates on this issue, I came across a quote from the current Chancellor, then the Member for Dunfermline, East, who said about Trident that it is

"unacceptably expensive, economically wasteful and militarily unsound."—[*Official Report*, 19 June 1984; Vol. 62, c. 188.]

I defer to no one in my admiration for the Chancellor. He was right then, and what he said he is even more right today.

I beg the House, even at this late stage, to vote to take this decision when we need to take it, and not prematurely because of other considerations. That would not be a decision to pursue unilateral disarmament. We need to take our decision on the basis of sound information, sound science and a genuine intent to make the world a safer place for our children.

6.25 pm

Mr. Tobias Ellwood (Bournemouth, East) (Con): This debate has been prompted not by Trident, as the title of the debate would suggest, but because the submarines are reaching the end of their shelf life. The Trident D5 missile system could continue until 2042. The debate has provided a useful opportunity to take stock of where we stand. We are clearly meeting our treaty obligations. We have also eliminated our tactical missile systems and reduced the number of platforms and warheads. Many Labour Members have argued that we should go further, but the whole point of this debate is that it takes about 17 years to procure a new platform—a new submarine. We need to ensure that we have that ability.

Some Labour Members are proposing that we delay the debate for three years. What difference would a delay of three years make to our ability to predict the enemies that we will face in 17 or 20 years? I do not believe that it would make any difference. Iran has been mentioned a number of times. If we were to reduce our nuclear deterrent, would Iran copy us? I very much doubt it. We would see no change whatever in its programmes.

David Howarth (Cambridge) (LD): Will the hon. Gentleman give way?

Mr. Ellwood: I will not give way; time is against us.

China was also mentioned. The fact that it destroyed a satellite in space recently got hardly any coverage, but it shows how events are moving forward. We need to be aware of such events and react to them. Looking back in history, we see that the Falklands conflict came out of the blue. Who could have predicted it? More to the point, had the roles been reversed, and Argentina had the nuclear capacity rather than us, would we have dared to march in there? That point was made by my hon. Friend the Member for New Forest, East (Dr. Lewis) in a previous debate. Had Galtieri had the atomic bomb rather than us, major questions would have been asked if we had had to retake the Falkland islands.

The White Paper is about downsizing but maintaining our nuclear capacity. Several hon. Members have questioned the costs involved. I am not a smoker, but I worked out on the back of my virtual fag packet that the proposals would cost every citizen of the United Kingdom 20p a week for the lifetime of the nuclear deterrent. That is cheaper than any car insurance available, and it is a small price tag, considering the catastrophic consequences of our getting this wrong. Many people have argued that we need the money for our conventional forces. They clearly do not know the Chancellor well enough if they think that if we had no more nuclear deterrent the money would go straight into our defence coffers. That would clearly not happen, as I think those on the Government Front Bench would agree.

It has also been argued that we should extend the life of the Vanguard class submarines, but placing them in dry dock, replacing their reactors and carrying out complete refits would cost more than buying new submarines. That argument does not hold water. Nuclear powered submarines, be they Vanguard class or Ohio class, are as complicated as the space shuttle. That is why they cost so much money, and why we have to take care about what we buy. I wonder whether we should be looking to the Vanguard class or the Astute class of submarines for a more versatile platform that can fire Tomahawk missiles as well, as that would provide a bigger threshold for utilising the submarines in a different way.

I pay tribute to the Royal Navy, an organisation that has looked after our nuclear deterrent for almost 40 years. It has been a responsible steward and a reliable custodian. Whatever the views of Members on both sides of the House, I hope that we can all join together to congratulate the Royal Navy on its hard work in providing that deterrent.

6.29 pm

Mr. Mohammad Sarwar (Glasgow, Central) (Lab): I am grateful for the opportunity to take part in this important debate. In the past three months, I have received hundreds of campaign postcards, letters and e-mails that are against the replacement of Trident. To date, I have not received a single letter in support of its replacement. That is a clear indication of the strength of public opinion in my home city of Glasgow and in Scotland against the replacement programme.

I am unconvinced about the massive cost of replacement. In particular, I have great reservations about the accuracy of figures provided to date. Government sources previously quoted Trident's running costs at between 2 and 4 per cent. of the annual defence budget—approximately £1 billion per year. That has been revised upward to 5 to 6 per cent. in the White Paper by my right hon. Friend the Secretary of State. There must now be doubts over whether the global cost figure offered of £15 billion to £20 billion is accurate. Ministry of Defence procurement has a history of exceeding initial budgets. The contract for the new Astute class submarine has already doubled, before a single ship has been launched. Some observers have even put the cost for the full life of Trident's replacement as more realistically between £76 billion and £110 billion.

The factor of fear and uncertainty has been a strong el[redacted]t in the arguments of those supporting a new sy[redacted]ople in Glasgow understood that at the height of t[redacted]d war. Given Faslane's strategic importance and th[redacted]S Navy base at Holy Loch, we felt the real threat [redacted] by Soviet missiles targeted on Scotland. Times [redacted]changed. The cold war threat from the Soviet Union no longer exists and therefore the need for new nuclear weapons does not exist.

If we and other countries that have nuclear weapons pursue new nuclear weapons systems, the likelihood of proliferation and of nuclear threats will increase for many years to come. The Prime Minister's argument that nuclear weapons are vital to our national security can, and is likely to be, adopted by other current non-nuclear states worldwide. That view is supported by Kofi Annan, who said at the 60th anniversary of the United Nations that the more those states that already have nuclear weapons increase their arsenals, or insist that such weapons are essential to their national security, the more other states feel they too must have them for their security. Therefore, failure to prioritise real international disarmament negotiations in the near future will only contribute to the ongoing problem of proliferation.

Lord Kinnock, who ended our party's commitment to unilateral disarmament, has said that the Government have failed to make the political, technical or military case for enhancing Britain's weapon system. He is right. The Government have not made the case for the need to replace Trident and for that decision to be made now.

I want to ask right hon. and hon. Members one question: why do we believe that it is right for Britain, the United States of America and Israel to possess weapons of mass destruction and expand their nuclear weapons arsenals, but that it is not right for other nations to develop nuclear weapons? Is it because we have more wisdom, because we are more responsible or because we are a rich nation? If we spent the billions of pounds that we are spending on war and our nuclear arsenal on alleviating poverty, we would live in a safer world.

6.33 pm

Mr. Alistair Carmichael (Orkney and Shetland) (LD): I am delighted to have the opportunity to make a brief contribution to what has been an excellent debate.

As it was for the hon. Member for Hackney, North and Stoke Newington (Ms Abbott), this was one of the most potent and divisive issues throughout my formative political years in the 1980s. I have been struck by the number of Members who have spoken of the issue as a matter of principle. When I resolved my position on the issue, I did so not on principle but on an entirely pragmatic basis. Given that the destructive potential of nuclear weapons is so horrific and enormous, I would have some difficulty in aligning myself with such a principle.

The arguments in the 1980s were threefold in their concerns: the concept of mutually assured destruction; the question of deterrence; and whether disarmament should be multilateral or unilateral. I always felt that that debate was fairly false. I never had much respect for the concept of mutually assured destruction. By the more swivel-eyed tendency to which we have heard reference today, that always seemed to be embraced as an opportunity rather than a threat. But in the context of the cold war, I was prepared to see some force in the theory of deterrence.

We live in a very different world now, however. In the 1980s, during the cold war, I was eventually persuaded to accept acquisition. I did so as a multilateral disarmer: I believed that the only real purpose for which the possession of such weapons could be countenanced was to get rid of them. I think that some justification for that position was provided by the progress that we made in the late 1980s and the 1990s, but, as I have said, the world today is very different. The threats to world security no longer come from superpower blocs; they come from regional conflicts, from rogue states and from cellular terrorist organisations.

In recent years, the arguments in favour of possession of nuclear weapons have become progressively thinner. A number of Members have spoken today about the position of Iran. I think that one of the major motivations for Iran's seeking to become a nuclear power—which, like everyone else, I deplore—is the fact that Israel is believed to be a nuclear power. That is the way it goes. I think it is the major flaw in the argument we have heard from the Conservatives today, the ultimate logic of which is that eventually every sovereign state will have the right, and indeed the obligation, to become a nuclear state.

What the Government are asking of us today is of a different order from what I have been prepared to live with in recent years. They are talking not about maintenance, but about renewal and extension. If we approach the argument on a pragmatic rather than a principled basis, that is where the tipping point shifts. Where will be our moral authority to attend the nuclear non-proliferation treaty talks in 2010 if we back the Government's position today?

6.37 pm

Mr. Gordon Prentice (Pendle) (Lab): If our friend the late Robin Cook were here today, he would vote against the Government. My friend the Member for Livingston (Mr. Devine) quoted extensively from what Robin said. Let me quote just a couple of sentences. Shortly before he died, Robin said this:

> "Investment in a new strategic nuclear system would be worse than an irrelevance... It is... against Britain's national interests to replace Trident. It is also against our international obligations, notably the commitment in the non-proliferation treaty to proceed in good faith to nuclear disarmament."

[Mr. Gordon Prentice]

The White Paper is full of assertions. Our friend the Member for Lewisham, Deptford (Joan Ruddock) made that point. It asserts, as if it were a truth, that

"Renewing the current Trident system is fully consistent with the NPT and with all our international legal obligations."

I simply do not believe that.

When I asked Ministers three weeks ago to supply me with the Attorney-General's advice—the legal advice that allowed the Prime Minister and the Government to say that—I was told that it was confidential. I am not prepared to take these matters on trust, not after Iraq, not after weapons of mass destruction and not after the "45 minutes" assertion. If the Prime Minister came here and told us that we had to invade Iran, do you think the military would go along with that without having sight of the Attorney-General's—

Mr. Speaker: Order. I ask the hon. Gentleman not to draw the Speaker into the argument. That is one thing that I will not allow.

Mr. Prentice: I do not think it possible that the Prime Minister could persuade the House of Commons to embark on a military adventure against another country without tabling the Attorney-General's opinion. I think that this is such an important matter, for all the reasons that we have heard during this long debate, that it is unacceptable for the Government to proceed on this basis.

The way in which the Government have consulted the Labour party has been an absolute disgrace. All the motions that were put before the Labour conference in September were ruled out of order as the matter was going to be referred to the national policy commission. When it was discussed at the national policy commission there was a debate—there always is—but no vote, because under new Labour nothing crystallises into a vote. The only time when I ever vote is when I am here in the House of Commons. That is disgraceful.

I hope that my hon. Friends will, like me, vote for the amendment, and if the amendment is lost I hope that they will vote against the Government.

6.40 pm

Ms Katy Clark (North Ayrshire and Arran) (Lab): It is with great pleasure that I say that I—along with, I suspect, several other Scottish Labour MPs—will vote against Trident's replacement this evening. I would vote against Trident's replacement wherever in the United Kingdom it was based, but the reality is that it is based in the west of Scotland and for many decades vast majorities of people in Scotland have made it clear that they oppose nuclear weapons being based in Scotland. I think that that is because they, perhaps more than people in any other part of Britain, are very aware of what those weapons represent. They are weapons of mass destruction that have been designed to target civilian communities and to maximise death and suffering.

We know what the outcome of the use of a nuclear weapon is; we learned that in Hiroshima. The only country in the world that has ever used nuclear weapons is the United States of America. I believe that the primary function of this debate should be to encourage us to do everything we can to make sure that such weapons are never used again. One of the most important things that we must do to make sure that they are never used again is to make sure that as few of them as possible exist in the world and that as few countries as possible have them.

If today we vote for Trident renewal, that must be a breach of the non-proliferation treaty. We are talking about 17 years of development of a new nuclear weapon system at, we understand, a cost of more than £20 billion. That is to develop a new and more sophisticated form of weapons of mass destruction. That is a very serious matter for this House to agree to. If we decide to go ahead with Trident renewal today, we will send the wrong signal to those countries that currently do not have nuclear weapons. What we will be saying to them is that a country such as Britain, which is stable and powerful and the fourth richest country in the world, needs nuclear weapons for our defence. If we need them, we must agree that other countries might also need them.

I welcome the fact that we are having this debate. This is the first time that the Members of the House of Commons have had the opportunity to take part in a debate before such a decision is taken. The Government should be congratulated on that. It is partly because of the strength of feeling on the Labour Benches—

Mr. Speaker: Order. I shall now call the Front Benchers. I call Dr. Liam Fox.

6.43 pm

Dr. Liam Fox (Woodspring) (Con): Our debate has been very good, often thoughtful, and at times subdued. It was started in the best possible way with truly excellent speeches by the Foreign Secretary and my right hon. Friend the Member for Richmond, Yorks (Mr. Hague). Throughout the day, the argument has fallen into several clear areas: the principle of deterrence and the case for possessing any nuclear weapons in the United Kingdom; the timing of the decision to replace the Trident deterrent; the cost implications; and the implications of our decision for disarmament globally.

The bottom line in the debate has been that we live in a risky and unpredictable world. My right hon. and learned Friend the Member for Kensington and Chelsea (Sir Malcolm Rifkind) said that threats can emerge and re-emerge, as well as diminish, with little warning. The era of the cold war ended unexpectedly abruptly, and we have no idea where the threats of the future might come from. As the right hon. Member for Walsall, South (Mr. George) said, it is necessary for us to live in the world as it is, rather than imagine that we are living in the world that we wish to live in. As my right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot) said in a very thoughtful speech, being strong deters attack but being weak can be an invitation to war and threat.

Therefore, in a risky world, we need flexibility. It is not, as the House has often been told today, a choice between nuclear deterrence and spending more money

on conventional defence. In an uncertain world, we require flexibility to deter credibly, and where possible, to deal with threats to the United Kingdom or to British strategic interests.

As my right hon. Friend the shadow Foreign Secretary said at the outset, nuclear weapons cannot be uninvented; they will remain part of the international security picture in the future. The acquisition of nuclear weapons by North Korea and their attempted acquisition by Iran are real threats to our security. The opponents of our nuclear programme in this House today are, in effect, demanding that liberal democracies disarm in the face of dictatorships. We in this House do not have the right to gamble and to play fast and loose with the security of future generations, as Members in some parts of the House are asking us to do.

I want to take head-on the argument in the amendment to the motion. The basic case made by the hon. Member for Hemsworth (Jon Trickett) and of many who spoke in support of his ideas was that we are beginning a so-called process of rearmament that is encouraging others to develop nuclear weapons. That is nonsense. There is no way that what we are voting on tonight could be described as rearmament. We have a single delivery system and a minimum credible deterrent, with a falling number of warheads, and there has been a 70 per cent. cut in our nuclear arsenal since the cold war. We are within not only the letter but the spirit of the non-proliferation treaty. That view was echoed in a number of excellent speeches, including that by the hon. Member for Plymouth, Sutton (Linda Gilroy), who made those points extraordinarily clearly.

My hon. Friend the Member for Salisbury (Robert Key) brought another dimension to the debate. In an excellent speech, he touched on the intervention of the Churches—many of us have had letters from them—regarding the moral implications, which have frequently been cited in this debate. Let me briefly deal with that issue. According to some, it is apparently not only unchristian to use nuclear weapons, but irreligious even to retain them to prevent a war. Yet if these arguments are valid, they are also timeless—retrospective, as well as applicable to the future.

Purely for the sake of argument, let us hypothesise that nuclear bombs were not dropped on Hiroshima and Nagasaki, and that mass conventional warfare continued well into 1946, culminating in a fiercely resisted invasion of mainland Japan, the murder of the remaining allied prisoners of war and an overall death toll greatly exceeding the horrific losses in the two bombed cities. This poses a dilemma for some. Would it have been better for many more to be killed in a continuing conventional conflict, as long as nuclear weapons were not used—or should it be accepted that the ghastliness of total war overrides the question of which weapons are used to minimise casualties and end the war as rapidly as possible? The immorality of mere possession is even harder to argue, and I am glad that that ethical dimension came out in today's debate.

It was interesting to be reminded in glimpses today of a time when politics in the House of Commons was perhaps a little more colourful. We had a full parade from the unreformed Labour left of the national self-loathing that we used to see regularly. The hon. Member for Hayes and Harlington (John McDonnell) talked about post-imperial vanity, and of Britain vainglorioously strutting around the world. He talked about the pre-emption of the parliamentary vote, as though any decisions that MPs take freely that are not in accord with his view were not legitimate. That was echoed, of course, by the candidate for the leadership of the Labour party, the right hon. Member for Oldham, West and Royton (Mr. Meacher). He talked about Parliament being bounced into a vote, and he said that the electorate should be consulted. It seemed utterly to escape his notice that the Government were elected—as he was—on a manifesto commitment to retain Britain's nuclear deterrent. It might be worth reminding him that when Labour was unilateralist it was entirely unelectable.

The hon. Member for Edinburgh, South (Nigel Griffiths) said that we must lead by example in attempting to create a more peaceful world, but as my right hon. Friend the shadow Foreign Secretary pointed out, a previous Labour leadership found that other nuclear states were utterly underwhelmed by gesture unilateralism. As the right hon. Member for Manchester, Gorton (Sir Gerald Kaufman) said, in a powerful speech, it is nonsense to suggest that if we give up Trident others will meekly follow behind. He reminded his colleagues that they would have remained unelectable had he and Lord Kinnock not changed their party's position from unilateralism to multilateralism.

The timing of the decision has been a cause of genuine division and some confusion in the House today. The Foreign Secretary made the case clearly at the outset. Our first Trident submarine will be out of service by 2022 and our second by 2024. We need to have a new system in place by then. If we estimate that it takes 17 years to design, build, test and deploy a new system, this is the right time to make the decision.

The time scale was the fig leaf used by the Liberal Democrats to disguise their utter confusion and division on the issue. The intellectual spaghetti dished up by the Liberal Democrat spokesman reminded us of the difference between parties that have to confront the realities of government and those that are merely interested observers on the sidelines. The hon. Member for North Devon (Nick Harvey) said that it was not the time to give up our nuclear deterrent, but he was utterly incapable of describing an international strategic environment in which it would be appropriate to give up the nuclear deterrent. He said that we should leave the decision to the latest possible date. But if we are to avoid the possibility of a capability gap in the future and retain our skills base, this is the time to make the decision. We should be in no doubt that this evening is the big strategic moment to take that decision. I cannot help but feel that the delay that the Liberal Democrats propose is only to cover the fact that they cannot muster the political courage to face up to this most crucial decision. Today they were revealed at their most pathetic.

The cost issue has been raised by several hon. Members, and the Foreign Secretary mentioned how the replacement would cost 5 to 6 per cent. of the defence budget and the development and purchase phase would cost 3 per cent. of the defence budget. I hope that the Secretary of State for Defence, when he winds up, will discuss how the Treasury intends to deal with the years in which those costs occur simultaneously, to ensure that our conventional forces do not suffer.

[Dr. Liam Fox]

There have been many other good contributions, notably from the hon. Member for Newcastle upon Tyne, North (Mr. Henderson), who pointed out that if the NPT had prohibited upgrading and modernising of nuclear forces, China, Russia and the US would never have signed up to it. In another excellent speech, my hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) made it clear that the argument was never that the nuclear deterrent was designed to deter all threats, but that it was meant to deter nuclear blackmail and attack, which it has certainly done.

We cannot predict the future. The nature of the threat that we face has changed quickly from the cold war to a range of other threats, and it could change quickly again. The onus is not on those of us who wish to retain a deterrent, but on those who want to scrap it to tell us why they believe that they can predict the risks that we will face in half a century's time. Tonight is not about the Conservative party coming to support a Labour Government; it is about doing what we believe to be right for the country's national security. We in the Conservative party have been consistent and clear about our belief in nuclear deterrence. The cold war did not just end; it was won with a clarity of purpose and political resolve, not least on the part of Margaret Thatcher and Ronald Reagan. Peace through strength has a strong historical track record. This is no time to abandon that track record, or our security.

6.53 pm

The Secretary of State for Defence (Des Browne): This is a significant day for Parliament. There is no denying that deciding to build a new generation of submarines to maintain our nuclear deterrent is a big decision, costing billions of pounds, having implications over several decades and committing us to continue as the guardians of a weapon of terrible destructive power, with all the responsibility that that brings. This is a decision that Governments have faced periodically over the years. The difference today is that Parliament has the chance to debate it and vote on it at an earlier stage in the process than ever before, and I hope that it is better informed than ever before.

Just over three months ago, we published a White Paper that set out our plans, and I am grateful to the Chairman of the Defence Committee and to his Committee for their generous remarks about the White Paper. In fact, even those who disagree with it, including the hon. Member for North Devon (Nick Harvey), agree that it is clear, informative and a good basis for debate. It is a debate that my colleagues and I have taken forward in speeches, public discussions, televised appearances and appearances before parliamentary Committees—to name but some of the engagements—culminating in the wide-ranging and impressive debate that we have had today.

Almost every contribution to today's debate has been characterised by some degree of respect for opposing views—with the exception of two discordant notes. The first was the speech by the hon. Member for Banff and Buchan (Mr. Salmond), who I must say is a skilled debater, but his sense of moral righteousness and certainty was not matched by the quality of his argument.

Mr. Salmond *rose—*

Des Browne: The second discordant note—I say this with some diffidence—came from the contributions of my hon. Friends the Members for Liverpool, Walton (Mr. Kilfoyle) and for Pendle (Mr. Prentice), which were unworthy of them and were based on constant assertions of dishonesty, which they simply could not make stand up. On the question of legal advice—

Mr. Speaker: Order. I hope that the Secretary of State is not associating dishonesty with any hon. Member. I do not like interrupting him, but I would not like him to associate any hon. Member with dishonesty in this House.

Des Browne: Not dishonesty, but constant assertions of misleading, which could not be made to stand up.

Mr. Speaker: "Inadvertently misleading" would be better. We try to work our way around words here, so inadvertently misleading is better, but I think it would be best if the Secretary of State moved on from this difficult territory.

Des Browne: I am grateful for the support of my right hon. Friends the Members for Walsall, South (Mr. George), for Manchester, Gorton (Sir Gerald Kaufman) and for Islwyn (Mr. Touhig) and of my hon. Friends the Members for Plymouth, Sutton (Linda Gilroy) and for Newcastle upon Tyne, North (Mr. Henderson)—*[Interruption.]*

Mr. Salmond *rose—*

Mr. Speaker: Order. Mr. Salmond must sit down.

Des Browne: I am also grateful for the support, among others, of the right hon. Member for Richmond, Yorks (Mr. Hague), the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind) and the hon. Member for Salisbury (Robert Key). I welcome the contributions of my hon. Friends the Members for Lewisham, Deptford (Joan Ruddock), for Edinburgh, South (Nigel Griffiths) and for Hayes and Harlington (John McDonnell), and, indeed, of the right hon. and learned Member for Devizes (Mr. Ancram). The nature of their contributions gives the lie to the accusation that we have sometimes heard—that Members have not had the time or been given the information to form their views and engage in a full and proper debate. I believe that we have seen that debate today.

From what I have seen and heard today and over the last three months, it is clear that opposition to the plans set out in the White Paper falls into three broad camps. First, there are those who believe that nuclear weapons are inherently wrong. Secondly, there are those who do not believe that they are inherently wrong, but believe that there is no longer any need for them because the world has changed. Thirdly, there are those who, regardless of what they think about the morality or the strategic case, think that we do not need to take the decision now.

Let me start with the last. For some, the argument that we do not need to decide today is based on technical concerns such as whether the current submarines must go out of service when we say, or

whether it really takes 17 years to build new ones. In the limited time available to me today, it would be pointless to try to set out the full range of reasons why I believe that those assertions are wrong; they are in the White Paper, and can be found in the evidence given to the Select Committee. I can only say that I am confident, and the Navy is confident, that they are wrong.

I can also say that back in December when the right hon. and learned Member for North-East Fife (Sir Menzies Campbell) told me that he had received different advice, I said that I would like to see it. Indeed, I was anxious to see it, because if we really were wrong I would have welcomed it. However, I have not heard back. Nor have I heard anything else over the last three months that goes beyond mere assertion, or false comparisons with other types of submarines or previous procurement processes. I have heard nothing to alter my belief that trying to extend the current boats any further, or to squeeze the build time any shorter, would be taking an unacceptable risk.

I must also say that I believe it to be fundamentally wrong to hide behind such an argument about timing if what really motivates someone is opposition to the decision itself. It is an abdication of our responsibility as democratic representatives charged with the job of facing these decisions with clarity and honesty. I am not suggesting that all the reservations that we have heard about timing are disingenuous. Some Members have registered a more serious and genuine concern. I am thinking of the amendment tabled by my hon. Friend the Member for Southampton, Test (Dr. Whitehead) and supported, among others, by my right hon. Friend the Member for Southampton, Itchen (Mr. Denham). They have made it clear that they accept the Government's case and that we need to take a decision now, but argue that we should see it as a provisional or conditional decision, and make it clear that we intend to revisit it further down the line.

Our position was set out earlier today by my right hon. Friend the Prime Minister when he said, "It is absolutely right that this Parliament cannot bind the decisions of a future Parliament and it is always open to us to come back and look at these issues…when we get to the gateway stage—between 2012 and 2014—when we let the main contracts…it will always be open to Parliament to take a decision." This happened when the previous generation of submarines was built, and it would be surprising if it did not happen again. However, the precise details of how future Parliaments should approach this issue is something that they must decide.

As the Prime Minister went on to say, the fundamental point is that we need to take a decision now to start the process, and we have deliberately chosen to bring this decision to Parliament at the right time at the start rather than proceeding in secret and then presenting it later as a foregone conclusion. The hon. Member for North Devon is absolutely right when he says that we are asking the House not just to keep our options open but to take the big decision—the decision in principle.

Let me turn briefly to the second camp, who believe that there is no longer any need for nuclear weapons because the world has changed. The world has changed, but a proper understanding of that change suggests that, although right now there is no nuclear threat and no country with both the capability and the intent to threaten us, which is why we have de-targeted our missiles, we cannot rule out the possibility that the threat will re-emerge. Indeed, recent events reinforce our view that this is not just a mere possibility but a very real risk. We should remember that other countries' intentions can change faster than we could possibly rebuild our deterrent if we allowed it to lapse.

Finally, I come to the first camp, whose objections are essentially moral. I will not say much about this other than to echo what my right hon. Friend the Foreign Secretary said in opening the debate. We in this country and in the Government can be proud of our moral record on disarmament. We remain absolutely committed to it and we believe that it is completely compatible with the decision that we are asking Parliament to approve today. I know that that will not have persuaded everyone. The view that maintaining our nuclear deterrent is morally wrong, or morally or practically incompatible with working towards disarmament, is a position I respect, but one that I profoundly disagree with.

It would be wrong not to acknowledge again the support of the official Opposition. The right hon. Member for Richmond, Yorks asked several detailed questions about costs and other matters, and he also said that they were questions for the future. I hope that he will be satisfied if I say that I will write to him. Given the limited time I had today, I wanted to spend it on the key arguments and factors in the decision that the House is about to make.

I should not finish, however, without also acknowledging the contribution of the hon. Member for North Devon. I do not think that he actually finished his speech, given that he covered only two of the five points that he promised. I was particularly disappointed not to hear, finally, an explanation of why the Liberal Democrats settled on 100 as the right number of warheads—other than, of course, the fact that it is a round number. However, I think that I can summarise what he said. His party now accepts that the Government are entirely right to make the decision and right to make it now, but that there was no need to tell anyone about it. Instead, we should just have carried on in secret without any public scrutiny and only come to Parliament some years down the line—

It being six hours after the commencement of proceedings on the motion, Mr. Speaker *put forthwith the Question already proposed from the Chair, pursuant to Order [13 March].*

The House divided: Ayes 167, Noes 413.

Division No. 77] **[7.3 pm**

AYES

Abbott, Ms Diane	Beith, rh Mr. Alan
Alexander, Danny	Benton, Mr. Joe
Ancram, rh Mr. Michael	Berry, Roger
Austin, John	Breed, Mr. Colin
Baker, Norman	Browne, Mr. Jeremy
Barrett, John	Bruce, rh Malcolm
Begg, Miss Anne	Buck, Ms Karen

Burden, Richard
Burgon, Colin
Burstow, Mr. Paul
Burt, Lorely
Cable, Dr. Vincent
Campbell, rh Sir Menzies
Campbell, Mr. Ronnie
Carmichael, Mr. Alistair
Caton, Mr. Martin
Chaytor, Mr. David
Clark, Ms Katy
Clarke, rh Mr. Charles
Clegg, Mr. Nick
Cohen, Harry
Connarty, Michael
Cook, Frank
Corbyn, Jeremy
Cousins, Jim
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Davey, Mr. Edward
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Devine, Mr. Jim
Dobbin, Jim
Dobson, rh Frank
Doran, Mr. Frank
Drew, Mr. David
Efford, Clive
Ennis, Jeff
Etherington, Bill
Farron, Tim
Featherstone, Lynne
Fisher, Mark
Flynn, Paul
Foster, Mr. Don
Foster, Michael Jabez *(Hastings and Rye)*
Galloway, Mr. George
George, Andrew
Gerrard, Mr. Neil
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goldsworthy, Julia
Griffith, Nia
Grogan, Mr. John
Hamilton, Mr. David
Hamilton, Mr. Fabian
Hancock, Mr. Mike
Harris, Dr. Evan
Harvey, Nick
Havard, Mr. Dai
Heath, Mr. David
Hemming, John
Hermon, Lady
Heyes, David
Hoey, Kate
Holmes, Paul
Hopkins, Kelvin
Horwood, Martin
Hosie, Stewart
Howarth, David
Hughes, Simon
Huhne, Chris
Hunter, Mark
Illsley, Mr. Eric
Jackson, Glenda
James, Mrs. Siân C.
Jones, Lynne
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Kilfoyle, Mr. Peter
Kramer, Susan
Laws, Mr. David
Lazarowicz, Mark
Leech, Mr. John
Lepper, David
Lloyd, Tony
Llwyd, Mr. Elfyn
Mackinlay, Andrew
MacNeil, Mr. Angus
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
McCafferty, Chris
McDonnell, John
McGrady, Mr. Eddie
McKechin, Ann
Meacher, rh Mr. Michael
Meale, Mr. Alan
Mitchell, Mr. Austin
Moore, Mr. Michael
Morgan, Julie
Mudie, Mr. George
Mulholland, Greg
Mullin, Mr. Chris
Murphy, Mr. Denis
Naysmith, Dr. Doug
Öpik, Lembit
Osborne, Sandra
Pound, Stephen
Prentice, Mr. Gordon
Price, Adam
Pugh, Dr. John
Purchase, Mr. Ken
Reid, Mr. Alan
Rennie, Willie
Riordan, Mrs. Linda
Robertson, Angus
Rowen, Paul
Ruane, Chris
Ruddock, Joan
Russell, Bob
Salmond, Mr. Alex
Sarwar, Mr. Mohammad
Short, rh Clare
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Smith, rh Mr. Andrew
Smith, Sir Robert
Soulsby, Sir Peter
Stewart, Ian
Sloate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Stunell, Andrew
Swinson, Jo
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Vis, Dr. Rudi
Walley, Joan
Wareing, Mr. Robert N.
Webb, Steve
Weir, Mr. Mike
Williams, Mrs. Betty
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Winnick, Mr. David
Wishart, Pete
Wood, Mike
Wright, Mr. Anthony
Younger-Ross, Richard

Tellers for the Ayes:
Mr. Dan Rogerson and David Taylor

NOES

Afriyie, Adam
Ainger, Nick
Ainsworth, rh Mr. Bob
Ainsworth, Mr. Peter
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Amess, Mr. David
Anderson, Mr. David
Anderson, Janet
Arbuthnot, rh Mr. James
Armstrong, rh Hilary
Atkinson, Mr. Peter
Austin, Mr. Ian
Bacon, Mr. Richard
Bailey, Mr. Adrian
Baird, Vera
Baldry, Tony
Balls, Ed
Barker, Gregory
Barlow, Ms Celia
Baron, Mr. John
Barron, rh Mr. Kevin
Battle, rh John
Beckett, rh Margaret
Bellingham, Mr. Henry
Benn, rh Hilary
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Betts, Mr. Clive
Binley, Mr. Brian
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blair, rh Mr. Tony
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Blunt, Mr. Crispin
Bone, Mr. Peter
Borrow, Mr. David S.
Boswell, Mr. Tim
Bradshaw, Mr. Ben
Brady, Mr. Graham
Brazier, Mr. Julian
Brennan, Kevin
Brokenshire, James
Brown, rh Mr. Gordon
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Browning, Angela
Bryant, Chris
Burnham, Andy
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Butler, Ms Dawn
Butterfill, Sir John
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Cairns, David
Cameron, rh Mr. David
Campbell, Mr. Alan
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clark, Paul
Clarke, rh Mr. Kenneth
Clarke, rh Mr. Tom
Clelland, Mr. David
Clifton-Brown, Mr. Geoffrey
Coaker, Mr. Vernon
Coffey, Ann
Cooper, Rosie
Cooper, Yvette
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Crausby, Mr. David
Creagh, Mary
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davies, David T.C. *(Monmouth)*
Davies, Philip
Denham, rh Mr. John
Dhanda, Mr. Parmjit
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Donohoe, Mr. Brian H.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Dowd, Jim
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Eagle, Angela
Eagle, Maria
Ellman, Mrs. Louise
Ellwood, Mr. Tobias
Engel, Natascha
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farrelly, Paul
Field, rh Mr. Frank
Fitzpatrick, Jim
Fiello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Fox, Dr. Liam

Francis, Dr. Hywel
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Gapes, Mike
Gardiner, Barry
Garnier, Mr. Edward
Gauke, Mr. David
George, rh Mr. Bruce
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Griffiths, Nigel
Gummer, rh Mr. John
Gwynne, Andrew
Hague, rh Mr. William
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hammond, Stephen
Hands, Mr. Greg
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harper, Mr. Mark
Harris, Mr. Tom
Hayes, Mr. John
Heald, Mr. Oliver
Healey, John
Heathcoat-Amory, rh Mr. David
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Herbert, Nick
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hoban, Mr. Mark
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hollobone, Mr. Philip
Holloway, Mr. Adam
Hoon, rh Mr. Geoffrey
Hope, Phil
Horam, Mr. John
Howarth, rh Mr. George
Howarth, Mr. Gerald
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Hutton, rh Mr. John
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Mr. Boris
Johnson, Ms Diana R.
Jones, Mr. David
Jones, Helen
Jones, Mr. Kevan
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Kawczynski, Daniel
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Key, Robert
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kirkbride, Miss Julie
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lammy, Mr. David
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laxton, Mr. Bob
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Levitt, Tom
Lewis, Mr. Ivan
Lewis, Dr. Julian
Lidington, Mr. David
Lilley, rh Mr. Peter
Linton, Martin
Loughton, Tim
Lucas, Ian
Luff, Peter
MacDougall, Mr. John
Mackay, rh Mr. Andrew
Maclean, rh David
Mactaggart, Fiona
Mahmood, Mr. Khalid
Main, Anne
Malik, Mr. Shahid
Malins, Mr. Humfrey
Mallaber, Judy
Mann, John
Maples, Mr. John
Marris, Rob
Martlew, Mr. Eric
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McCrea, Dr. William
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIntosh, Miss Anne
McIsaac, Shona
McKenna, Rosemary
McLoughlin, rh Mr. Patrick
McNulty, Mr. Tony
Mercer, Patrick
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morley, rh Mr. Elliot
Moss, Mr. Malcolm
Mountford, Kali
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Norris, Dan
O'Brien, Mr. Mike
O'Brien, Mr. Stephen
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Mr. George
Ottaway, Richard
Owen, Albert
Paice, Mr. James
Palmer, Dr. Nick
Paterson, Mr. Owen
Pearson, Ian
Pelling, Mr. Andrew
Penrose, John
Pickles, Mr. Eric
Plaskitt, Mr. James
Pope, Mr. Greg
Prentice, Bridget
Prescott, rh Mr. John
Primarolo, rh Dawn
Prisk, Mr. Mark
Pritchard, Mark
Purnell, James
Rammell, Bill
Randall, Mr. John
Raynsford, rh Mr. Nick
Redwood, rh Mr. John
Reed, Mr. Jamie
Reid, rh John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, John
Robertson, Mr. Laurence
Robinson, Mr. Geoffrey
Robinson, Mr. Peter
Rooney, Mr. Terry
Rosindell, Andrew
Roy, Mr. Frank
Ruffley, Mr. David
Russell, Christine
Ryan, Joan
Salter, Martin
Scott, Mr. Lee
Seabeck, Alison
Selous, Andrew
Shapps, Grant
Sheerman, Mr. Barry
Shepherd, Mr. Richard
Sheridan, Jim
Simmonds, Mark
Simon, Mr. Siôn
Simpson, David
Simpson, Mr. Keith
Slaughter, Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soames, Mr. Nicholas
Southworth, Helen
Spellar, rh Mr. John
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spring, Mr. Richard
Stanley, rh Sir John
Starkey, Dr. Phyllis
Straw, rh Mr. Jack
Stuart, Ms Gisela
Stuart, Mr. Graham
Sutcliffe, Mr. Gerry
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tami, Mark
Tapsell, Sir Peter
Taylor, Ms Dari
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Tredinnick, David
Turner, Mr. Neil
Twigg, Derek
Tyrie, Mr. Andrew
Ussher, Kitty
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Vaz, rh Keith
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waltho, Lynda
Waterson, Mr. Nigel
Watkinson, Angela
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Whittingdale, Mr. John
Wicks, Malcolm
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, rh Mr. Alan
Wills, Mr. Michael
Wilshire, Mr. David
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, David

Wright, Mr. Iain
Wright, Jeremy
Wright, Dr. Tony
Wyatt, Derek
Young, rh Sir George

Tellers for the Noes:
Jonathan Shaw and Claire Ward

Question accordingly negatived.

Main Question put:—

The House divided: Ayes 409, Noes 161.

Division No. 078] **[7.19 pm**

AYES

Afriyie, Adam
Ainger, Nick
Ainsworth, rh Mr. Bob
Ainsworth, Mr. Peter
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Amess, Mr. David
Anderson, Mr. David
Anderson, Janet
Arbuthnot, rh Mr. James
Armstrong, rh Hilary
Atkinson, Mr. Peter
Austin, Mr. Ian
Bacon, Mr. Richard
Bailey, Mr. Adrian
Baird, Vera
Baldry, Tony
Balls, Ed
Barker, Gregory
Barlow, Ms Celia
Baron, Mr. John
Barron, rh Mr. Kevin
Battle, rh John
Beckett, rh Margaret
Bellingham, Mr. Henry
Benn, rh Hilary
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Betts, Mr. Clive
Binley, Mr. Brian
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blair, rh Mr. Tony
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Blunt, Mr. Crispin
Bone, Mr. Peter
Borrow, Mr. David S.
Boswell, Mr. Tim
Bradshaw, Mr. Ben
Brady, Mr. Graham
Brazier, Mr. Julian
Brennan, Kevin
Brokenshire, James
Brown, rh Mr. Gordon
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Browning, Angela
Bryant, Chris
Burnham, Andy
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Butterfill, Sir John
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Cairns, David
Cameron, rh Mr. David
Campbell, Mr. Alan
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Cawsey, Mr. Ian
Chapman, Ben
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clark, Paul
Clarke, rh Mr. Kenneth
Clarke, rh Mr. Tom
Clelland, Mr. David
Clifton-Brown, Mr. Geoffrey
Coaker, Mr. Vernon
Coffey, Ann
Cooper, Rosie
Cooper, Yvette
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Crausby, Mr. David
Creagh, Mary
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davies, David T.C. *(Monmouth)*
Davies, Philip
Denham, rh Mr. John
Dhanda, Mr. Parmjit
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Donohoe, Mr. Brian H.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Dowd, Jim
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Eagle, Angela
Eagle, Maria
Ellman, Mrs. Louise
Ellwood, Mr. Tobias
Engel, Natascha
Ennis, Jeff
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farrelly, Paul
Field, rh Mr. Frank
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Fox, Dr. Liam
Francis, Dr. Hywel
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Gapes, Mike
Gardiner, Barry
Garnier, Mr. Edward
Gauke, Mr. David
George, rh Mr. Bruce
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Gwynne, Andrew
Hague, rh Mr. William
Hain, rh Mr. Peter
Hall, Mr. Mike
Hammond, Stephen
Handa, Mr. Greg
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harper, Mr. Mark
Harris, Mr. Tom
Hayes, Mr. John
Heald, Mr. Oliver
Healey, John
Heathcoat-Amory, rh Mr. David
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Herbert, Nick
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hoban, Mr. Mark
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hollobone, Mr. Philip
Holloway, Mr. Adam
Hoon, rh Mr. Geoffrey
Hope, Phil
Horam, Mr. John
Howard, rh Mr. Michael
Howarth, rh Mr. George
Howarth, Mr. Gerald
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Mr. Boris
Johnson, Ms Diana R.
Jones, Mr. David
Jones, Helen
Jones, Mr. Kevan
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Kawczynski, Daniel
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Key, Robert
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kirkbride, Miss Julie
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lammy, Mr. David
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laxton, Mr. Bob
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Levitt, Tom
Lewis, Mr. Ivan
Lewis, Dr. Julian
Lidington, Mr. David
Lilley, rh Mr. Peter
Linton, Martin
Loughton, Tim
Love, Mr. Andrew
Lucas, Ian
Luff, Peter
MacDougall, Mr. John
Mackay, rh Mr. Andrew
Maclean, rh David
Mahmood, Mr. Khalid
Main, Anne
Malik, Mr. Shahid
Malins, Mr. Humfrey
Mann, John
Maples, Mr. John
Marris, Rob
Martlew, Mr. Eric
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McCrea, Dr. William
McDonagh, Siobhain

McFadden, Mr. Pat
McFall, rh John
McGuire, Mrs. Anne
McIntosh, Miss Anne
McIsaac, Shona
McKenna, Rosemary
McLoughlin, rh Mr. Patrick
McNulty, Mr. Tony
Mercer, Patrick
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morley, rh Mr. Elliot
Mose, Mr. Malcolm
Mountford, Kali
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Norris, Dan
O'Brien, Mr. Mike
O'Brien, Mr. Stephen
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Mr. George
Ottaway, Richard
Owen, Albert
Paice, Mr. James
Palmer, Dr. Nick
Paterson, Mr. Owen
Pearson, Ian
Pelling, Mr. Andrew
Penrose, John
Pickles, Mr. Eric
Plaskitt, Mr. James
Pope, Mr. Greg
Prentice, Bridget
Prescott, rh Mr. John
Primarolo, rh Dawn
Prisk, Mr. Mark
Pritchard, Mark
Purnell, James
Rammell, Bill
Randall, Mr. John
Raynsford, rh Mr. Nick
Redwood, rh Mr. John
Reed, Mr. Jamie
Reid, rh John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, John
Robertson, Mr. Laurence
Robinson, Mr. Geoffrey
Robinson, Mr. Peter
Rooney, Mr. Terry
Rosindell, Andrew
Roy, Mr. Frank
Ruffley, Mr. David
Russell, Christine
Ryan, Joan
Salter, Martin
Scott, Mr. Lee
Seabeck, Alison
Selous, Andrew
Shapps, Grant
Sheerman, Mr. Barry
Shepherd, Mr. Richard
Sheridan, Jim
Simmonds, Mark
Simon, Mr. Siôn
Simpson, David
Simpson, Mr. Keith
Slaughter, Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soames, Mr. Nicholas
Southworth, Helen
Spellar, rh Mr. John
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spring, Mr. Richard
Stanley, rh Sir John
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Straw, rh Mr. Jack
Stuart, Ms Gisela
Stuart, Mr. Graham
Sutcliffe, Mr. Gerry
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tami, Mark
Tapsell, Sir Peter
Taylor, Ms Dari
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Tredinnick, David
Turner, Mr. Neil
Twigg, Derek
Tyrie, Mr. Andrew
Usher, Kitty
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Vaz, rh Keith
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waltho, Lynda
Waterson, Mr. Nigel
Watkinson, Angela
Watson, Mr. Tom
Watts, Mr. Dave
Whittingdale, Mr. John
Wicks, Malcolm
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, rh Mr. Alan
Wills, Mr. Michael
Wilshire, Mr. David
Winterton, Ann
Winterton, Sir Nicholas
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wright, Jeremy
Wright, Dr. Tony
Wyatt, Derek
Young, rh Sir George

Tellers for the Ayes:
Jonathan Shaw and Claire Ward

NOES

Abbott, Ms Diane
Alexander, Danny
Austin, John
Baker, Norman
Barrett, John
Begg, Miss Anne
Beith, rh Mr. Alan
Benton, Mr. Joe
Berry, Roger
Breed, Mr. Colin
Browne, Mr. Jeremy
Bruce, rh Malcolm
Burden, Richard
Burgon, Colin
Burstow, Mr. Paul
Burt, Lorely
Butler, Ms Dawn
Cable, Dr. Vincent
Campbell, rh Sir Menzies
Campbell, Mr. Ronnie
Carmichael, Mr. Alistair
Caton, Mr. Martin
Challen, Colin
Chaytor, Mr. David
Clark, Ms Katy
Clegg, Mr. Nick
Cohen, Harry
Connarty, Michael
Cook, Frank
Corbyn, Jeremy
Cousins, Jim
Cruddas, Jon
Cryer, Mrs. Ann
Davey, Mr. Edward
Davidson, Mr. Ian
Davies, Mr. Dai
Devine, Mr. Jim
Dobbin, Jim
Dobson, rh Frank
Doran, Mr. Frank
Drew, Mr. David
Durkan, Mark
Ennis, Jeff
Etherington, Bill
Farron, Tim
Featherstone, Lynne
Fisher, Mark
Flynn, Paul
Foster, Mr. Don
Foster, Michael Jabez *(Hastings and Rye)*
Galloway, Mr. George
George, Andrew
Gerrard, Mr. Neil
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goldsworthy, Julia
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Hall, Patrick
Hamilton, Mr. David
Hamilton, Mr. Fabian
Hancock, Mr. Mike
Harris, Dr. Evan
Harvey, Nick
Havard, Mr. Dai
Heath, Mr. David
Hemming, John
Hermon, Lady
Heyes, David
Hoey, Kate
Holmes, Paul
Hopkins, Kelvin
Horwood, Martin
Hosie, Stewart
Howarth, David
Hughes, Simon
Huhne, Chris
Hunter, Mark
Jackson, Glenda
James, Mrs. Siân C.
Jones, Lynne
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Kilfoyle, Mr. Peter
Kramer, Susan
Laws, Mr. David
Lazarowicz, Mark
Leech, Mr. John
Lepper, David
Lloyd, Tony
Llwyd, Mr. Elfyn
Mackinlay, Andrew
MacNeil, Mr. Angus
Marshall, Mr. David
McCafferty, Chris
McDonnell, John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McKechin, Ann
Meacher, rh Mr. Michael
Meale, Mr. Alan
Moore, Mr. Michael
Morgan, Julie
Mulholland, Greg
Mullin, Mr. Chris
Naysmith, Dr. Doug
Öpik, Lembit
Osborne, Sandra
Pound, Stephen
Prentice, Mr. Gordon
Price, Adam
Prosser, Gwyn
Pugh, Dr. John
Purchase, Mr. Ken
Reid, Mr. Alan
Rennie, Willie
Riordan, Mrs. Linda
Robertson, Angus
Rowen, Paul
Ruddock, Joan
Russell, Bob
Salmond, Mr. Alex
Sarwar, Mr. Mohammad
Short, rh Clare
Simpson, Alan
Singh, Mr. Marsha

Skinner, Mr. Dennis	Wareing, Mr. Robert N.
Smith, rh Mr. Andrew	Webb, Steve
Smith, Sir Robert	Weir, Mr. Mike
Soulsby, Sir Peter	Williams, Mrs. Betty
Stewart, Ian	Williams, Hywel
Strang, rh Dr. Gavin	Williams, Mark
Stringer, Graham	Williams, Mr. Roger
Stunell, Andrew	Williams, Stephen
Swinson, Jo	Willis, Mr. Phil
Taylor, Matthew	Willott, Jenny
Taylor, Dr. Richard	Winnick, Mr. David
Teather, Sarah	Wishart, Pete
Thornberry, Emily	Wood, Mike
Thurso, John	Wright, Mr. Anthony
Trickett, Jon	Younger-Ross, Richard
Truswell, Mr. Paul	
Turner, Dr. Desmond	**Tellers for the Noes:**
Vis, Dr. Rudi	**Mr. Dan Rogerson and**
Walley, Joan	**David Taylor**

Question accordingly agreed to.

Resolved,

That this House supports the Government's decisions, as set out in the White Paper The Future of the United Kingdom's Nuclear Deterrent (Cm 6994), to take the steps necessary to maintain the UK's minimum strategic nuclear deterrent beyond the life of the existing system and to take further steps towards meeting the UK's disarmament responsibilities under Article VI of the Non-Proliferation Treaty.

PETITION

Young Workers

7.31 pm

John McDonnell (Hayes and Harlington) (Lab) *rose—[Interruption.]*

Mr. Speaker: Order. Will hon. Members leave the Chamber quietly?

John McDonnell: I wish to present a petition collected by young members of the Public and Commercial Services Union who work for the civil service. The petitioners strongly object to the discrimination on the ground of age against young workers under 22 that currently exists in the United Kingdom. They receive less pay per hour for exactly the same work as their co-workers simply because of their age. Young people pay the same for basic expenses such as food, utilities and rent as other workers, and they do not work more slowly or less competently simply because of their age. Ability to do a job comes from experience and training, not from growing older. Age-related wages can effectively price older workers out of the market, but young workers on modern apprenticeship schemes often have no minimum wage protection whatsoever. The petition states:

> The petitioners therefore...urge the Secretary of State for Trade and Industry to raise the rate of the National Minimum Wage for young workers to that for workers aged 22 and over.

To lie upon the Table.

English Language Teaching

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Roy.]*

7.33 pm

Mr. Andrew Pelling (Croydon, Central) (Con): I am grateful to the Speaker for allowing this debate to take place this evening. I am sure that the Minister for Higher Education and Lifelong Learning and, indeed, providers of English for speakers of other languages will be pleased that the debate stems from the problems of success and the demand for ESOL provision.

This debate is an important one. I am happy to plagiarise others' ideas, and I was speaking a moment ago to my hon. Friend the Member for Windsor (Adam Afriyie), who pointed out that our influence as a nation derives from the English language itself. The strength of the City of London, too, is very much based on the strengths created by the teaching of English.

The debate is important for me as the Member of Parliament for Croydon, Central, with the immigration and nationality directorate in the town, and with 1,500 ESOL learners who secure their instruction from ESOL provision in Croydon, which passed its inspection and has been cited for good practice by the National Research and Development Centre. ESOL provides for good social inclusion, the promotion of economic efficiency, and the buttressing of community cohesion.

The debate is important also in the context of migration, where the Government's ambitions seem a little confused. Clearly, there is a strong benefit from the dynamic economy that is boosted by migration. A Minister at the Department for Education and Skills has emphasised the value of learning English for recent migrants to this country. However, that comes at a time when the brakes are being slammed on the ESOL budget. Perhaps that confusion is more eloquently expressed in an answer that I received from Mayor Livingstone to a question that I posed to him at the London assembly. He said:

> "On the one hand I am being asked by the Home Office to lead work on refugee integration by London, and on the other the DfES is pricing people out of ESOL provision, one of the keys to integration."

The Mayor went on to say:

> "On the ESOL decision, I do not think the Government fully thought through the implications. To remove fee remission from those working in low paid employment or from family members who may not themselves be direct benefit recipients is a backward step."

The issue is important to the resident community as well. I was walking past one of the great construction sites in London, and of course I could hear Polish being spoken. My concern is for those working on site who do not speak Polish. When the warning comes that some piece of equipment is falling off the top of the building on to one of the workers, it would be helpful if English was the main language spoken on the site.

Mr. Sadiq Khan (Tooting) (Lab): I congratulate the hon. Gentleman on securing the debate, which has a direct impact on many of the parliamentarians who are present and on their constituents. He mentions the Polish workers on a building site. Does he agree that there is a distinction to be made between people who come to this country and need to learn the language, for

whom there is nobody to provide the funding for that, and a worker whose employer should be subsidising, if not paying for, that person to learn English? The hon. Gentleman mentioned refugees. I draw attention to the females who may have been in the country for many years but still cannot speak the language.

Mr. Pelling: The hon. Gentleman highlights some important issues, especially the need to reach out to those in a family environment, who may get very little exposure to the English language. Although I understand the philosophy of trying to get employers involved in paying for provision, the nature of many ESOL clients suggests that employers will not feel confident that they will get a return from that investment.

Mr. Marsha Singh (Bradford, West) (Lab): I echo the comments of my hon. Friend the Member for Tooting (Mr. Khan) about the importance of the debate. I represent a constituency where ESOL is a necessity, not a luxury. At a time when we need to promote social cohesion, and we want people to speak English well so that they can get jobs and integrate into the society, are not the cuts a backward step for that desire and aspiration? It does not seem like joined-up thinking. It seems like very disjointed thinking.

Mr. Pelling: I am extremely grateful for that intervention, which emphasises how fundamental this provision is in the hon. Gentleman's constituency. It seems counterintuitive for the Government to have gone down this route.

We are fortunate in having here this evening the Minister for Higher Education and Lifelong Learning, who has listened and proposed concessions. This is a good opportunity for us to hear how those concessions will work, if they can be made to do so.

Rob Marris (Wolverhampton, South-West) (Lab): One of the concessions made by the Minister relates to prioritising funding for spouses and individuals who do not have access to their household benefit documentation or their own funds. Does the hon. Gentleman share my concern that the Learning and Skills Council's learner hardship support fund, from which support for such spouses and individuals would come, might be swamped by applications from people who, in many cases, will have been resident in the United Kingdom for most of their lives?

Mr. Pelling: I am grateful for that pertinent intervention.

I am particularly concerned about how the LSC will be able to operate the provision. Having had the opportunity to sit on an LSC sub-regional partnership, my perception was that they are often very remote, partly because of their obligations to serve headquarters in Coventry. There is a danger that those who want to ensure that the provision works could find themselves going down the typical route of having a fairly bureaucratic application and approval process in dealing with the LSC. In his proposed concessions, the Minister helpfully suggested reprioritising funds at a local level to help spouses in hard-to-reach groups, but it is not clear how those groups will be identified. My experience of sitting on a learning and skills council was that it was not even capable of reaching out to the business community, let alone hard-to-reach groups.

Coming back to the extremely good point made by the hon. Member for Tooting (Mr. Khan), my experience in Croydon is that very few employers have been willing to be engaged in this way; in fact, in only two locations out of the many in my local borough has this been placed on an employer's premises. That is a sign of the significant challenges that the Government would face in trying to transfer funding across to employers.

The National Institute of Adult Continuing Education—NIACE—recognised some time ago that there was a need for change, but its approach was to bolster level 1 instruction. That is very much in line with the Government's overall philosophy of emphasising basic skills. In many ways, the proposals that have been made could end up compromising that basic philosophy. There is a great danger that there will be a diversion of instruction back to adult literacy classes and a desire on the part of colleges to use the train to gain approach, thereby undermining the Government's desire to be able to put a cap on expenditure from this budget.

I am also concerned that ESOL instructors will end up doing a great deal of work in looking at the benefits with which potential users of the service will be provided given the Minister's expressed desire to take account of benefits before deciding whether discretion can be employed.

Andrew Stunell (Hazel Grove) (LD): Does the hon. Gentleman agree that if we are not careful, the Minister's concessions may mean that measuring to see whether people qualify will take up more time than delivering?

Mr. Pelling: That is an extremely good point. The approach of many ESOL providers is to be based in the communities that they are serving, and they could end up having as big a caseload as we all have in terms of dealing with benefits cases. Bearing in mind that perhaps more than 50 per cent. of people who might be eligible for benefits do not take them up, but are nevertheless having instruction from ESOL providers, a very significant amount of money that the Government are trying to save by placing a cap might well find its way back into the system as the increased benefits that will be provided.

The Government clearly want to push a responsibility for provision on to employers. The recent LSC document said:

> "We will expect employers who actively recruit employees from outside the UK to bear the full cost of any necessary English language training."

I am suspicious, however, that it will not be possible to make the provision, despite the Government's desire to put in place new, short, work-related qualifications. Those qualifications will not give the thorough grounding that many ESOL clients seek.

Perhaps there will be ways of improving efficiency. I have been interested to hear what the hon. Member for Sittingbourne and Sheppey (Derek Wyatt) has said about the likely benefits of online learning. That has been the style within learndirect. Many people, however, want to learn within a community of learners. I was extremely impressed when I attended a recent awards presentation at Croydon college, which is doing very well these days. I saw someone there who had

[Mr. Pelling]

come to this country from Africa speaking no English. They had enjoyed the benefits of an ESOL course and, within a short time, are going on to higher education at Goldsmith's college.

Concessions have been made by the Minister, but it is difficult to judge who will benefit from them. A national survey conducted through the Continuing Education and Training Service—CETS—has shown that only 16 per cent. of students felt able to afford the increased fees. I was also impressed by a more recent survey conducted by colleges in south London, to which there was a significant level of response—it received 2,615 replies. It showed that 50 per cent. of ESOL clients in south London are not on benefits. They are low paid, but do not want to claim benefits. Unfortunately, however, if they were required to pay significant fees, many of them would be unlikely to continue with the scheme. Eighteen per cent. of the respondents said that they were unable to pay the proposed increases, and 23 per cent. said that they were not sure whether they could pay. While it is important not to exaggerate, the potential exists for up to 41 per cent. of south London ESOL clients no longer to take the courses. I am also grateful for the briefing that I received from the principal of the Mary Ward centre, where 45 per cent. of students earning less than £15,000 a year are not claiming benefit.

I should like to conclude by citing a case study, to avoid the danger of dealing only with the dry nature of the changes in provision. I want to cite the case of a married lady from Burma who learned English for four years, progressing from beginners level at community classes to advanced, intensive courses at Thornton Heath CETS centre in the London borough of Croydon. She joined a child care training course with English language support, then gained part-time and, subsequently, full-time work in a crèche. Unfortunately, that lady is now widowed, but she is able to support herself and her children and to contribute to society. The real question is whether the concessions will be able to deliver for people like her.

I know that there is a real problem with constraining the budget, and that the Minister is doing his very best to accommodate that approach, but I am not convinced that hacking away at the budget in this way is going to work. I am grateful that so many Members have stayed behind tonight to take part in the debate. That suggests that my concerns are widely shared. Despite the various attempts, many of the proposed concessions might further complicate the issue.

I shall now be a Conservative and propose a way to solve the budgetary problem. If we believe that many of the people involved will be able to secure long-term work, perhaps they could pay back their fees at a later date, when they can afford to do so. It is my view that employers will not perceive it to be in their interests to pay for this provision at this time.

7.49 pm

The Minister for Higher Education and Lifelong Learning (Bill Rammell): I am grateful to the hon. Member for Croydon, Central (Mr. Pelling) for giving us the opportunity to debate this important matter. I congratulate him on securing the debate and on the measured way in which he put his arguments. I fundamentally believe, as I have tried to make clear throughout these discussions, that good communication is the glue that binds together a cohesive society. An inability to communicate can lead to lost opportunities, isolation and suspicion.

I want to place on record for all Members, especially my hon. Friends, the fact that the Government are committed to ensuring good ESOL provision for those who need it most. Over the years, we have rightly invested heavily in ESOL services. Since 2001, we have tripled funding of ESOL services, spending more than £1 billion. It is crucial to make it clear that the intention behind our changes is not to cut funding.

We do, however, face a significant problem: demand is outstripping supply. In the past six years, ESOL student enrolments have risen from 158,000 to 538,000. Even with the growth in provision that we have delivered, the current situation is simply not sustainable. More often than not, the poorest and most vulnerable are losing out—that is not just my view but the view of the National Institute of Adult Continuing Education in its commendable research undertaken some while ago, and the view of anyone who seriously addresses the issue. In parts of the country, waiting lists are as long as two years. In those circumstances, the most vulnerable are losing out, which is unacceptable and cannot continue.

We cannot just continue to increase the ESOL budget, as that would damage other adult learning priorities. Those Members who say, "Simply let the budget rip"—that view has not been expressed much this evening—would have to explain to constituents who do not have English language needs why other Skills for Life provision was having to be cut, as that would be the consequence.

We therefore had to make some tough choices. We could have removed the additional weighting attached to ESOL courses to support disadvantaged learners, but that would have removed vital support that colleges need to engage and ensure progression for the most disadvantaged learners.

Mr. Stephen Byers (North Tyneside) (Lab): May I thank the Minister for the opportunity that he gave me before tonight's debate to raise directly with him the concerns expressed to me by an excellent group of ESOL students attending Tyne Metropolitan college in my constituency? I believe that the changes to the Minister's original proposals go a long way towards meeting their concerns.

On the issue of funding, the Minister will be aware that ESOL currently has uplift in its programme weighting. Concern has been expressed that that will be removed as a result of the changes. Will he assure the House that that uplift will continue for existing provision?

Bill Rammell: Let me be clear: the basic skills weighting has not been removed for ESOL. Last year, however, we committed ourselves to extending learner choice and providing suitable qualifications for those studying English mainly for work. Such courses will be shorter for people who do not have basic skills needs but who do need to improve their English. The new qualifications will be eligible for public funding, but with a funding rate of one: they will not have the

enhanced weighting. To be clear, that applies to new business, not to existing provision. I hope that that provides reassurance.

To return to how we approached the situation, we could have simply capped the ESOL budget, but that would have done nothing to reprioritise funding towards those who were always at the back of the queue in relation to learning opportunities and improving their life chances. We have made the right choice in refocusing funding on those who most need public help and support, and on those who have little chance of improving their skills without free language learning. To help those who find it difficult to get a job or are stuck in low-income work owing to poor English, individuals eligible for jobseeker's allowance or in receipt of income-related benefits will continue to access free ESOL through standard LSC provision. We expect at least 50 per cent. of those who are currently eligible for free ESOL to be in that category. Some of the criticism—which has not been heard this evening—of our proposals has completely misrepresented that issue. There will still be significant support and provision of free ESOL for those who need it.

There will be other beneficial changes. From April, Jobcentre Plus staff will help jobseekers agree on steps to overcome language difficulties. Moreover, 15,000 places are now available for Jobcentre Plus customers on new target provision from the Learning and Skills Council. As I said earlier, the purpose of the changes has not been to make significant savings from the ESOL budget, and I expect the overall amount available next year to remain broadly comparable with the amount available this year. This is not a cuts-driven agenda. However, it is clear that not all ESOL learners need the same levels of public support or provision.

That is why, in partnership with the LSC, we are proposing what I consider to be sensible and fair changes to ESOL provision from August this year. We expect those who can afford it to make a contribution to the cost of provision, and I think we are right to do so. When people are asked to make a contribution to the cost of learning, the state will continue to pick up the majority of costs—at least 62.5 per cent. in most cases. In some cases, because of additional allowances, learner contributions will be as low as 19 per cent. of the course costs.

We are also enhancing the choice available to those learning English who may not need the full package of support offered by Skills for Life ESOL courses by developing a suite of new qualifications focused on the needs of those who need English for work. That is an important step, and it is what many people desire and need.

Migrant workers make a significant economic and cultural contribution to the country, and we recognise their need to learn English, but in the context of free ESOL provision it is critical for us to address the skills need of priority learners first. We must press employers to make a greater financial contribution: after all, investment in ESOL provision if their work force requires it is an investment in the future success of their business. Along with the LSC, trade unions and employer organisations, we are already urging more employers to take on that responsibility for their workers.

We are also making changes for asylum seekers. Across Government, we are taking a more consistent and effective approach to support for them. We have significantly reduced waiting times for initial decisions, 76 per cent. of which are now made within eight weeks. The Home Office's target for appeals is six months, and we expect the introduction of its new asylum model later this year to reduce waiting times even further. Taking account of that, and of the fact that 70 per cent. of all applications for asylum fail, we think it right to review free provision of ESOL services for that group.

It is not fair to use public money to support people who, in the long term, will not have a chance to work and settle in this country; nor is it appropriate to possibly mislead them by offering support through ESOL provision when a decision about their future has not been made. For those reasons asylum seekers aged 19 and over will no longer have automatic access to free ESOL, although refugees will continue to have free access when they are on low incomes or fall within one of our other priority learner groups. I think that, in that respect, most people will consider the changes reasonable.

In making our decisions, we have listened to the views and concerns of all involved in the debate. We have rightly conducted a race equality impact assessment before introducing the changes. We have held focus group sessions and interviews with more than 150 learners, providers and other key figures in the ESOL delivery and learning chain. I have met members of the Advisory Board on Naturalisation and Integration, the Refugee Council, trade unions, the Children's Society and Members of Parliament. I have gone out of my way to listen to their concerns, and I believe that that was the right thing to do.

To those who have listened to learners' stories, it has become clear that we need to do more to assist asylum seekers who are here legally and whose cases take much longer than Home Office targets, or who remain in the United Kingdom owing to circumstances beyond their control. We need to do more to support spouses who do not have access to funding or to family benefit documents. We also need to help workers who are on very low wages and not receiving working tax credit. With the genuine aim of overcoming those problems, I am minded to make the following changes to our proposals. I hope to announce the details very shortly. First—this should be compared with the proposed changes I announced last October—we are minded to propose to reinstate eligibility after six months for all those who are in this country legally awaiting a decision on their asylum claim or appeal, and for those who despite being refused asylum in the UK cannot leave because of circumstances beyond their control and who are eligible for support under section 4 of the Immigration and Asylum Act 1999. That is an important change.

Secondly, we propose to reprioritise funds at a local level to help spouses who are priority learners in hard-to-reach groups and are unlikely to have access to their own money or family benefit documentation. To respond to the intervention of my hon. Friend the Member for Wolverhampton, South-West (Rob Marris), let me say that I believe that these changes can, and will, work, and I shall make clear when I publish the guidance on this matter how we intend to achieve our goals in the near future.

Thirdly, we propose to ensure that those asylum seekers who go on an ESOL waiting list before their 19th birthday will still get free access, even if the place is

[Bill Rammell]

not available until after their 19th birthday. That is an issue that the Refugee Council pressed me on in particular, and I am happy to provide some reassurance on it.

Fourthly, I have also asked the Learning and Skills Council to develop guidance on a raft of options in respect of benefits that providers could accept as documentary evidence—such as housing benefit and other means-tested benefits—of entitlement to fee remission as well as the working tax credit. That intended change has rightly been widely welcomed. Moreover, I am seeking to work with Ministers in the Department for Communities and Local Government, the Department for Work and Pensions and the Home Office to discuss and secure a more coherent approach to ESOL across Government. I am also committed to working even more closely with trade unions, the CBI and the sector skills councils to review how we can best encourage and support employers contributing to the cost of ESOL provision for their workers. The intervention of my hon. Friend the Member for Tooting (Mr. Khan) was right; we need to do more in that regard. There is a real responsibility on employers, and we should make that very clear.

These additional measures will address many of the issues raised in the race equality impact assessment. The complete assessment will be published shortly, and will include a detailed response on how we, in partnership with the LSC, plan to address these changes and all other report findings.

The current arrangements for ESOL are not sustainable. We will continue to work with learners, providers, employers and other individuals and agencies involved in ESOL to ensure that we develop the best possible provision for those who need it most. The status quo is not an option. What we are proposing is, I believe, the best way forward.

I genuinely respect the integrity of the concerns expressed this evening. I honestly believe that our intended modifications will move us in the right direction and provide some solutions to the situation prevailing in some parts of the country where the poorest learners are excluded from the system. We cannot allow that situation to continue, which is why we have produced these proposed changes.

Question put and agreed to.

Adjourned accordingly at three minutes past Eight o'clock.

House of Commons

Thursday 15 March 2007

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

EDUCATION AND SKILLS

The Secretary of State was asked—

Nursery Services

1. **Mr. Lee Scott** (Ilford, North) (Con): What representations he has received on provision of nursery services free at the point of delivery. [127470]

The Minister for Children and Families (Beverley Hughes): My colleagues and I have regular meetings with and correspondence from representatives of all sectors, as well as early years providers, including those providing the entitlement to 12.5 hours early education or care for three and four-year-old children for 36 weeks of the year. It is this Government who introduced the entitlement and guaranteed that it is and will remain completely free to all parents who wish to take it up.

Mr. Scott: Does the Minister share my concern that at a time when we read that one of the leading chains of nurseries is planning to close down 10 of its 13 facilities, this will be repeated across the country? I have had reports of that happening in my constituency, Ilford, North.

Beverley Hughes: If that were the case, yes, I would be concerned. I am aware that the hon. Gentleman and the hon. Member for Vale of York (Miss McIntosh), who speaks from the Front Bench, have stated that that chain has closed. From our information, I understand that that is not accurate. The chain has changed hands, as such businesses do, but we cannot find any reports of intentions to reduce places. That rumour and a number of other comments from Opposition Members are untrue. In fact, there has been increasing stability in the market over recent years, particularly for private providers. That reflects both the investment that we are making and our commitment to maintaining a diverse sector.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): As always, there are two sides to the argument. What representations has my right hon. Friend received from parents about their entitlement to free care? Sometimes parents are asked to top up what should be a free entitlement, and they are unaware of their right to an excellent scheme for helping them and their children.

Beverley Hughes: I am grateful for my hon. Friend's contribution. It is in parents' interests that we ensure that providers and local authorities understand that this is a free entitlement. That is the point of it. We do not want to discriminate between parents who could afford to pay top-up fees and those who could not. From my discussions with local authorities and the broad swathe of providers, I am convinced that the £3 billion a year that the Government are committing to this free offer is sufficient. Provided that it is administered properly by local authorities—we are looking at that—there is no reason at all for any provider to ask for a top-up fee, and we will certainly not allow them to do so.

Miss Anne McIntosh (Vale of York) (Con): I am delighted to see the Minister back in her place. We are all agreed that we want to see more child care, rather than less, but the Minister must accept that the free entitlement is not free, that in large measure the local authorities are not passing all the costs on to providers, and that the providers are using the extra half-hour over and above the statutory entitlement to subsidise the cost. To a large extent, the Government have had this child care cheap. Does the right hon. Lady accept that there is a mixed economy in respect of provision? Will she come clean and say what will happen when the code of practice applies to the pilot areas, and clear up any confusion? There is great uncertainty on the part of providers about what will happen from 1 April.

Beverley Hughes: I know that the hon. Lady is keen to develop a campaign on the issue, but the points that she makes here and elsewhere are simply not true. They are causing needless concern for parents. The experience over the vast swathe of the country is that the money going through local authorities is sufficient. In some instances the way in which it is being allocated by local authorities should be examined. I am sure she is aware that that is why on 7 March we launched a consultation document on schools, early years and 14-to-16 funding, including specific proposals which, if they are supported, will ensure better alignment in allocation across the sectors in local authorities where that might not be the case. I am convinced that the £3 billion is sufficient and that the provision must remain, as it is at present, free to parents at the point of access. We will not have the kind of two-tier system that the hon. Lady wants. We do not want vouchers and we will not allow discrimination—

Mr. Speaker: Order.

Teacher Vacancies

2. **Mr. Andrew Mackay** (Bracknell) (Con): If he will make a statement on teacher vacancies. [127471]

The Minister for Schools (Jim Knight): Teacher vacancies in local authority maintained schools went down between January 2005 and January 2006 by 250, to reach 2,230 posts, which is broadly the same

percentage as it was 10 years ago. We expect that vacancy figures for January 2007 will be published on 26 April.

Mr. Mackay: Will the Minister accept that the large number of supply teachers in all too many schools, particularly as head teachers, French teachers and maths teachers, is not only very bad for morale in the common room, but harms children's education? What more is he going to do to make sure that we have more permanent head teachers, French teachers and maths teachers?

Mr. Knight: We have commissioned a report from PricewaterhouseCoopers on leadership in schools. We are doing a series of things involving the National College for School Leadership in respect of head teachers. Lord Dearing published his report this week on language teaching, and we are addressing some of the recommendations. The statistics on maths teachers are very encouraging, and my hon. Friend the Minister for Higher Education and Lifelong Learning launched some new measures for science, technology and maths this week. The overall picture is that we have more than 36,000 more teachers than we did 10 years ago, and we have added 140,000 more support staff so that teachers can concentrate on teaching. The general trend is extremely positive.

Mr. Andrew Love (Edmonton) (Lab/Co-op): My constituency lies right on the boundary with inner London, where there is a significant enhancement for teachers through London weighting. Although the areas and the schools are very similar, my area finds it difficult to attract teachers against that competition. Will my hon. Friend consider the issue to see whether there is any way in which he can make a more level playing field, so that the schools in my area can attract teachers to work in Enfield?

Mr. Knight: My hon. Friend has been assiduous in raising that concern with the ministerial team. We will continue to look at the success that we have achieved through the chartered London teacher scheme, London Challenge and Teach First. A series of measures is making sure that London schools are getting the leadership that they need and that we are getting the quality of teachers that we need to continue the exceptional improvement in the quality of education in London schools, which is ahead of that in the rest of the country.

Greg Mulholland (Leeds, North-West) (LD): We have heard the figures on teacher vacancies. According to the most recent figures, however, 25 per cent. of newly qualified secondary school teachers and 26 per cent. of newly qualified primary school teachers were not in full-time employment six months after they graduated. Does the Minister agree that that is a real concern? What does he plan to do about it? And what implications does it have for the Government's recruitment campaign for teachers?

Mr. Knight: We have to get the right balance. I have received a number of letters from hon. Members representing constituents who have trained as teachers and who are struggling to find posts. We have to balance that against the concerns raised by the right hon. Member for Bracknell (Mr. Mackay). There are particular subjects such as languages, maths and science where we need to improve the supply of teachers. Although the vacancy rate for head teachers is broadly what it was 10 years ago, there is a future challenge in terms of succession planning. We have to strike that balance. The level of supply is broadly in tune with the level of demand, but there will always be some geographical disparities.

Secondary Schools

3. **Mr. Mark Lancaster** (North-East Milton Keynes) (Con): what steps his Department is taking to raise standards of educational achievement in secondary schools. [127472]

The Secretary of State for Education and Skills (Alan Johnson): Since 1997, education has been this Government's top priority. We have doubled spending per pupil, and there are now 36,000 more teachers and 150,000 more support staff. We are investing more than £1 billion in personalising learning by 2008. The secondary national strategy is improving the quality of teaching and learning with training and support for teachers. Our 14-to-19 reforms, including the introduction of diplomas, will enhance our focus on functional skills. Attainment has increased at all levels in secondary schools since 1997, and the number of schools with fewer than 25 per cent. of pupils achieving five or more good GCSEs is down from 616 in 1997 to 47 this year, and 85,000 more students achieve that standard each year.

Mr. Lancaster: Will the Secretary of State explain why in Milton Keynes, where we are having to build new schools, English Partnerships will charge full price to the local authority for a piece of land if a secondary school is being built, but if the same site is used for a primary school, it will transfer the land at zero cost? Why is there an imbalance between the two different types of school? Since the Secretary of State has such commitment to secondary education, will he look at the matter? And will he meet a delegation from Milton Keynes to discuss it?

Alan Johnson: That does not sound right to me, and I would happily meet a delegation from Milton Keynes to discuss it.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): Does my right hon. Friend agree that some of the figures that are coming out about the success of extended schools are quite remarkable and should be applauded? Will he begin a campaign to get more Members of Parliament to go out and visit more schools? As I go round the country visiting secondary schools, I see improving achievement, whereas many Conservative Members seem only ever to have been to the independent schools that they were raised in.

Alan Johnson: My hon. Friend makes an important point. I am getting to the age when as I look around at the new intake, some of them look as though they have just left secondary school. I think that we would all

agree that it is a very fulfilling experience to go and visit our local schools—much more so now than it was 10 years ago.

Mr. James Clappison (Hertsmere) (Con): The Secretary of State is no doubt aware of the decline in the study of languages in secondary schools, following the Government's decision to relax the curriculum. We all want to see the study of languages prosper, and we now have the Dearing proposals to try to address the problem. Does the Secretary of State believe that following those proposals there will be an increase in the number of candidates in our secondary schools for public examinations in languages at GCSE and A-level?

Alan Johnson: Lord Dearing has done a valuable task, and his report is full of good sense. We have accepted his principal recommendation that we should make languages compulsory in primary schools, and we will do so at the next available opportunity when we review that key stage. As for children in secondary schools, we need to do much more to encourage schools to go for a much higher benchmark. On Saturday, I was at Wakefield city high school, which is in the middle of a council estate and has a large intake of pupils who have free school meals. The number of students taking languages has not changed since we moved from compulsion to entitlement. That is because of inspirational, very good-quality languages teaching and a method of teaching that enthuses youngsters. That represents a large part of Lord Dearing's recommendations, and we should ensure that it happens in every secondary school.

Mary Creagh (Wakefield) (Lab): I thank the Secretary of State for visiting Wakefield city high school with me on Saturday, when its inspirational head teacher, Alan Yellop, told us how he took a school where just 7 per cent. of pupils were getting five good A to C grades at GCSE in 1994 to one that is not only performing above the national average in absolute terms but is in the top 5 per cent. of the country, in value-added terms, for maths. Will my right hon. Friend urgently consider the need for capital financing to rebuild that school? Following our tour, I am sure that he will agree that we urgently need a significant investment in the school to ensure that its high-quality teaching and inspirational leadership continue.

Alan Johnson: There we have it. In reply to my hon. Friend the Member for Huddersfield (Mr. Sheerman), I can say that MPs are not only visiting schools but doing so on a Saturday. *[Interruption.]* There were children in attendance. My hon. Friend makes an important point. It is a tremendous school with tremendous leadership, great teaching and improved results. The capital spend needs to go in, because the school is in a poor condition. We understand that. That is why we are refurbishing and rebuilding every single secondary school and have targeted the capital funding available to local authorities to deal with schools such as Wakefield city high. I hope that that school will soon have an infrastructure to match its tremendous teaching.

Mr. Rob Wilson (Reading, East) (Con): The Secretary of State will know that one of the measures that the Government have taken to improve secondary schools is to allow them to move to trust status. Ryeish Green school in my constituency is undergoing a consultation on closure. It is a much improved school that wants to be a trust school, and it looks as though it has the strong support of a very good local organisation. The only problem is that the local education authority needs some persuasion. Will the Secretary of State meet people from the school, the local education authority and me to bring all parties together to ensure that this opportunity to raise secondary school standards is taken?

Alan Johnson: I will certainly facilitate such a meeting. If the circumstances are as the hon. Gentleman describes—I have no reason to doubt him—we should include the school among the many that wish to introduce trust status in the next couple of years.

Mr. Iain Wright (Hartlepool) (Lab): Educational achievement in Hartlepool has doubled in a decade, facilitated largely by a doubling of spend per pupil by the Labour Government. Whereas fewer than 30 per cent. of pupils in 1996 achieved five good GCSEs, 60 per cent. now achieve that. Will my right hon. Friend assure me that, following the current comprehensive spending review, which is acknowledged to be tighter than previous rounds, education will continue to be a central focus of the Government's policy so that pupils in Hartlepool can continue to benefit from rising standards and increasing spending?

Alan Johnson: The achievement in Hartlepool is truly remarkable. It should be a beacon to other areas of the country, which have similar circumstances but have not managed the same achievement.

I obviously cannot comment on the comprehensive spending review. However, we are locking £66 billion of funding into the Department this year—record amounts are being spent on education and I hope that we will retain that and have a real-terms increase on top.

Sammy Wilson (East Antrim) (DUP): Despite the record spending on education and the plethora of initiatives that the Secretary of State has described this morning, only 75 per cent. of youngsters this year reached the level expected of them in key stage 2 tests in English, maths and science. Is it not time that the Secretary of State took on the left-wing, liberal establishment, which dominates education, brought an end to all-ability comprehensive schools and mixed teaching classes, and introduced traditional methods of teaching English?

Alan Johnson: The reference to liberals certainly created a stir on the Liberal Democrat Benches.

The hon. Gentleman talks about 75 per cent. achievement in three subjects at key stage 2. He needs to consider the position in 1997, since when a tremendous amount of progress has been made. That is

due not to politicians, educationists or civil servants, but to teachers and head teachers. They do a tremendous job.

Much of changing the culture has to do with building aspiration, especially, as I said yesterday, among working-class boys. That matter is being addressed, but with a teaching profession that is in better shape. There are more teachers and they comprise probably the best cohort of teachers that we have ever had in this country—whether they are left-wing liberals is a matter for them.

Helen Jones (Warrington, North) (Lab): My right hon. Friend rightly says that the key to raising standards is good teaching. Yet time and again, the Select Committee in its investigations finds deficiencies in teacher training. Teachers will face far more demands in future with the changing curriculum. When will my right hon. Friend examine the content of teacher training courses for initial training and continuous professional development to ensure that we have a teaching work force that is adequately trained for the demands of the 21st century?

John Bercow (Buckingham) (Con): Make that woman a Minister.

Alan Johnson: I very much agree with that sentiment. If it were in my gift—which it is not—my hon. Friend would be a Minister. She raised an important point, which the Select Committee has made on occasions. Its distinguished Chair is sitting near my hon. Friend—perhaps another ministerial job approaches?

Both my hon. Friends would agree that we have done much to improve teacher training and the work that goes into that from the Training and Development Agency and others. Much work is going into school leadership and getting teachers to aspire to it. The challenge of introducing diplomas and the various other measures that we are taking requires us to redouble our efforts to ensure that our teacher training and our career professional development is of the highest quality that we can make it. We are working towards that and I believe that we share that objective with my hon. Friends.

Sarah Teather (Brent, East) (LD): Further to the Secretary of State's answer to the previous question, does he agree that the curriculum is critical to raising standards in secondary schools? Given his comments last week about the danger of the new diplomas going horribly wrong and becoming "secondary-modern" qualifications, will he now rethink and implement Tomlinson in full?

Alan Johnson: No, I will not, although I understand the balance of the arguments over Tomlinson. Tomlinson himself, of course, is now our diploma champion, to use a terrible term, with the education profession and he says that the report provided 90 per cent. of what he was looking for. I actually think it would be wrong—for parents, for pupils, for everyone—just to throw everything up in the air and get rid of the A-level, which has been our gold standard since the early 1950s, when we have this opportunity for children to follow such diverse routes. They can go down the GCSE, the A-level, the international baccalaureate or the diploma route.

Incidentally, while I have the opportunity to say so, I was giving an honest answer to an honest question. I said that diplomas are so difficult and radical that they could go badly wrong. Short of saying that introducing these diplomas will be a breeze, we have to acknowledge that it could go wrong, but we are determined that it will not, which is why we are putting considerable resources and effort into ensuring that this most radical change takes off and becomes the success that we all hope it will be.

David Taylor (North-West Leicestershire) (Lab/Co-op): The reference to the left-wing liberal establishment by the hon. Member for East Antrim (Sammy Wilson), who I believe is a refugee from teaching, encourages me to my feet. Does the Secretary of State agree that the sort of genuinely comprehensive schools of which I am a governor—Ibstock community college and Ashby school in north-west Leicestershire—provide very high-quality education and a model for all types of local education authority? Does he further agree that it is no surprise that genuinely comprehensive LEAs outscore and outpoint parts of the country, such as Kent, Buckinghamshire and Northern Ireland, in respect of the quality of education supplied?

Alan Johnson: I agree that all-ability, non-selective schools right across the country are good schools. Some of them are comprehensive, some are academies and some are trust schools, but what we should focus on is not the terminology, but whether or not the schools are good. Where they are good schools, it is not particularly because they are labelled comprehensive or anything else, but because of good leadership, good teaching and a good ethos in the school. I accept that it is the all-ability, non-selective feature that is important, and we need to continue to hammer home the fact that that is the way forward. There are still some people harking back to a golden age, though not the Conservative party nowadays—*[Interruption.]* No, not the Front Benchers, and perhaps not many behind them. All our experience suggests that the sort of schools of which my hon. Friend is a governor produce astounding results year after year. We want to ensure that every school is in the same situation.

Mr. Nick Gibb (Bognor Regis and Littlehampton) (Con): One of the main focuses of the Qualifications and Curriculum Authority's secondary curriculum review appears to be to encourage schools to move away from discrete academic subjects towards more joint subject teaching and themes. The QCA's director of curriculum thinks it would be "lovely" if the PE teacher turned up in the history lesson, and Professor John White, an external adviser to the curriculum review, believes:

"The academic, subject-based curriculum is a middle-class creation"

whose

"rationale has long fallen away".

Will the Secretary of State ensure that quality and rigour are maintained in our curriculum, and can he reassure the House that the revised curriculum is not

being used as a pretext to impose a potentially damaging and untested educational fad on our schools?

Alan Johnson: It is not too difficult for me to give the hon. Gentleman those assurances. The reason why we are so keen to introduce functional skills, for instance, in English, maths and science is to ensure that we make life more difficult for ourselves by having an absolutely staunch benchmark that we can test against. As to the points that the hon. Gentleman raised, I see the views of educational theorists all the time and some of them are very interesting. I would point out that Lord Dearing made an important point in his report this week—that languages can be introduced to other subjects to make them more interesting. He made the point that it could be helpful if sports or history and geography lessons had a languages dimension.

Mr. Gibb *indicated dissent.*

Alan Johnson: The hon. Gentleman shakes his head, but if it is a choice between taking advice from the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb) or from Lord Dearing, I would take Lord Dearing's.

Adult Education

4. **Julia Goldsworthy** (Falmouth and Camborne) (LD): What recent assessment he has made of provision of adult education courses at colleges; and if he will make a statement. [127473]

The Minister for Higher Education and Lifelong Learning (Bill Rammell): Colleges have benefited from our 48 per cent. real-terms increase in further education funding between 1997 and 2005-06. We have realigned funding to support our priorities and, as I announced today, we have met our interim adult level 2 target, with 1 million more adults with essential employability skills in the work force since 2002. Also, more than 1.6 million learners have achieved skills for life qualifications in literacy, language and numeracy.

Julia Goldsworthy: I thank the Minister for that response. He will be aware that Cornwall has a low wage economy and very low levels of adult skills. As a result of the funding changes, Cornwall college has had 10,000 fewer applicants for adult courses this year, not only for recreational courses but for technical equipment courses and even for courses for those with learning disabilities. What assessment has the Minister made of the economic impact of the funding changes on deprived areas with low levels of skills, such as Cornwall?

Bill Rammell: We are continually evaluating the shift in adult provision to ensure that it is having the right beneficial economic effects. The train-to-gain initiative, which offers a radical commitment to ensure that every adult in the work place who does not have the equivalent of five good GCSEs gets a guarantee of that educational training, is a move in the right direction. We are increasing funding, but there is also a shift in priorities away from short courses towards longer provision that will have a more beneficial impact. I announced this morning that we have got 1 million more adults up to level 2 in the past five years. That is a significant achievement that will benefit the whole country, including people in Cornwall.

Mr. Khalid Mahmood (Birmingham, Perry Barr) (Lab): I thank my hon. Friend for his comments about more adults coming into employment. Will he also consider increasing key and basic skills training in inner-city areas such as Birmingham, where we need to offer better provision to get more lone parents re-engaged in education and back into employment?

Bill Rammell: I thank my hon. Friend for his question. We are absolutely right to focus on the level 2 commitment, because that is the minimum platform for sustainable employment in the work force. However, we also need to ensure that the stepping stone provision below level 2 is protected. I think that that is the kind of provision to which my hon. Friend is referring. The introduction of the foundation learning tier, which we have made clear will be guaranteed as resources become available over time, is the kind of commitment that he and his constituents are looking for.

Sir Nicholas Winterton (Macclesfield) (Con): The Minister will know that Macclesfield is fortunate, in that it will shortly have a virtually new college as part of the learning zone, for which the people there are very grateful. Does he accept that there is a growing need for vocational training, particularly for adults, in order to fulfil the needs of local industry and commerce? Will he come to Macclesfield to visit the college when it opens later this year, to discuss adult education with the corporation and me?

Bill Rammell: I am happy to accept the plaudits about the capital transformation of further education colleges that is taking place up and down the country. We are spending some £500 million this year; 10 years ago, there was not a penny in the mainstream capital funding budget. The hon. Gentleman has made an important point; we need to do more in the area of vocational skills. The train-to-gain initiative, which guarantees training to adults in the work place who have not reached level 2, is an exceedingly important step forward. Diary permitting, I will see what I can do about coming to Macclesfield.

Richard Burden (Birmingham, Northfield) (Lab): My hon. Friend will be aware that a key recommendation of the taskforce established to deal with the consequences of the collapse of the Longbridge car factory was the creation of at least a 14-to-19 centre on the former MG Rover site, and possibly a full college relocation to boost skills and regenerate the area. A feasibility study of that recommendation should have been completed and available by now. Will my hon. Friend have a word with the local learning and skills council so that we can get on with this project, which will be vital to skills boosting and regeneration in the south-west Birmingham area?

Bill Rammell: I will happily look into that and meet my hon. Friend to discuss such issues. I remember visiting Longbridge a year or so ago, talking to the Rover taskforce—

Mr. Speaker: Order. I know that the Minister means well, but if he looks in the hon. Gentleman's direction when he speaks, he cannot be heard by the rest of the Chamber.

Bill Rammell: I apologise, Mr. Speaker.

I visited Longbridge about a year ago, met the Rover taskforce and was extraordinarily impressed by the cross-departmental working taking place, which my hon. Friend the Member for Birmingham, Northfield (Richard Burden) has championed strongly. I commit myself to considering the matter and meeting him shortly.

Mr. John Hayes (South Holland and The Deepings) (Con): Seventy per cent. of the 2020 work force is over the age of 16 now, so it is vital that we upskill and reskill the adult population. Yet adult education is being savagely cut—it is down 10 per cent. in the past year and below its 1997 level. Not all such courses are on crochet and croquet: many of them lead to further study and work. Given that workplace training is also being cut, and that less than 6 per cent. of employers are involved in "train to gain", how have the Government managed to spend so much more on FE, but achieved so little and delivered so much less?

Bill Rammell: Normally, I respect the hon. Gentleman's views but I will not take lectures about the funding of further education colleges. Under this Government, funding has increased by 48 per cent. in real terms, which compares favourably with the 14 per cent. real-terms cut that took place in the five years up to 1997. According to its evaluation, the "train to gain" initiative, which is still in the first year of its national roll-out, is incredibly highly valued by employers, who are keen on the brokerage element. It is bringing huge numbers of people into adult education and training, and is particularly benefiting the over-45s, who are a key target group. It is in its first year of operation, it is a truly radical initiative, and it is delivering results.

ESOL Classes

5. **Meg Hillier** (Hackney, South and Shoreditch) (Lab/Co-op): If he will make a statement on proposed changes to the funding and provision of English for speakers of other languages classes. [127474]

10. **Martin Linton** (Battersea) (Lab): If he will make a statement on the proposed changes to fee remission of English for speakers of other languages courses. [127480]

The Minister for Higher Education and Lifelong Learning (Bill Rammell): English for speakers of other languages has been a real success, with more than 1.9 million learners since 2001. The current rate of increase, however, is unsustainable. Numbers and funding have tripled, but further increases will adversely impact on other skills for life provision. Therefore, in October I announced changes to ESOL funding involving charging those who can afford to make a contribution and excluding adult asylum seekers from access. Following representations made as part of the race equality impact assessment, however, I have made it clear in the past week that I am minded to consider a range of new measures, compared with the original proposals, to reprioritise funding towards the most vulnerable.

Meg Hillier: With 29 per cent. of Hackney residents having been born outside the UK, I welcome the Minister's rethink on the issue. Of the 2,500 ESOL and life skills learners at Hackney community college, an estimated 20 per cent. would be affected by the rules. Will he meet me and representatives of Hackney community college to discuss this matter and its impact on Hackney residents?

Bill Rammell: I will happily meet my hon. Friend, as I have met many colleagues, to discuss the issue. Let me make it clear that we are not reversing the fundamental thrust of our policy on the issue. The current trajectory is simply not sustainable, and will impact on the budget for other skills for life provision unless we make changes. Under the changes, over 50 per cent.—indeed, over 80 per cent., as I understand it, in the college to which my hon. Friend referred—will continue to get access to free ESOL. As a result of the representations made, we are considering a number of other indicators to ensure that we assess low income properly and that those who genuinely cannot afford to pay continue to get free ESOL.

Martin Linton: It may be right to ask for fees from people who can clearly afford to pay, but does my hon. Friend agree that it is most important to make applying for fee remission simple? In particular, we should rely not just on working tax credit as an indicator of low pay, but on other indicators too.

Bill Rammell: My hon. Friend makes an important point. I have announced in the past week that I am minded to consider a range of alternative indicators of low pay, at a local level, that would enable a person to access free ESOL. Clearly, the system must be as simple and easy to understand for the individual as possible.

Mr. Dan Rogerson (North Cornwall) (LD): Many people have come into this country from the new European Union states. That has put pressure on courses such as those about which we have been hearing, but also on small primary schools that are being asked to support the children of families who are new to their areas. What action is the Department taking to supply those schools with extra resources?

Bill Rammell: Additional funding streams are available for schools in those circumstances, but the hon. Gentleman has drawn attention to an important issue. It is true that if the challenge of funding ESOL is to be met, we need a significant contribution from the Government—who have tripled funding over the past five years—and it is true that we need contributions from individuals, if they can afford it. However, we also need employers to meet their own responsibilities to train their work forces properly. In the context of the changes that I have announced, we are keen to address that issue, together with the CBI and the trade unions and through the social partnership.

Mr. Nigel Evans (Ribble Valley) (Con): Surely we should focus more on youngsters whose first language is not English. According to a report that I read recently, a young girl was placed with a group of three

others who did not speak English as a first language. Everything had to be translated in that science group, and the young girl who spoke English felt that she was being held back because everything had to be translated. When she asked to be moved to another group, she was condemned for doing so. Can the Minister ensure that those who need English language teaching are given the focus they deserve so that their skills can be improved, while those who do speak English are not held back simply because attention must be focused on those who do not?

Bill Rammell: I respect the intention of the hon. Gentleman's question, but I have learned through long experience that when one starts digging, newspaper stories of the kind that he has related turn out to be far more complicated than they appear. A number of other issues tend to be involved. If the hon. Gentleman gives me the details of the case, I will examine them. However, in primary schools where there is a significant cohort of legitimate migrant communities, it is important for us to ensure through the additional funding stream that all children, regardless of circumstances and background, receive the teaching that they require.

John Austin (Erith and Thamesmead) (Lab): I know that the Minister shares my view of the importance of a grasp of the English language to both social inclusion and community cohesion. I had many concerns about his original proposals, but I am extremely grateful for the concessions and changes that he announced recently, which will go a long way towards allaying my concerns and those of colleagues. Nevertheless, there remains real concern about people on low incomes. Will the Minister's door be open to representations from Members in the light of experience of the changes and particularly of their impact on people with low incomes, and will he meet my colleagues from Woolwich college to discuss the issue?

Bill Rammell: I certainly undertake to do that. In recent weeks I have met a number of colleagues to discuss the matter, because although I genuinely believe that the status quo is not an option, I also believe that we must get the changes right. I agree with my hon. Friend that if there is to be real community cohesion we must ensure that people can understand and communicate in English, and our changes are intended to give everyone that opportunity.

Tony Baldry (Banbury) (Con): This issue is not just about refugees and asylum seekers. I recently went to Kashmir with members of the Muslim community from Banbury, and as a result I appreciate that many young people who have grown up in this country still expect to enter into what we would call arranged marriages with partners from, in many cases, Kashmir. Brides who come to the United Kingdom may still not have English as a first language, and may well be joining low-income families. Is not the ability of those people—who will live here for the rest of their lives, will have children here and will become part of the community—to speak, learn and acquire English important both to community integration and to good race relations?

Bill Rammell: I entirely agree. I think it is critical for people to live genuinely as part of communities rather than being hermetically sealed in individual areas. One of the changes that I intend to make, which I have announced in the past week, is the reprioritisation of funds at local level to provide free access to ESOL for spouses who are priority learners in hard-to-reach groups, and unlikely to have access to their own money or family benefit documentation. I believe that that will go a long way towards allaying the hon. Gentleman's concern.

Apprenticeships

6. **Mr. Jim McGovern** (Dundee, West) (Lab): How many apprenticeship places have been created for 16 and 17-year-olds since 1997; and what plans he has to increase provision. [127475]

The Secretary of State for Education and Skills (Alan Johnson): According to the latest data available, at the end of 2005 there were 78,900 16 and 17-year-olds participating in an apprenticeship in England, compared with 34,100 in 1997. My priority for the current comprehensive spending review is to offer an apprenticeship place to any qualified 16 to18-year-old who wants one.

Mr. McGovern: I thank the Secretary of State for that response. As a former apprentice in the construction industry, I strongly believe in the apprenticeship scheme. One of the ways that we can best encourage youngsters to engage in apprenticeship schemes is to allow them to sample what being an apprentice is like while they are still at school. What progress is the Secretary of State making in involving schools in the scheme that allows pupils a 50-day experience of being an apprentice?

Alan Johnson: We have made a great deal of progress since 2003 when we introduced work-based learning so that, as part of the 14-to-19 agenda, youngsters start going out to businesses and companies in their constituencies—or, rather, in their area. *[Interruption.]* Well, MPs are not getting that young. Youngsters therefore experience what work is like, which might give them the opportunity to decide on what their future career should be. That is one of many elements of policy that give choice and diversity to youngsters and ensure that they get a proper grounding before leaving school.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): I completely support all that goes on with regard to apprenticeship schemes for those aged 16 and above, but I wish to draw the Secretary of State's attention to something that is still a big problem in this country: how to tie in young boys aged about 12 and upwards who do not believe that academic routes are the routes for them but who find that schools so specialise in academic subjects that they are left out—so they truant or leave school early. That is one of the major issues that we have found as we go around communities.

I ask the Secretary of State to visit Holland, if he has not already done so. I deeply admire the Dutch for embedding their vocational training in schools, and

their truancy levels are much lower than ours. A Dutch educationist said to me that the difference between them and the United Kingdom is that they are just as intelligent, computer-literate and educated, but they also believe that people have to build the houses that they live in, carry out the plumbing work and do the wiring as well, and that they celebrate that rather than make it a second-class occupation.

Alan Johnson: The right hon. Gentleman is absolutely right about the problems that we have traditionally had in respect of vocational qualifications. They are particularly to do with the parity of esteem argument, as academic qualifications are seen as infinitely superior to vocational qualifications. That is in large part due to cultural issues, and we can do a lot in schools to address that. Let me say something about the introduction of diplomas, although they come in a bit later—at 14 to 19—and the right hon. Gentleman is right in what he says about youngsters as young as 12, and boys in particular, having to be switched on to learning. That is a general point that applies to both academic and vocational education.

I cannot emphasise enough the significance of the introduction of diplomas. They are not vocational diplomas. There is that mixture of the theoretical and the practical, which is what we have lacked in this country for so long, and those diplomas, along with apprenticeships and work-placed training as accredited training, can provide the kind of choice that our youngsters need. I said a lot yesterday on issues to do with young boys—working-class boys in particular—and trying to close the attainment gap at age 14, especially in English, as in other subjects we do not have that gender gap. All those areas are important and we are looking closely at the lessons that can be learned from what happens in the Netherlands.

Building Schools for the Future

7. **Joan Walley** (Stoke-on-Trent, North) (Lab): How many projects have been completed under the building schools for the future programme. [127477]

The Minister for Schools (Jim Knight): The first local authority projects are due for completion in 2009. I opened the first BSF "quick-win" schools in Solihull in June of last year, and the first BSF school to be procured through a local education partnership is on schedule to be open in Bristol in September 2007.

Joan Walley: I thank my hon. Friend for that answer. In Stoke-on-Trent, we have an excellent record in the transformation of primary schools—in rebuilding and refurbishing them. It is essential that we now get on with the transformation and that we put the new capital investment into secondary schools. We want that programme, under building schools for the future, to go ahead as quickly as possible. I would be grateful if my hon. Friend would meet me in my constituency and have talks with his noble Friend Lord Adonis, who also has ministerial responsibility for schools, so that we can make sure that each school in my constituency is at the heart of the community, is an extended school, and is able to contribute to the regeneration that is so desperately needed—and which is already under way—in Stoke-on-Trent.

Jim Knight: I know that my hon. Friend has taken a keen interest in those matters, and that she has met my noble Friend Lord Adonis and senior officials to make sure that we spend well the £181 million that we have committed to secondary schooling in Stoke. I will, of course, be happy to meet her and to make sure that senior officials are working with her to ensure that we are investing that £181 million on the basis of having quality rather than mediocrity.

Mr. David Willetts (Havant) (Con): Is there not an enormous gap between what the Minister has just told the House and what his Department published in its document "Building Schools for the Future", which said that in 2007, 100 school buildings would open, and in 2008, 200 school buildings would open? Will he confirm that those figures should be five school buildings in 2007 and 23 in 2008? Will he give the House an explanation for that extraordinary delay, and an authoritative time scale against which we can judge the Government's performance in the future?

Jim Knight: As the hon. Gentleman knows, I gave evidence to the Select Committee on that very issue and was extensively questioned on it. We look forward to the Committee's report. Building schools for the future is a major project on an unprecedented scale and we deliberately started in the most difficult areas, because those are the ones that need the investment the most. It is a once-in-a-generation opportunity and we have to ensure that we get the quality right.

If, as in Stoke-on-Trent, we occasionally need to reassess the initial plans in order to improve them, and therefore it takes a little bit longer to get them right, that is what we will do. However, 25 authorities have joined up or have completed procurement. Most of the wave 1 projects that have not yet signed up are near to financial close, with more than 50 more schools opening in the next two years.

SOLICITOR-GENERAL

The Solicitor-General was asked—

Youth Matters

19. **Miss Anne McIntosh** (Vale of York) (Con): What recent discussions he has had with the Home Secretary on youth matters. [127490]

The Solicitor-General (Mr. Mike O'Brien): Although I have not specifically discussed with the Home Secretary the document "Youth Matters", I am aware of the programme and I meet him regularly at the National Criminal Justice Board meetings, where youth issues and wider issues are often discussed. The last meeting was on 27 February and the next is on 27 March.

Miss McIntosh: Does the Solicitor-General share my concern at the growing antisocial behaviour in market towns such as Thirsk and the fact that few prosecutions

are taken, especially in cases of the breach of an order or contract under the new antisocial behaviour regulations? Does he agree that rather than seek to prosecute, it would be better to intervene to take the children off the street earlier? What are the Government doing to stop truancy in schools, which can lead to antisocial behaviour? Why are there no prosecutions for breaches of those contracts, and what value do they have in the circumstances?

The Solicitor-General: The aim is to change behaviour and therefore the approach taken is to prosecute where necessary. Some prosecutions do take place, but not unless they are necessary to change the behaviour. The Government's approach is to ensure, through "Youth Matters", the document that set out the youth strategy, that we put £115 million into developing youth activities, and also identify those young people who need to be diverted from what may well be antisocial behaviour. I know that in my own area in the village of Gouldon, the local community has got together to put in place packages of assistance for young people by creating pods and developing youth activities, and ensuring a greater police presence and CCTV cameras. It is possible for local people to put together packages to reduce the level of antisocial behaviour and ensure that young people are diverted away from criminal activity and directed towards more useful activities.

Mr. David Kidney (Stafford) (Lab): Has my hon. Friend made an assessment of the successes and failures of the intensive supervision and surveillance programme, which is very effectively managed in Staffordshire? If he has, what implications does that have for youth sentencing at the end of court cases?

The Solicitor-General: Intensive supervision has been shown to have considerable merits in dealing with particular individuals who need that level of intervention. We are likely to see increasing use of that measure. The response by the criminal justice system to antisocial behaviour by young people will increasingly be directed to dealing with particular problems that they have. The more that we can tailor the intervention by the criminal justice system to the particular problems that individuals have, to divert them away from activities that cause difficulties, the better will be our opportunities to reduce the amount of antisocial behaviour.

Expert Witnesses

20. **Mark Pritchard** (The Wrekin) (Con): If he will review the role of expert witnesses in criminal prosecutions. [127491]

The Solicitor-General: The straight answer is yes. A number of reviews are being carried out of the role of expert witnesses and some have already been published. There have also been several initiatives recently to improve the use of expert witnesses in criminal cases.

Mark Pritchard: Does the Solicitor-General agree that the judicial system, in particular the Crown Prosecution Service, has a duty of care to ensure that expert witnesses are who they say they are? If so, what are his comments in the light of the recent bogus Dr. Morrison case, which has led to the need to review more than 700 cases? Many people may be in prison as a result of his so-called expert evidence, so what new measures will the Government put in place to ensure that expert witnesses have the qualifications they claim to have?

The Solicitor-General: The hon. Gentleman is right. The Gene Morrison case is of serious concern. The police investigation into any miscarriages of justice is under way and my office is being kept informed about it. I think that case was exceptional, but it is one that underlines the importance to all parties of ensuring that they look critically at the evidence of expert opinion. A number of reforms are being made. New criminal justice procedure rules put in place last November are now coming into play; the post of forensic science regulator has been set up; and the Attorney-General's review of shaken baby syndrome cases is under way and will have important recommendations. In accord with the view of the Court of Appeal—the recommendations of his honour Sir Igor Judge—new CPS guidance on the use of expert evidence will ensure that, whereas expert evidence has been wholly relied on in the past, it should not be in the future, and that corroborative evidence which is independent of the experts should be sought. That new approach will help to deal with some of the problems with expert evidence we have experienced in a number of cases in recent years.

Ian Lucas (Wrexham) (Lab): At a time when criminal legal aid costs are under close scrutiny, will my hon. and learned Friend consider looking closely at the joint instruction of experts in criminal cases? Huge expenditure is incurred on expert witnesses and it is increasing at a rapid rate.

The Solicitor-General: My hon. Friend is right; there is considerable expenditure in relation to expert witnesses. We need to ensure that cases are properly decided and experts are able to give their view, but that it is done in a sensible and cost-effective way. Following the recommendations, part of the guidance on expert witnesses is that they should be prepared to have peer review of their findings and that there should be exchanges between experts on either side of the case about the evidence they bring forward. We should attempt to ensure that, where possible, there is as much consensus as possible about the expert evidence that goes before a court and a jury. In that way, it is to be hoped that we will reduce the amount of time needed for expert witness evidence in court cases.

Robert Neill (Bromley and Chislehurst) (Con): Is the Solicitor-General aware that real concern remains among both judiciary and practitioners about the length of time it frequently takes to obtain authorisation from the legal aid authorities to commission expert reports; about the delays in commissioning that often occur once authorisation has been obtained; about delays in disclosure of reports between the parties; and then about the Crown being able to instruct its own experts? Will the Solicitor-General discuss with the appropriate Departments and agencies what can be done to speed up the process of obtaining expert evidence, which, as he knows, also has an impact on the listing and expedition of trials?

The Solicitor-General: It is the case that we need to ensure that court proceedings are speeded up more generally, not just in relation to experts. When we came into office it was clear that the courts system was struggling and unable to cope with the sheer volume of cases before the courts. Things have improved, but there is still a lot more work to be done. There are issues in relation to legal aid. We have to ensure that expert evidence is really needed before legal aid is granted and that there are proper exchanges and disclosure. The new guidance will enable the sharing of expert evidence, and exchanges between experts to take place, and I hope that that approach will result in less delay in the future.

Victim Treatment

21. **Fiona Mactaggart** (Slough) (Lab): What assessment he has made of the impact of the prosecutors' pledge on the treatment of victims and their families by the Crown Prosecution Service; and if he will make a statement. [127492]

The Solicitor-General: The prosecutors' pledge introduced in October 2006 makes a series of commitments about how prosecutors communicate with victims, with the aim of improving performance. At this stage, it is too early to assess the full impact of the pledge. The CPS has implemented management controls to seek to ensure compliance and the witness and victim experience will also provide some feedback on key elements of the pledge.

Fiona Mactaggart: I thank my hon. and learned Friend for that reply. He will know that the question was prompted by the experience of a friend of mine whose nephew was assaulted in a street in Slough. The case took more than a year to come to court and the prosecution eventually failed, in part because of a lack of confirmatory identification evidence. That showed me how devastating it is for the families of the victims of violent crime not to know what is going on. Can my hon. and learned Friend assure me that the prosecutors' pledge will include better information for victims and their families while a case is being pursued and that lessons, such as that about identity parades, are learned and promulgated as a result?

The Solicitor-General: I have had a similar case in my constituency recently. In a manslaughter case the family were not properly informed. There is a need to ensure that the CPS and other agencies deal with victims and families more effectively than they have done. The prosecutors' pledge has only recently been introduced and it is about changing attitudes and behaviour and improving the way in which the criminal justice system operates by putting victims and witnesses at its heart.

My hon. Friend has let me know of the circumstances of the case that she mentioned. There are lessons to be learned on the identification issues, but the initial charging advice was provided by a Crown prosecutor who advised the police that, given the issues in the case, there was no requirement for a video identification procedure. However, subsequently that advice had to be looked at again. Lessons must be learned when the system has failed victims or their families, and it is necessary that the prosecutors' pledge be delivered on. It is about changing and improving the whole way in which our criminal justice system operates.

Fraud Review

22. **Mr. Kevan Jones** (North Durham) (Lab): What steps he plans to take to implement the findings of the fraud review. [127493]

The Solicitor-General: A national strategy to tackle fraud has been published today. We will create a national fraud strategic authority to help co-ordinate efforts to combat fraud. It will include a unit to measure the extent of large-scale and smaller frauds; a working party will develop a costed case for a national fraud reporting centre to take reports from victims and to co-ordinate information and advice on tackling fraud; and it will work closely with the police and the Serious Organised Crime Agency.

Mr. Jones: I am grateful for that reply. My hon. and learned Friend will be aware that many businesses and trade organisations are concerned about fraud and, in particular, about the growth of internet fraud. Can he tell the House how those businesses and trade organisations can take part in the review with the organisations that he has just announced?

The Solicitor-General: It is important that the private sector and, indeed, the public sector work much more carefully, and with the police, at not just seeking to catch criminals after they have committed an offence, but seeking to prevent crime and fraud from taking place. The fraud review sets out ways in which we can get the private and public sectors to work together with the police and the other agencies in developing a strategy to tackle fraud. The national fraud strategic authority will raise awareness among the public and seek to promote best practice in fraud detection and prevention. Individual institutions need to design systems that make fraud much more difficult to commit. There is a growing body of good practice in fraud management strategies and we have encouraged the National Audit Office and the Audit Commission to look at the strength of anti-fraud controls in the organisations that they audit.

Mr. Dominic Grieve (Beaconsfield) (Con): I welcome the fraud review. I hope very much that issues such as plea bargaining and better management of fraud trials can all be looked at very carefully in the course of it. However, in view of the fact that the review is taking place and that it is likely that by next week the Bill that would remove the right to trial by jury in certain fraud cases will be defeated in the House of Lords, can I urge the Solicitor-General to use the fraud review to reconsider the position of wanting to get rid of the right of trial by jury in certain fraud cases? If this fraud review is properly carried out it will make such a measure even less necessary, despite the Government's attempts at justifying it.

The Solicitor-General: I disagree with the hon. Gentleman to this extent. We need to tackle fraud and we have put in place a programme of three key areas

that we need to deal with. We have put in place the fraud review and he has welcomed that. I assure him that we will look with care at issues such as plea bargaining. We have also put in place the new Fraud Act 2006, which he and I took through this House. That Act means that we are in position to have a modern legal framework to deal with fraud, but we also need to ensure that the procedures are right and that we get fraud trials right. That is why the Fraud (Trials without a Jury) Bill is necessary. It is about ensuring that we get the courts into a position in which they can deal most effectively with fraud. This is a package in which we want all three measures—the fraud review, the Fraud Act and the Bill—put in place. His failure to support the Bill is regrettable, because it is part of the package that we need to deal with fraud.

Simon Hughes (North Southwark and Bermondsey) (LD): The Liberal Democrats understand why the Law Officers may resist the request to reconsider the strategy on the Fraud (Trials without a Jury) Bill this week, but will the Solicitor-General undertake that the specific proposal in the fraud review to have a financial court with dedicated judges who are experts will be seriously considered? That may be the answer to the question of how we get the right court and maximise the chance of success. Then I hope that he will respond to the request that the Bill be dropped and that the other proposals, which are much more effective and thought-through, be implemented.

The Solicitor-General: The idea of a financial court needs to be looked at. We need to see how the court system as a whole would respond to that sort of proposal. On the Fraud (Trials without a Jury) Bill, we need to have a court system that can more effectively deal with fraud. Our view remains that the Bill is something to which the Government are committed. We need to have a criminal justice system that is not only fit for purpose, but delivers effectively. I regret the hon. Gentleman's failure to support that position. I understand his arguments, but I believe that the Bill is necessary.

Business of the House

11.37 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to give us the business for the coming weeks?

The Leader of the House of Commons (Mr. Jack Straw): The business for next week will be as follows:

MONDAY 19 MARCH—Second Reading of the Consumers, Estate Agents and Redress Bill [*Lords*]. Followed by a motion to approve a ways and means resolution on the UK Borders Bill.

TUESDAY 20 MARCH—A debate on the bicentenary of the abolition of the slave trade on a motion for the Adjournment of the House.

WEDNESDAY 21 MARCH—My right hon. Friend the Chancellor of the Exchequer will open his Budget statement.

THURSDAY 22 MARCH—Continuation of the Budget debate.

FRIDAY 23 MARCH—Private Members' Bills.

The provisional business for the week commencing 26 March will be as follows:

MONDAY 26 MARCH—Continuation of the Budget debate.

TUESDAY 27 MARCH—Conclusion of the Budget debate.

WEDNESDAY 28 MARCH—Motion to approve a statutory instrument on casinos, followed by motions relating to House of Commons business.

THURSDAY 29 MARCH—Motion on the Easter recess and Adjournment.

The House will want to be reminded that we will rise for the Easter recess at the end of business on Thursday 29 March and return on Monday 16 April.

I draw the House's attention to a written ministerial statement that I made this morning about a small, but I hope helpful, improvement in the procedures of the House for the benefit of Members. We have agreed and I am proposing that when Ministers have already made reference to the fact that they will make an oral statement on a particular date, that notice will be included in the future business of the House and on the Order Paper itself, for the convenience of the House.

Mrs. May: I thank the Leader of the House for giving us the future business and his written statement of today on the procedural change, which will definitely be for the convenience of Members of the House.

It has recently been discovered that Ministers have released documents relating to council tax revaluation under the Freedom of Information Act 2000 that they had previously refused to release in response to parliamentary questions. My hon. Friend the Member for Meriden (Mrs. Spelman) has raised the matter with Mr. Speaker, who is responding. Indeed, Mr. Speaker, you have always been clear about Ministers' duty to Parliament. The duty is set out in the ministerial code, which says:

"Ministers should be as open as possible with Parliament and the public, refusing to provide information only when disclosure would not be in the public interest".

Does the Leader of the House agree that Ministers have a duty to be more open with Parliament and the public?

This week, we have seen shocking pictures of the injuries sustained by Morgan Tsvangirai while in Zimbabwean police custody. I am sure that the whole House will be disgusted by his treatment and appalled by the wider crisis in that country, which is the direct result of the policies of President Mugabe. Two weeks ago, in reply to my hon. Friend the Member for Macclesfield (Sir Nicholas Winterton), the Leader of House said that there was a

"need for a debate in Government time."—[*Official Report*, 1 March 2007; Vol. 457, c. 1074.]

May we now have an urgent debate in Government time on Zimbabwe?

At the beginning of their long friendship, the Prime Minister and the Chancellor fought many battles with old Labour to build new Labour. One of those was over nuclear disarmament. In yesterday's vote to replace Trident, nearly 100 Labour Members rebelled against the Government. Indeed, one of the Chancellor's close allies, the former Deputy Leader of the House, resigned over the issue. Not for the first time, the Government would not have carried their business without the support of Conservative Members. May we thus have a debate on the dwindling authority of the Prime Minister and the Chancellor?

Back in those good old days, the Prime Minister and Chancellor promised us that they would be "whiter than white". On 25 April, Sir Alistair Graham's term as chairman of the Committee on Standards in Public Life comes to an end. It was the Prime Minister who decided not to renew his term, and it is the Prime Minister who has failed to appoint his successor. Sir Alistair says:

"this Government places a low priority on the maintenance of the highest standards of conduct in public life".

May we have a debate on the future of that committee and on why the Prime Minister sacked Sir Alistair for doing his job?

This week, the Government published the draft Climate Change Bill, and the Prime Minister and Chancellor were playing up their green credentials. However, let us judge them by their record. Before my right hon. Friend the Member for Witney (Mr. Cameron) became Leader of the Opposition, the Chancellor had not made any major speeches on the environment. Since then, he has made three. On his watch, green taxes have fallen from 9.4 per cent. to 7.7 per cent. of his total tax take. And then there is his policy to provide home insulation: he announced it in 1995, scrapped it in 1998, and reannounced it last year. May we have a debate on the Chancellor's environmental record?

With a Brown-Blair legacy like this, is it any surprise that Labour is turning in on itself? The Labour party is rebelling against the Prime Minister, the Cabinet is briefing against the Chancellor, and the people are turning their backs on all of them. Whenever the Prime Minister hands over to the Chancellor, is not the truth that new Labour is an old idea that has simply run its course?

Mr. Straw: Let me just deal with those points in turn.

The right hon. Lady makes a serious point about whether Ministers answering parliamentary questions should at least meet the standards set by the Freedom of Information Act. I cannot comment on the specific case that she raises because I do not know the circumstances of it. However, it is certainly the case that Ministers all strive to ensure that, at the very minimum, they are at least as forthcoming with the House in respect of the answers that they give as they would be required to be by the Freedom of Information Act. I will ensure that that is maintained. The matter is being discussed by the Procedure Committee, which is examining written questions.

The right hon. Lady asks me about Morgan Tsvangirai. I entirely share the utter horror of all decent people throughout the world at the way in which the thugs of Robert Mugabe have sought to use the truncheon, rather than debate, to determine the future of that once-wonderful country, which has collapsed into the worst situation of almost any African country that one can think of, because of the total mismanagement of Robert Mugabe. What I said two weeks ago is correct; I promise that the only issue is finding a date on which Foreign Office Ministers can be present for the debate, because they have travel plans—I know that it sounds slightly lame, but it happens to be true. I am sorry that we have not been able to find time, but we will continue to work on that.

Thirdly, the right hon. Lady referred to our debate yesterday. I should just say that it was actually my noble Friend Lord Kinnock who resolved the issue of nuclear disarmament for us, and there was much relief that he did so before my right hon. Friend the Prime Minister took over. It is true that the issue of nuclear disarmament and nuclear weapons has always been difficult for the Labour party. I take one view on the subject and some of my colleagues take another, but I do not think that a party should be criticised for agonising over what is unquestionably not just a defence and security issue but, in many people's eyes, an issue of conscience and morality. I draw to the right hon. Lady's attention the fact that although the numbers involved were slightly smaller, some rather senior people in the Conservative party rebelled against their party Whip, including the right hon. and learned Member for Devizes (Mr. Ancram).

John Bercow (Buckingham) (Con): He suffers from the disadvantage of being wrong.

Mr. Straw: Well, I agree with the hon. Gentleman about that, but the point is that we are talking about a man who, only a few months ago, was shadow Foreign Secretary and deputy leader of the Conservative party, and who has taken a completely different view on the issue. If the right hon. Member for Maidenhead wants to swap stories about divisions inside parties, I suggest that she tries to pull the beam out of her own eye before she examines the mote in the eyes of others; she ought to examine what happened upstairs in Committee with regard to the draft Equality Act (Sexual Orientation) Regulations 2007. Apparently—

Mr. Speaker: Order. I must say that I am going to urge Back Benchers to be brief because there are two statements today, one of which will be made by the Leader of the House, so exchanging stories is not what I am looking for.

Mr. Straw: You are right to admonish me, Mr. Speaker, and it means that I can dispatch the next two issues raised by the right hon. Member for Maidenhead very quickly. Alistair Graham served his five years and we are grateful to him. I do not recall hearing similar complaints when Lord Nolan and Patrick Neill moved over to make way for their successors. As for the environment and the draft Climate Change Bill, I had wondered what the Conservatives would say about that terrific Bill. The answer is that they are saying virtually nothing, but are taking an awfully long time to say it.

Mr. David Heath (Somerton and Frome) (LD): May I welcome the announcement about the way in which Government statements will be dealt with in future? If the Leader of the House wishes to see evidence of Ministers failing to give answers, I refer him to the answer that the Secretary of State for Health gave to three specific questions that I tabled well in advance of Health questions this week. I did not get a reply to a single one of them; the responses were entirely evasive.

While the Leader of the House was away thinking last week, his then deputy, the hon. Member for Edinburgh, South (Nigel Griffiths), fielded my question about the medical training application service. He suggested that my idea that it should be suspended was "absolutely cuckoo"—he then flew the nest. If I am absolutely cuckoo, so is the entire British Medical Association, and so are junior doctors across the country. Will the Leader of the House look again at the issue? A review has been published, but there has been no suspension of the system that is causing so much damage to doctors' careers.

Last night, a press officer announced that it was the Government's intention to appeal against the administrative review High Court decision on pensions. That has not been formally reported to the House, but it will have profound consequences for pensioners who are still waiting for recompense. It also has consequences for the conduct of the Pensions Bill and for the way in which amendments are dealt with before Report. May we have a statement from the Department for Work and Pensions on how it intends to proceed, so that it can allay the pensioners' fears that they are again being ignored by the Government?

May we have a statement on the formal rebuke to the Government issued yesterday by the Organisation for Economic Co-operation and Development on the discontinuation of the investigation into the al-Yamamah arms deal, and on the fact that the OECD is going to send investigators to question the Attorney-General about why the UK outlawed bribes of foreign officials in 1998, yet not a single prosecution has ensued?

Lastly, we anticipate that the Government's response to the Lyons report on local government spending will be encompassed within the Budget statement and debate. The Secretary of State for Communities and Local Government is not expected to participate in that debate, but the matter is of huge interest to people up and down the country who are worried about council tax bills and seek a fairer replacement, so it would be proper to have a full statement and, in due course, a debate on local government finance.

Mr. Straw: On the issue of Health questions, I need notice of the questions and sight of the answers. However, Ministers are making every effort to ensure

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that accurate answers are given within the due notice time. The hon. Gentleman will be aware that there has been a huge increase in the volume of questions—they have increased by 40,000 in two or three years—which places an unacceptable burden on everyone involved. It is bound to have an overall effect on the quality of answers, which is something that the Procedure Committee is trying to resolve.

On the medical training application service, the hon. Gentleman will know that it is under review, as my right hon. Friend the Secretary of State for Health announced about a week ago. We are well aware of the problems that have arisen, and she has said that she will seek to tackle them. On the pension judgment, I can confirm that the Government are appealing that judgment, as we are entitled to do. The issue is not whether we were right or wrong to make the original decision, and of course, we understand the concern of pensioners who have lost part or all of their pension; we all have constituents in that position. However, if we are to try to recompense them fully—we have already achieved partial recompense—that entails a very substantial cost to the public purse, so the issue of fairness arises.

The hon. Gentleman asked about what the OECD said yesterday. He should be very clear that it has not reached any conclusion that the decision was incompatible with the OECD convention, and no other state has come out and said that they thought the decision was incompatible with it or that they would have reached a different decision. I have to say that I thoroughly object to the way in which the Liberal Democrat party seeks to damage the country's reputation for probity and integrity across the world.

Mr. Heath *indicated dissent.*

Mr. Straw: The hon. Gentleman shakes his head, but that reputation is not one that we are protesting: it is confirmed by the rankings of Transparency International, which ranks us sixth in the world, only just behind Canada, Sweden and Switzerland, above Germany, the Netherlands, Belgium, and the United States, and well above France. He should take that into account and cease to damage our reputation.

Mr. David Chaytor (Bury, North) (Lab): Earlier, in Education and Skills questions, we spent about two minutes on the building schools for the future programme, which is the most ambitious programme of public sector investment to which any British Government have ever committed themselves—and all credit to the Government for planning it. Does my right hon. Friend agree that since the publication of the Stern review and the draft Climate Change Bill, we should consider seriously the environmental standards to which the new generation of schools will be built? Does he accept, too, that that issue affects every single hon. Member, and—

Mr. Speaker: Order. That is a supplementary question.

Mr. Straw: I agree with my hon. Friend about the importance of the issue.

I failed to respond to the question that the hon. Member for Somerton and Frome (Mr. Heath) asked about the Lyons report. There will be plenty of opportunities in the Budget debate, if he is correct about the report, to raise the issue of the financing of local taxation.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): This morning, I, with many others, attended at short notice the Delegated Legislation Committee debating the Equality Act (Sexual Orientation) Regulations 2007. Does the Leader of the House not accept that there is something wrong with proceedings if, a week after we discussed in the House the pre-eminence of the Commons in debates, such an important matter was dealt with in a Delegated Legislation Committee, which meant it was not possible for us to debate it extensively and vote on it in the Chamber? He will say that it is a matter for Front-Bench teams but, as the champion of Back-Bench issues in the House, does he not accept that we should have an opportunity to debate those issues properly? It is possible to be in favour of the principle, but worry about its impact, and we still do not have an answer to many issues surrounding adoption and education legislation. Will the Leader of the House champion Back-Bench issues and tell his colleagues that it is time to drag this matter back to the Floor of the House and debate it properly?

Mr. Straw: The right hon. Gentleman was leader of his party for quite a long period. He said that the matter was agreed by the Front-Bench teams, and he will know that it is very difficult to get the quart pot of demand for debates on the Floor of the House into the pint pot of available time. The matter was discussed in Committee with the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Sheffield, Heeley (Meg Munn). It was a subject of considerable debate, as is demonstrated by the fact that the Conservatives split 3:2 on it. We always do our best to ensure that debates take place in the House, but sometimes that is not possible.

John Austin (Erith and Thamesmead) (Lab): The Leader of the House will know of my enthusiastic support for the introduction of the National Institute for Health and Clinical Excellence. I still believe that it is vital to ensuring the availability of effective treatment and value for money in the NHS. Nevertheless, he will be aware of growing disquiet both among Labour Members and throughout the House about delays in the assessment of treatments and about some recent NICE decisions. May I draw his attention to early-day motion 1138?

[That this House notes that the National Institute for Health and Clinical Excellence (NICE) has issued new draft recommendations for the treatment of osteoporosis; believes that this new draft represents some steps forward but regrets that many women aged under 70 who are at risk of breaking a bone due to osteoporosis still do not qualify for treatment; notes that the development of recommendations by NICE on the use of osteoporosis drugs is now into its fifth year, whereas recommendations for treatments usually take just one to two years; fears that as a consequence of this delay, existing mandatory recommendations are not being

implemented while doctors wait for them to be reviewed; notes that there are 10.6 million women aged over 50 in the UK and that almost half of these women will break a bone during their lifetime mainly due to osteoporosis and that one in five men will suffer a fracture after the age of 50; believes that treatment at just 27 pence per day is cost-effective in preventing a broken hip which would cost the health service over £12,000 a year as well as resulting in huge personal and social care costs, and calls on NICE urgently to review its decision and allow preventative treatment to all patients at risk of fracture.]

The cost in hospital and social care of osteoporotic fractures is £1.7 billion a year, yet recent NICE guidance denies effective preventive treatment to people under 70. Will the Leader of the House make provision in Government time for a debate on the workings of NICE?

Mr. Straw: I understand my hon. Friend's concerns, and I shall certainly draw them to the attention of my right hon. Friend the Health Secretary. On the question of a debate, I very much hope that he can raise the matter in Westminster Hall or on the Adjournment. There will be other opportunities, too, including Health questions, to raise it.

Mr. David Curry (Skipton and Ripon) (Con): The reply from the Leader of the House on the Lyons report was perfunctory to the point of being epigrammatic. The rumour is that the report will be published on Wednesday, to be buried in the Budget. It is of great importance to millions of people, but it has been hugely delayed and, it appears, widely leaked. There is no earthly reason why it should not be published on Monday, when we are debating estate agents, or on Tuesday, so that the House has a chance to see its conclusions and, if it is debated in the Budget, to be informed. In any case, there should be a debate before the local elections, so that the parties can set out their stalls for the electorate.

Mr. Straw: I was not being perfunctory, but I was brief, because I had been admonished for being prolix. If the report is published with the Budget—I am not confirming that it will be—it will hardly be buried, as the Budget is the most observed moment in the parliamentary calendar. There will be ample opportunity, including a four-day debate on the Budget, for right hon. and hon. Members to express their concerns about or their support for it.

Kate Hoey (Vauxhall) (Lab): May I ask the Leader of the House to use his imagination to try to find a way of providing an urgent debate on Zimbabwe before the Easter recess and before the Foreign Secretary visits South Africa, as it is important that she give the South African Government a clear statement that the House believes that they are falling down on their responsibilities as the lead power in southern Africa?

Mr. Straw: I understand the frustration of everyone in the House, but my right hon. Friends in the Foreign Office are as frustrated about their diary problems, as they too want to ensure that the matter is debated. I draw my hon. Friend's attention to the fact that there are Foreign Office questions next Tuesday. May I tell her, as we have known one another for a very long time, that it is not lack of imagination that is the problem but the much more prosaic matter of finding a Minister whose diary fits both the requirements of the House and their overseas duties?

Mr. Roger Gale (North Thanet) (Con): May I take the Leader of the House back to his earlier answer to my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith)? This morning, in Committee Room 11, at least 10 Back Benchers were denied the opportunity to speak on the sexual orientation regulations. That highly contentious piece of legislation is wholly unsuited to the form of a statutory instrument. Next week, we will deal with a statutory instrument on casinos, of all things, on the Floor of the House, yet those sexual orientation regulations will be buried. Will the Leader of the House give us a clear undertaking that they will not be put through on a vote late at night, or on a deferred Division until, at the very least, the Easter Adjournment debate, so that the House can debate them on the Adjournment?

Mr. Straw: First, if the measure had been debated on the Floor of the House, it might easily have been the case that 10 hon. Members on either or both sides could not get in to speak, as there is great demand to participate in such debates. Secondly, the case for protection on grounds of sexual orientation was made and extensively debated during the passage of the Equality Act 2006, which is the substantive legislation that gave rise to the consequential statutory— *[Interruption.]* It is true. The debate today was on subordinate legislation, which is based on primary legislation. On the question how a vote is taken on the Floor of the House, my right hon. Friend the Chief Whip is in her place, and we will take into account representations that are made.

Anne Moffat (East Lothian) (Lab): May we have a debate on the right to wear the Pingat Jasa Malaysia medal? The medal was awarded to all Australian, New Zealand, Fiji and British servicemen, but only the British have been refused permission to wear it. How can I justify that to my constituent Walter Stewart, who is asking for the right to wear the medal?

Mr. Straw: The honest answer is, with great difficulty. Some of us who have had to deal with similar questions have found the rules in relation to the wearing of overseas decorations quite difficult to comprehend. I assure my hon. Friend that my right hon. Friend the Prime Minister continues to take a close interest in the matter.

John Hemming (Birmingham, Yardley) (LD): In my constituency is the Coventry road, on which on Saturday and Sunday nights there is racing. It is a road with an ordinary 40 mph limit. May we have a debate on why the Government have laws on antisocial behaviour that are unenforceable?

Mr. Straw: The hon. Gentleman always comes back for more. Two weeks ago he asked for a debate. I said that we could have a debate about the softness of the Liberal Democrats, who say one thing in their constituencies and do another in the House. If the hon.

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Gentleman is concerned about antisocial behaviour, he should start voting for the effective measures that we have taken against it, and he should stop supporting the criminals, rather than the victims.

Mr. David Anderson (Blaydon) (Lab): May we have a debate before the Easter recess on nurses' pay? In Scotland nurses are being paid 2.5 per cent., according to the pay review. In England they are being paid 1.9 per cent. and being told that they are being paid 2.5 per cent. They are incensed by that. May we have a debate as a matter of urgency?

Mr. Straw: This is a devolved matter for the Scottish Parliament. With devolution, it is inevitable that different Administrations will come to different decisions within a financial envelope provided by the United Kingdom Parliament. I note what my hon. Friend says about the concern of nurses in England, and I will pass on his remarks to my right hon. Friend the Secretary of State for Health.

Robert Neill (Bromley and Chislehurst) (Con): Does the Leader of the House accept that there is increasing concern about the proposal by the Lord Chancellor's Department to gut the interior of Middlesex guildhall, which is one of the finest examples of Edwardian secular architecture in London, and also an important part of London's historic heritage as the former home of the Middlesex county council, to make way for the venue for the new Supreme Court? Will he undertake that the Lord Chancellor's Department will not proceed with plans to rip out the interior within two and a half weeks of the court's closure on 30 March, and will take no action until the Constitutional Affairs Committee has held its proposed inquiry into the matter or there has been a debate in Government time?

Mr. Straw: The hon. Gentleman is aware that there are very strict rules in respect of listed buildings, for the interior of the buildings as well as the exterior. I am sure the Department for Constitutional Affairs is following those. Having spent many happy hours earning an honest penny or two in Middlesex Sessions across the road when I was a young barrister, I do not quite share the hon. Gentleman's view about the architectural merit of the building, but that is a matter of choice.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): May we have a debate on the definition of Britishness? My right hon. Friend may recall that when British Airways sought to get rid of its British identity, the then Prime Minister expressed her robust but effective views. Will he do likewise, in light of the fact that British Airways is attempting to get rid of its identity again, at a cost of hundreds of jobs at airports throughout the UK, and effectively to rebrand itself as London Airways?

Mr. Straw: I understand the concern of my hon. Friend and others, and I recognise the anxiety about job losses or unacceptable transfers. British Airways is of course a commercial organisation, but I will ensure that my hon. Friend's remarks are drawn to the attention of those running the company.

Sammy Wilson (East Antrim) (DUP): Over the past three years in Northern Ireland, there has been an increase in health spending of about 15 per cent., yet despite that, only last week in the House an answer was given that waiting lists for hip operations have gone up by 100 per cent. The same is true for eye operations, and in my constituency ambulance services and local hospitals are being closed. Will the right hon. Gentleman arrange a debate in the House so that it can be explained how more money is being spent on the health service, yet service delivery is going down?

Mr. Straw: I do not accept that service delivery overall is going down. I accept that there are some changes year on year, but if the hon. Gentleman goes back to 1997, he will see that there has been a dramatic improvement in health delivery in Northern Ireland, as in other parts of the Union.

Mary Creagh (Wakefield) (Lab): May we have a debate on the draft Climate Change Bill—a radical piece of proposed legislation and the first of its kind in the world? Would it not be interesting to have the debate around the time when the energy and planning White Papers are produced? That is particularly important, given the comments of the shadow Leader of the House about green taxes. They are made up mainly of the fuel duty escalator, so if she is proposing to re-establish that, the public should be told.

Mr. Straw: That is a good idea, which we will bear in mind. We are also ensuring that the draft Climate Change Bill will be examined by an appropriate Committee of the House, with a debate afterwards.

John Bercow (Buckingham) (Con): May I reiterate to the Leader of the House the pleas of my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith) and my hon. Friend the Member for North Thanet (Mr. Gale)? As one of the Members of the House who has consistently argued that the Government's sexual orientation regulations will be a liberating force for millions of gay, lesbian and bisexual people in this country, I implore the Leader of the House, even at this late stage, to arrange for a debate on the Floor of the House on the matter next week, both because it is right that alternative points of view should be aired, and because those of us who believe in the regulations know in our heart of hearts that we will be strengthened as a result of hearing and rebutting the arguments against them.

Mr. Straw: I note what the hon. Gentleman says. I cannot add to what I have already said about the matter, except to say that I know there was a vigorous debate upstairs, albeit limited to an hour and a half.

Mr. Tom Watson (West Bromwich, East) (Lab): May we have a debate on the future of football? My right hon. Friend may have read recent newspaper reports claiming that the Football League is considering resolving drawn matches by penalty shoot-outs. Does he think that there are merits in that system and, if so,

what lessons can he learn for resolving the future composition of the House of Lords?

Mr. Straw: There may be merits, but I am not sure what they are. I would be delighted to have a debate on the future of football, although I happen to think the much more important issue is to make sure that clubs, particularly premier league clubs, do not price themselves out of the market. I am glad that Blackburn Rovers is leading the way in that respect.

John Penrose (Weston-super-Mare) (Con): May I bring the Leader of the House back to the question from my right hon. Friend the Member for Maidenhead (Mrs. May) about the successor to Sir Alistair Graham? In his efforts to be brief, he did not answer the question about whether a successor has been chosen and when the announcement will be made.

Mr. Straw: A successor has not yet been chosen. That was one of the complaints of Sir Alistair, but the matter is in hand.

Helen Jones (Warrington, North) (Lab): In view of the negotiations that are taking place in Northern Ireland, will my right hon. Friend arrange for a Northern Ireland Minister to come to the House and give us an update on how those negotiations are proceeding? Would such a Minister be able to confirm that the date of 26 March for setting up a devolved Administration will not be varied in any way by the Government?

Mr. Straw: I can confirm that. Any change to the 26 March date would require emergency legislation, and the Government have made it clear that there is no possibility of further emergency legislation in relation to the restoration of devolution in Northern Ireland to extend the deadline.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): On the sexual orientation regulations, I associate myself with the question asked by the hon. Member for Buckingham (John Bercow) and the way in which he asked it. In urging the Leader of the House to think again about a debate on the Floor of the House, I assure him that the detail of the regulations was not debated in the proceedings on the Equality Act, because there was just a regulation-making power. There was no thought about issues such as exemptions for adoption. I urge him to recognise that a debate on the Floor of the House would expose the divisions in some parties in this place and, broadly speaking, the unity among Government Members and Liberal Democrat Members in seeking to have those freedoms for lesbian and gay people.

Mr. Straw: I note the strength of feeling on the issue by people who hold different positions on the merits of the regulations. With respect, I cannot add to what I have already said about the problems of programming business on the Floor of the House given the demands. However, I note what the hon. Gentleman has said.

2012 Olympics

12.11 pm

The Secretary of State for Culture, Media and Sport (Tessa Jowell): With permission, Mr. Speaker, it gives me the greatest pleasure to make a statement on progress towards the Olympic games and the Paralympics in 2012.

This will be the world's greatest sporting event here in our country, but it will also act as a catalyst for the most ambitious regeneration programme in recent memory. That will include the largest new urban park in Europe for more than 150 years. There will be five new permanent sports venues and a number of temporary venues, which will be used around the UK after the games. The 1 million sq ft media centre for the games will provide in legacy a state-of-the-art business space. Four thousand homes will be converted from the village, and a further 5,000 will be provided elsewhere in the redevelopment. And there will be one of the largest shopping centres in Europe, which will involve an estimated £7 billion private sector investment. That money has been invested because we won the Olympic games.

Across the country, the games will inspire a whole generation of young people to play sport, volunteer in their communities and be proud of what their country has achieved. We chose to host the games at a site where the need was greatest and where the benefits would be most keenly felt. We chose east London, because of the challenge to regenerate one of the most deprived areas not only in the UK, but in the whole of Europe. The site of the Olympic park needs remediation before construction work can even begin. That work is well under way. Essential utilities for the area need to be installed. That work is also well under way.

Developing the Olympic village requires the largest number of homes ever to be built in one place, at one time, in this country. The planning for that work is on schedule. As the National Audit Office report in January set out, when we bid for the games, we estimated the cost of the Olympic park, infrastructure and an element for community and elite sport at around £3 billion, plus an additional £1 billion as part of the wider lower Lea valley Olympic regeneration. This made the total cost of preparing for the games and Olympic regeneration just over £4 billion. Those costs were net of tax and of wider security costs.

I made it clear to the Culture, Media and Sport Committee on 15 May 2005, which was before we won, that if we were successful, I would institute a detailed review of costs. That review began in early autumn 2005, after we had won the bid. The budget for every venue, every bridge and every facility on the park has been scrutinised. The Olympic Delivery Authority's private sector delivery partner, CLM, has unrivalled expertise in advising five Olympic cities on their plans. CLM has made a detailed study of the site and all the attendant risks inherent in a project of this magnitude and tight time scale. The site master plan has been amended to avoid potential costs in the region of £600 million. However, other costs have been judged to have increased, as I set out for the Select Committee in November, resulting in a net increase of £900 million.

[Tessa Jowell]

We will now set a budget for the ODA, the body established to manage the delivery of all the structural and regeneration elements of the games, and I can today confirm what the budget will be. The ODA will be given a budget to cover the construction costs as a whole of up to £5.3 billion up to 2012. That comprises £3.1 billion for building the Olympic park and venues—the core Olympic costs—£1.7 billion for Olympic infrastructure and regeneration linking the park to the rest of the lower Lea valley and a £500 million allowance for programme contingency, which represents 12 per cent. of the total programme contingency that has been allowed. I am placing a summary of the ODA 2007-08 business plan in the Library today as well as details of this investment.

Those costs, as in the 2004 bid, are net of tax. The ODA will pay tax, but the cost at around £840 million will be covered in full by the Government contribution. I can assure the House that the tax treatment of the ODA will have no impact on other funders. The Government have also decided that as the funder of last resort, it is prudent that a programme contingency should be held within Government under very tight conditions. This will be drawn on should the need be demonstrated, so as to ensure that the timetable is met and that quality is maintained. The level of contingency is £2.7 billion, of which, as I have said, £500 million will form part of the base budget of the ODA. Within that overall budget, we have also allocated a figure of £600 million for wider security, which is on top of the ODA budget for site security. This £600 million figure has fluctuated as assessments have changed and will obviously be subject to continued oversight and scrutiny in the coming months and years by the relevant Cabinet Committee, the Home Secretary and the Metropolitan police.

Lastly, as we announced at the time of the bid, around £390 million will be invested in non-ODA provision, including in sport—for example, community coaches—and in the Paralympics. That figure was included in the public sector funding package, but it is not part of the ODA budget.

Let me turn now to how the budget will be funded. At the time of our Olympic bid, the lottery and the London contribution was estimated at £2.4 billion, and as I told the House on 2 February 2006, the Government will contribute a further £1 billion as part of our commitment to Olympic regeneration.

I can announce today that central Government provision will be £6 billion. This comprises the £1 billion already committed for Olympic regeneration, the funding of the tax bill, broader regeneration, infrastructure within the park, wider security and programme contingency. Without any further increase for London council tax payers beyond that already committed, or any increase in transport fares to fund the Olympics, the Mayor will over the lifetime of the Olympic programme be making a further £300 million available to help meet Olympic costs.

The lottery will make a further contribution of £675 million. This will mean a total contribution of £2.2 billion from the lottery, which is 20 per cent. of lottery income for good causes from 2005, when the Olympic lottery started, to 2012-13. In addition to the £410 million already confirmed, which will be shared according to the normal lottery shares, I propose to transfer after 2009 £425 million from the Big Lottery Fund and £250 million from the other good causes. No transfer will be made from UK Sport, which is responsible for preparing our sportsmen and women for the Beijing Olympics and the London Olympics in 2012. The decision to take a further share from the lottery has been taken only after very careful consideration, and implementation will take place only after full consultation about the implications with the lottery distributors and the other stakeholders.

The original memorandum of understanding made it clear that should we win the games, we would call on the lottery to help fund them. I believe that that principle is widely accepted. However, I am determined to ensure that this temporary diversion from the existing good causes to the Olympic good cause is done with the least possible disruption. I will continue to consult the lottery distributors about how best this can be done, but I assure the House that it is the Government's intention that no existing lottery projects need be affected. We have also agreed with the Big Lottery Fund that resources for the voluntary sector will be protected and will, as it expects, continue to receive the £2 billion from the Big Lottery Fund between now and 2012. The decision on the lottery will be subject to an affirmative resolution in both Houses in due course.

London 2012 will bring financial gain to London and, indeed, across the country. For example, land values in the Olympic park are expected to increase considerably as a result of the investment that we are making. In my view, it is only fair that the lottery good causes, having contributed to the Olympics, should share in any such windfall. The Mayor of London and I have agreed that we will rewrite our memorandum of understanding and put in place profit-sharing arrangements to enable the lottery and future regeneration needs of the local area to benefit from the returns on the investment that we are making in the Olympic park.

As I told the Culture, Media and Sport Committee, the NAO has agreed to work closely with us in scrutinising the budget from now on, and the team overseeing the project in the ODA has a world-class reputation. This makes generous funding provision for the project as a whole, of which £3.1 billion is the core Olympic cost, net of tax and contingency.

Only a fortnight ago, the International Olympic Committee said that it was "assured and impressed" by the work under way after its visit to London. The announcement that we make today means that it is full steam ahead for 2012. The London Olympics will change Britain for the better for ever. The fact of hosting the Olympic games is already changing lives and communities and building ambition. I commend that, and this statement, to the House.

Hugh Robertson (Faversham and Mid-Kent) (Con): I start by thanking the Secretary of State for her statement and for honouring her commitment to warn us last night that it was coming. Let me also place on the record my party's congratulations to the organising committee, which announced Lloyds TSB as its first top sponsor yesterday.

I only saw the statement 20 minutes ago, but three indisputable facts stand out. First, if one adds together all the separate parts, the budget for which the Government are responsible has nearly trebled since the London Olympics Bill left Parliament under a year ago—*[Interruption.]*

Mr. Speaker: Order. Members should let the hon. Gentleman ask his questions, whether they agree with them or not.

Hugh Robertson: Secondly, as a consequence, in raiding the lottery for a further £675 million to make up the shortfall, the Government will penalise precisely the clubs and small organisations throughout the country that were supposed to benefit from the Olympics.

Thirdly, as the Secretary of State has given us only the main column headings, we do not yet have the full, open and transparent budget that was necessary to restore confidence in the financing of London 2012.

As time is short, I should like to ask the Secretary of State five questions. The first concerns disclosure. As a result of information obtained under the Freedom of Information Act 2000, we now know that KPMG identified serious risks to the Olympic budget as early as October 2005, yet a month later the Secretary of State was still assuring the House:

"we believe that our budget is sound."—[*Official Report*, 21 November 2005; Vol. 439, c. 1224.]

The Minister for Sport assured the House—Members will enjoy this—

"I shall never forget the person who said, 'Do not underestimate the budget. If you have to go higher, it will be seen as a failure so make sure your calculations are realistic.'"—[*Official Report*, 21 July 2005; Vol. 436, c. 1505.]

The Bill did not leave Parliament until March 2006—a clear six months after KPMG had first raised concerns. My first question for the Secretary of State is therefore this: when were she and the Treasury first aware of concerns that the original budget was not deliverable, and why did not she share those concerns with Parliament?

Secondly, on contingency, the requirement to add whole project contingency to the individual project contingency already built into the bid has added, as the Secretary of State told us, £2.7 billion to the Olympic budget. Why did the Treasury and the Chancellor fail to identify that cost when they signed off the original budget?

Thirdly, on tax, given that we lifted our structures directly from Sydney, where no VAT was payable, and that VAT was not payable for the Manchester Commonwealth games, why did the Treasury and the Chancellor sign off the bid budget, without VAT, before adding, as the Secretary of State announced, a further £840 million to the budget? Can she assure the House that this is, indeed, simply a case of transferring balances and that no tax money will actually be collected?

Fourthly, on the private sector contribution, the NAO report highlighted the fact that £738 million was to come from the private sector in order to reduce the need for public funds—and is, presumably, still part of the new budget announced today. The Department for Culture, Media and Sport has so far refused to answer any parliamentary written questions on this issue, always merely saying that it will let me have a reply in due course. Can the Secretary of State therefore explain to the House how that figure was reached, and will she confirm that it is still robust? If it is not, further public money will clearly be required to fill that additional shortfall.

Finally, on the lottery, the Secretary of State has announced that she will raid the national lottery for a further £675 million to pay for the Olympics. Despite the fact that

"enabling young people through sport"

was one of the key elements of the bid, the element of funding for sport that comes through the lottery has now been cut from the 25 per cent. that was originally proposed when the lottery was set up to about half under today's proposals—a point consistently made by the Central Council of Physical Recreation. Can she confirm exactly what percentage sport—and, indeed, heritage, the arts and the Big Lottery Fund—will get under these new proposals, and, crucially, what assessment she has made of the financial impact of this in each and every constituency throughout the country?

Many Members in this House supported the Olympics and support them still. My party is among them. However, this statement confirms that the cost has almost trebled in the year since the Bill left Parliament and that the lottery will bear an extra £675 million shortfall. One of the key drivers for that is that the Treasury and the Chancellor signed off the original budget but failed to allow for VAT, at £840 million, or for contingency, at £2.7 billion, which they have now added to the bill.

The key thing now is for the Government to put a full, open and transparent budget in the public domain so that everybody knows who is paying for what, and when, and then to stick to it. That will do more than anything else to restore public confidence in the London 2012 Olympics. If they do not do that, I fear that the Secretary of State, or her successor, will be standing in front of us a year from now to admit that costs have risen further.

Tessa Jowell: The hon. Gentleman must work harder to persuade not only the House but the country that the Opposition are behind the Olympics instead of taking every opportunity to undermine the excellent work that is being undertaken not only in London but throughout the country to support the games.

Let me deal with the specific questions. As I took care to set out in my statement, I have referred at every stage—before and after we won the bid—to the cost review that is under way. The hon. Gentleman must understand the scale and complexity of reviewing not only the time scales but the contractual expectations and other management aspects of every single project. That is why we have a world-class delivery partner, which has undertaken that work for us. Similarly, I signalled that the cost review, which was begun almost immediately after we won the bid, would be necessary before we became the host city.

On the prudence of a programme contingency, VAT and other provision that the Government are making, I hope that the hon. Gentleman understands the clear

[Tessa Jowell]

distinction between the budget for the ODA, which I set out today—the money we expect it to spend—and the funding provision to safeguard the project against any as yet unforeseen risks. That is a clear distinction.

There is a specific reason for Manchester's exemption from VAT. The Commonwealth games operated on a host city basis and local authorities are exempt from paying VAT.

We have now allowed for private sector contribution in the budget, but on a pessimistic basis against the full expectation of what might be raised from that sector. Negotiations are under way all the time with different private sector partners, so it is possible, but not certain, that that may change. If the hon. Gentleman wants to know about private sector investment in the Olympic park, I refer him to the confidence that Westfield has shown in investing in the largest retail park at Stratford city and residential development because of the Olympic games.

Let me deal with the point about raiding the lottery. Such criticism is hard to take from an Opposition who made a manifesto commitment to wind up the Big Lottery Fund, which they are now defending, and conduct some sort of moral audit of grants that it made. Nothing has done more to galvanise sport and ambition among young people in this country than the prospect of London hosting the Olympic games. We are guardians of that ambition. Despite the knocks from the Opposition, we shall continue to be so.

Mr. Don Foster (Bath) (LD): We remain delighted that London won the right to host the 2012 games. The involvement of Lloyds TSB is clearly great news. Properly managed, the 2012 games will bring huge and lasting benefits to all parts of the country. Sadly, today's statement and the chaos that has surrounded the past 12 months and more calls into question the Government's ability to provide that proper management. Why has it taken so long to resolve some of the most basic issues?

Was not the Select Committee right to express surprise that the VAT position was not established from the start? Why has it taken so long to resolve the overall contingency? Were not the Treasury Green Book requirements known all along? How will the Secretary of State square the contingency figure with the comments of the Mayor of London? When asked about a contingency of 60 per cent., he said:

"There are no circumstances on earth under which I will agree... to a contingency of that size."

What confidence can anyone have when the management costs of building the Olympic structure have leaped from approximately £16 million to nearly £400 million? Surely the Select Committee was right to say that cost control procedures were not fully thought through when the bid was submitted.

How can the Secretary of State have miscalculated by nearly £700 million the contribution from the private sector towards the building costs? How are the public to react when different members of the Olympic board, which is meant to be in charge of the enterprise, say different things? For example, when, in November last year, the Secretary of State told the Select Committee that costs had risen by £900 million, why did the Mayor—another member of the board—say that the original figure was still the right one?

In the Secretary of State's statement to the Select Committee that referred to £900 million, she also said, "let me be absolutely specific about that: we are not talking about regeneration; we are only talking about the Olympic Park". A day later, the Mayor stated:

"The big extra costs we're talking about are not to do with the Olympic games; they're to do with what we do with the land around afterwards."

Who are we to believe?

The Chancellor must rue the day when he said:

"Britain works best when Britain works together and there is no better example than our preparations for the Olympic games."

Far from working together, the past 12 months have been characterised by chaos, confusion and in-fighting of epic proportions.

Now we have a new set of figures. The Secretary of State says that the Government are working closely with the National Audit Office. Will she confirm that the NAO has verified the new budget? Will she agree to present regular reports to Parliament for debate in Government time so that we have a regular opportunity to scrutinise the progress of the Olympics?

Will the Secretary of State reconsider her plans to make a further raid on national lottery good causes? Surely she realises that the benefits of hosting the 2012 games rely on legacy. A new hit on the lottery of the extent that she proposes represents a cut of £1 million to every constituency in the land. The very projects that would help secure lasting benefits in those constituencies are now under threat, as will be the good will that currently exists towards the games.

Today's statement is a sad indictment of the Government's ability to deliver the best ever games on time and, above all, on budget. The confusion, in-fighting and, above all, writing of blank cheques must end.

Tessa Jowell: That is a rant worthy of Victor Meldrew that does not take us any further on. If one believes everything that is written in the papers—the work of our dear friends the journalists who watch our work—rather than working through the solutions to difficult problems, I suppose one feels that one can justify such a rant. I have always invited the Opposition parties to be part of the plans to develop the games and to champion them and young people's ambitions. Yet they default at every turn to a position of point scoring, party political advantage, allegation and slur. The Olympics will be legacy games. One can build temporary structures in any part of any city and host Olympic games. The games that we host will create a legacy in one of the poorest parts of our country. My Labour colleagues and I celebrate that as an expression of why we are in politics.

Kate Hoey (Vauxhall) (Lab): May I caution the Secretary of State not to treat every question that raises an important issue as meaning that people oppose the Olympic games?

Will she give a commitment that not one single grass-roots sports project in constituencies will be cut as a result of the move from lottery money at the grass-roots? What will happen if the public suddenly change their minds and stop buying or buy fewer lottery tickets?

Tessa Jowell: I thank my hon. Friend for her contribution and I welcome her support for the Olympic games. It is absolutely right that the decisions, costs and every aspect of the Olympics should be subject to scrutiny. I have set out today as best I can both the consequences of a further take from the lottery and the safeguards that we are extending. I have made it absolutely clear that it is not the Government's expectation that any current lottery-funded project should see its funding either cut or withdrawn as a result of the Olympics. The problem, of course, lies with giving an absolute blanket assurance in respect of hundreds of thousands of lottery projects throughout the country, as some may close for reasons quite unrelated to the Olympic games. My assurances about lottery-funded projects have been put on the record in the House today and I am absolutely sure that all hon. Members will come back if they find the consequences in their constituencies to be any different.

Mr. John Whittingdale (Maldon and East Chelmsford) (Con): Is the Secretary of State aware that today's announcement that another £675 million has been taken from the lottery on top of the existing £1.5 billion will be greeted with dismay by arts and heritage organisations, charities and grass-roots sports? Will she accept that that makes it all the more imperative that those causes should not suffer a double hit with an announcement of a cut in direct grant funding as a result of the comprehensive spending review? Can she give the House an absolute guarantee that this is the final figure for the call on the lottery, and that if there are any further increases in costs beyond the figures announced today, they will not be taken from the lottery but met by the Treasury through central Government expenditure?

Tessa Jowell: I will make two points in response to the hon. Gentleman. First, this is intended to be the final lottery contribution to the costs of the Olympic games between now and 2012. Secondly, we should not forget that a major part of the Olympics and Paralympics will be the cultural Olympiad, which starts next year when London becomes the host city and Liverpool becomes the capital of culture. There is not a single aspect of our heritage, our culture, our community sport or our national life that cannot be enriched by our hosting of the Olympic games. Finally, the hon. Gentleman asked about the comprehensive spending review, but without wishing to be coy, I am sure he will accept that that is an announcement for the Chancellor, not for me.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I welcome this pinning down of the finances—*[Interruption]*—particularly the money that is already being spent in my constituency. I also welcome the commitment to fund the broadcast centre—a proper legacy for jobs and business in Hackney. Will my right hon. Friend tell me and the House what work she and other agencies are doing to ensure that the money that she has unveiled and discussed today is recycled so that local and UK businesses are in a good bid position—ready to bid for the contracts that will come up? That will help to ensure that the money is invested in jobs and businesses in the UK, east London and London as a whole.

Tessa Jowell: I thank my hon. Friend for her work to support the Olympics in her own constituency, which will ensure that her constituents benefit from the job and training opportunities as well as the sporting opportunities that will arise from hosting the games. It is well known that 12,000 or so new jobs will be made available and the commitment to pre-volunteering is also important, because some socially excluded people in the Olympic boroughs will have the opportunity to get into work and to acquire the skills that will keep them in work. That will stem from their volunteering in the run-up to the games.

My hon. Friend has made a very important point, because part of the legacy of the games will be world-class facilities and a new urban park in one of the poorest parts of the country. Another legacy is just as important to my hon. Friend's constituents and those of other colleagues with east London constituencies—the prospect of new jobs and new skills in a part of London where unemployment is significantly higher than in the rest of the country.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): May I gently say to the Secretary of State that it is possible for an east London MP to be in favour of the Olympics and also utterly astonished at the change in the budget figures announced today, which will so affect my constituents? May I, without any ranting, simply ask her to answer the following questions? First, will she now guarantee, as my hon. Friend the Member for Maldon and East Chelmsford (Mr. Whittingdale) requested, that there will be no further increases in demands on the lottery fund? Secondly, will she also guarantee—the Secretary of State will forgive me for not trusting the Mayor, as she may do—that no further demands will be placed on council tax payers in my constituency?

Tessa Jowell: On the first question, I have said clearly that there will be no further call on the lottery between now and the Olympic games in 2012. On the second, the Mayor has also made it absolutely clear that he does not expect to levy further council tax increases on Londoners.

Ms Dawn Butler (Brent, South) (Lab): I thank my right hon. Friend for her statement, and I would like to say how important it is to keep stressing the part of the Olympics that money cannot buy—not just the legacy, but the hopes, aspirations and dreams of many young people, especially in my constituency of Brent, South. I thank the Secretary of State for coming to the opening of the Willesden sports centre. We hope that at least five to 10 of those young people will be able to compete and win medals in the games. It is also important to stress that some of the Olympic games will come to Wembley stadium—*[Interruption]*—and I would like to tell the House that that will be opened on Saturday. As I said at the outset, it is so important to stress the aspects that money cannot buy.

Tessa Jowell: I thank and congratulate my hon. Friend. The ambition of the young people now training at the Willesden sports centre to win medals at the London Olympics is unequivocal. All power to their success. My hon. Friend is absolutely right to say, despite all the cynical barracking from Opposition

[Tessa Jowell]

Members, that Wembley stadium will be one of the finest in the world. It will host the football events in the 2012 Olympics.

Mr. Mark Field (Cities of London and Westminster) (Con): We all regret that the Secretary of State has had to come back to the House as she has. In all honesty, I suspect that on 5 July 2005 she did not expect us to win the Olympic bid; hence the budget was much slacker than it otherwise might have been. She rightly points that there has to be legacy, and that providing a catalyst for regeneration is the raison d'être of the Olympic games. We all know that it will be a spectacle and a great sporting success in 2012, but without that legacy it will have been a wasted opportunity. My fear is that with the budget now set at £6 billion—much higher than the original budget—it is the regeneration that will be lost if costs continue to spiral as they have. Will the Secretary of State—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. A question can be inferred from what the hon. Member has already said.

Tessa Jowell: I think that we should ask for a declaration of interest from Conservative Members before every contribution, if what they really mean is that it would have been better if we had not won the Olympic games bid. *[Interruption.]* To deal with the hon. Gentleman's point, yes, legacy is absolutely— *[Interruption.]*

Mr. Deputy Speaker: Order. There may be tensions in the House about this issue, but the Secretary of State must be heard, as must every hon. Member who is asking questions.

Tessa Jowell: The hon. Gentleman's question is specifically about legacy. The investment in regeneration and Olympic infrastructure in and around the Olympic park is precisely about legacy, because the sporting venues that will be built will be used for decades to come—long after the 60 days of the Olympics and Paralympics. That is one of the reasons why we should look at this not just as a cost but as an investment in the quality of life of those communities for decades to come.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): A key aspect of the legacy is that it will bring into beneficial use a huge area of land in east London that is very close to the City, but hitherto could not be used because of its highly contaminated nature. I was interested to hear the Secretary of State mention profit sharing in relation to the added value of the site. Does she intend to return to the House with more details of those profit-sharing arrangements? If not, will she ensure that there is another opportunity to examine how the profit will be shared between regeneration projects and returns to the lottery fund?

Tessa Jowell: I will of course provide the House with details of the redrafted memorandum of understanding between the Mayor of London and me, which will set out how the profit sharing will work.

Mr. Andrew Pelling (Croydon, Central) (Con): Will the Secretary of State, as a fellow London MP, concede that additional money will now have to come from London taxpayers, despite the agreement that there should be no increase in the Olympics tax? The £300 million that needs to be found by the Mayor will have to come either from a reprioritisation of his budget or from an increase in that other element of council tax, the main council tax itself. Will not additional money also have to come from London taxpayers through the so-called profit sharing, bearing in mind that the London assembly had previously been assured that all the money coming from the increased value of the land would be secured by the London Development Agency? Now that extra money is to be taken away from Londoners.

Tessa Jowell: Let me deal specifically with that point. The intention will be to return to the LDA the cost of the land that it has acquired for the Olympics. Any profit resulting from the sales will be shared between the lottery and the regeneration of the east end.

Mr. Andrew Love (Edmonton) (Lab/Co-op): As a number of Members have already pointed out, what is unique about these Olympics is the legacy and regeneration benefits. Regeneration is critical to the area, which is one of the most deprived parts of the country. It will involve 9,000 homes, a shopping centre and a media centre—and I could go through all the benefits and additional jobs that have been mentioned. I understand that the infrastructure costs have risen from £1 billion to £1.7 billion. Will my right hon. Friend tell me how much of that increase is due to inflated construction costs, and how much will be additional regeneration benefits that will link not only the five boroughs but the rest of London and the rest of the country to all the benefits that the Olympics will bring?

Tessa Jowell: In relation to construction costs, when I appeared before the Select Committee on 21 November I made it clear that we had revised the estimate of construction inflation from 5 to 6 per cent. and that we had allowed for the cost resulting from that. My hon. Friend has been an incredible champion of the Lea Valley athletics centre, which is a state-of-the-art world-class training facility just up the road from Stratford. That is a good example of how regeneration can be brought to a deprived community through world-class investment in sport.

Robert Neill (Bromley and Chislehurst) (Con): Will the Secretary of State accept that many people in London will regard the suggestion that Manchester is a different kind of host city from London as the biggest load of baloney yet to come from her Department on this subject? Given her announcement that the memorandum of understanding between herself and the Mayor is to be rewritten, will she undertake that it will spell out specifically that there will be a binding cap on council tax increases for Londoners, and that it will give a specific indication of how much money will be given away by the London Development Agency to the rest of the country through the percentage of the profit to be transferred out of the LDA—

Hon. Members: That's a vote for Paris.

Tessa Jowell: That is right: that was a vote for Paris.

I want to deal with the matter of VAT status. The city of Manchester ran the Commonwealth games, and it was therefore exempt from VAT. London is constituted on a different basis, as it is making a contribution to the cost of the games. I, too, am a London Member of Parliament, and I do not think that those of us who represent London constituencies need a binding cap on the take from the council tax, because we know precisely—and are sensitive to—the views of our constituents. I am quite sure that the rewriting of the memorandum of understanding between the Mayor and me will reflect that.

Jim Dowd (Lewisham, West) (Lab): I am grateful to my right hon. Friend for her assurances about the position of London council tax payers. However, there is a concomitant concern that a loss of other resources might occur. We shall have to return to that issue over time. Will she give me an assurance that in the search for private sector partners—especially sponsors—to fund the games, regard will be given to those whose commercial activities conflict with Government health priorities, particularly those in the fast food and food processing industries?

Tessa Jowell: I thank my hon. Friend for his question. I would like to remind him of the scale of private sector investment that has already come into London as a direct result of the games, and of the potential tourism dividend, which has been estimated at between £1.4 billion and £2 billion, 40 per cent. of which is expected to be enjoyed not by London but by the rest of the country. I understand what my hon. Friend's question about private sector partners is getting at, but a number of the sponsors are nominated and contracted by the International Olympic Committee rather than directly by the host city.

Mr. Nick Hurd (Ruislip-Northwood) (Con): The Secretary of State should be aware that people in my constituency in west London will be profoundly sceptical about her statement that the Mayor does not expect to increase the council tax for London beyond current commitments. I want to ask her a simple question: can she guarantee that my constituents' council tax will not rise beyond current commitments?

Tessa Jowell: The decision about council tax is a decision for the Mayor. It is not a decision for me as Secretary of State and Olympics Minister. I have set out for the House this morning the budget for the Olympic Delivery Authority and I have indicated the scale of the wider funding provision. There is a memorandum of understanding, and the Mayor has made his position very clear. If the hon. Gentleman wishes to pursue this point—which, again, I take as a vote for Paris—he should take it up with the Mayor.

Mr. Sadiq Khan (Tooting) (Lab): Is my right hon. Friend aware that some members of the Public Accounts Committee, on which I sit, will be devastated by the fact that she has set this budget today, because it takes away the one weapon that they had with which to attack the 2012 Olympic games? Does she share my frustration that some of the wider benefits of the games—the regeneration, the improved transport infrastructure, the housing—have been included in the public perception of the costs of the Olympics, which takes away from the perception of the huge benefits that we will see in London?

Tessa Jowell: My hon. Friend is absolutely right. The message not only for London Members of Parliament but for those representing constituencies up and down the country is that there will be opportunities for all their constituents, and they can help them to achieve them. So the responsibility also lies with them. My hon. Friend referred to the Public Accounts Committee, and I would remind him that we welcome the National Audit Office report on the Olympic games. In presenting the budget and the wider funding provision today, we have addressed the outstanding risk about which the NAO expressed concern, in what was overall an extremely positive report.

Mr. Nigel Evans (Ribble Valley) (Con) *rose—*

Hon. Members: Hear, hear!

Mr. Evans: Yes, it is good to have a non-London Member asking a question about the cost of the Olympic games. The cost will be borne equally by my constituents, who receive as much national lottery funding as anyone else. Will the Secretary of State tell the House what assessment she has made of the impact on the sporting bodies, especially those outside London, that will now lose their budgets because of this extra raid on the national lottery of £675 million? Who will be the losers? The Government will get a gold medal for the biggest increase in the cost of an Olympic games ever. The Olympic rings are hanging like a noose over future generations, who will have to pay the huge debt that the Government have created. They have completely lost control of the financing of the Olympic games.

Mr. Deputy Speaker: Order. I do not want non-London Members to suppose that they must speak for longer than London Members. I am trying to allow every Member who wants to speak to do so. Another important statement and then a debate on higher education are to follow, however, so I would appreciate short questions and concise answers.

Tessa Jowell: Thank you, Mr. Deputy Speaker; I fear for the health of the hon. Member for Ribble Valley (Mr. Evans) when he rants as he does. Briefly, the answer to his question is that the lottery is not the only source of money for sport in this country. That is why so many more young people have been taking part in sport and so much more has been achieved. Sport has been enjoying an unprecedented level of investment, and we need that to continue.

Derek Wyatt (Sittingbourne and Sheppey) (Lab): Dick Pound, who was on the International Olympic Committee for 20 years, said that the bid books were the best piece of creative accounting he had ever seen. Given the legacy of Atlanta, Sydney and Athens, we should not be surprised to know that, by and large, the figures double. I ask my right hon. Friend to step back

[Derek Wyatt]

from the lottery £625 million. I sit on the South East England Development Agency and Kent county council Olympic groups, and we need a challenge fund to bid for elements of the Olympics in 2012. Therefore, if she is going to take some of the lottery money away, will she reconsider the 12p in the pound that the lottery takes in tax and use that 12p, not cuts in the lottery, to resolve the dilemma?

Tessa Jowell: I pay tribute to my hon. Friend, who chairs the all-party group on the Olympics. As I always say when he raises this question, lottery duty is a matter for the Chancellor.

Pete Wishart (Perth and North Perthshire) (SNP): During those heady, euphoric, nonsensical days when London was first awarded the Olympic games, the Scottish National party and Plaid Cymru were alone in warning of the spiralling costs and highlighting the threat to our national lottery, while the other Opposition parties were compliantly silent. Surely it is not credible or realistic to suggest that further raids on the lottery will not result in real pain. Why should grass-roots sports and good causes in my constituency lose out to pay for the regeneration of east London, when the London taxpayer will not pay a penny more?

Tessa Jowell: I do not think that the hon. Gentleman supported the idea of the Olympic games in London or in Paris—but perhaps he does support the prospect of holding the Commonwealth games in Glasgow. I welcome the support in Scotland, Wales and Northern Ireland for the London Olympics. Young people in those countries will also be beneficiaries of the unprecedented investment in sport.

Clive Efford (Eltham) (Lab): It is the duty of every Member of the House to scrutinise budgets and make sure that we get value for money, particularly with expensive schemes such as the Olympics. What the Opposition have shown, however, is that they know the cost of everything and the value of absolutely nothing. Over the past two generations, the affected part of east London has seen factories, docks and, south of the river, the Woolwich arsenal close. Is not two thirds of the budget announced by my right hon. Friend for infrastructure and regeneration? If what we have heard in the Chamber is the sort of publicity that the Olympics is going to get, it is important for the Olympic movement to make every community a part of the games, to overcome the penny-pinching and negativity of Opposition Members.

Tessa Jowell: My hon. Friend is absolutely right. To sound a note of warning to the Opposition, I remind them that public support is with the Olympics. In every school in this country, young people are counting the years and the months until the Olympics. The Olympics have lifted prospects, ambitions and aspirations, as more young people take part in sport. The approach of the Conservative party is to say that it is a great supporter of the Olympics, but then to seek to destabilise, carp and criticise at every turn.

Sir Patrick Cormack (South Staffordshire) (Con): It is possible to be in favour and yet express concern. Is the Secretary of State aware that all those who are concerned about arts and heritage matters, for which she has national responsibility, fear a destructive distortion in her budget over the next five years? They fear that she will go down in history as the most expensive lady since Helen of Troy, whose face launched a thousand ships—and those, at least, were operational.

Tessa Jowell: The hon. Gentleman, who has a proud and distinguished reputation for representing the heritage in this House and beyond, is being a touch apocalyptic. The Government welcome scrutiny of everything that we and our associated partners are doing in relation to the Olympics. We deplore, however, the cynicism that undermines the optimism felt by young people up and down the country.

Ms Sally Keeble (Northampton, North) (Lab): I welcome my right hon. Friend's statement. Will she ensure real engagement with local communities through the nations and regions group, so that all communities outside London can see the benefits of the games, especially in increased participation in sports, which I believe will be one of the strongest legacies of the games?

Tessa Jowell: My hon. Friend has set an example in her constituency for how enthusiasm for the Olympics can be brought together through local organisations, sports clubs and local sponsorship. I hope that Members from both sides of the House will rise to that challenge. She is absolutely right that sustaining public confidence and support for the Olympics means making clear the benefits that will come to towns, cities and communities across the United Kingdom. That is what we want to achieve.

Philip Davies (Shipley) (Con): The Secretary of State should apologise to the House for presiding over such a shambles, allowing costs to spiral out of control by so much so quickly, and expecting good causes and charities in our constituencies to bail her out. How much confidence can we have in the new budget, given that there are another five years to go until the Olympics? If she has not already been sacked, will she resign if she has to come back and demand more money for the games?

Tessa Jowell: I wonder what young people who may read or watch this debate at home—if they have nothing better to do—must make of the Conservative party's attitude. [Hon. Members: "Scrutiny."] Scrutiny is absolutely fine, but cynicism is not. Of course we will continue to be scrutinised, to explain and to justify, but I will never apologise for having had the vision and confidence to bid for the Olympic games and, against all the expectations of the nay-sayers, win it for London.

Mr. Tom Watson (West Bromwich, East) (Lab): With more than 40 major construction contracts likely to employ more than 20,000 people, many of whom will come from the west midlands, does my right hon. Friend agree that framing the contract is now vital?

What the construction industry needs is certainty about who—preferably, a single organisation or even a named person in that organisation—is making the decision. Does she further agree—

Mr. Deputy Speaker: Order.

Mr. Watson: If there were an Olympic sport for—

Mr. Deputy Speaker: Order. The hon. Gentleman should know to sit down as soon as I rise to my feet. He had a good ration.

Tessa Jowell: To focus for a moment on procurement, my hon. Friend is absolutely right. The Olympic Delivery Authority has already published its principles for good procurement, which laid heavy emphasis on the importance of sustainability for the games. Yes, the governance procedures are clear and robust, precisely as is necessary to ensure that the project is delivered on time and with proper cost control.

Mr. Brian Binley (Northampton, South) (Con): I was delighted to hear the Minister talk of opportunity. I am also delighted that in Northampton my colleague the hon. Member for Northampton, North (Ms Keeble) and I are working together so closely to ensure that we exploit all the opportunities. I pay tribute to her energy and dedication in that regard.

As the Minister will know, the development of Crossrail may take place at the same time as the development of facilities for the Olympic Games. That will involve an enormous amount of resources, which will be focused on London. I am concerned about how the rest of the country will be affected, and I therefore ask whether any assessment—

Mr. Deputy Speaker: Order. That was a good ration as well.

Tessa Jowell: I think that we should hear it for Northampton! My admiration for my hon. Friend the Member for Northampton, North (Ms Keeble) is undimmed on learning of the steps that she has taken. As for Crossrail, decisions will be made in due course, but I have always made clear that there is no reliance on Crossrail for the Olympic transport plan, which is very well advanced.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Will my right hon. Friend assure us that if lottery money is to be diverted, she will begin with the arty-farty projects? I am thinking, for instance, of the £2 million that we gave the Churchill family for paintings that 95 per cent. of the British public have never seen and have no desire to see. Will my right hon. Friend also assure us that the construction contracts will be given to British companies employing British-registered workers, complying with British employment law and using British products?

Tessa Jowell: I can tell my hon. Friend that the ODA takes what he said in the second part of his question very seriously. As for the first part, without substituting my judgment for that of the distinguished lottery distributors, I remind him of the safeguards that the settlement provides for the voluntary and community sector, which the lottery enables to play a vital part in the life of communities throughout the country.

Mark Pritchard (The Wrekin) (Con): May I make the Secretary of State an offer which I hope she will not refuse, and which may even cheer her up? Would she like to come to the midlands with me this weekend? If she does, she will see that construction there is delivered at about 25 per cent. of the cost of construction in London. If this really were a national rather than a London Olympics event, there would be far more building in the regions, which would solve some of the problems that the Secretary of State faces today.

Tessa Jowell: I can resist the hon. Gentleman's invitation, because I was in the midlands yesterday or the day before, and while I was there, I was told by the Olympics director of Birmingham city council that the American track and field team would be based in Birmingham in the run-up to the games. There have been some 700 expressions of interest in hosting preparation camps, and the midlands are getting in early to ensure that the benefit of the Olympics will extend to Birmingham.

Political Parties (Funding)

1.13 pm

The Leader of the House of Commons (Mr. Jack Straw): With permission, I shall make a statement about the report of the review of party funding by Sir Hayden Phillips entitled "Strengthening Democracy: Fair and Sustainable Funding of Political Parties", published earlier this morning. Copies are available in the Vote Office and the Library of the House.

In a written ministerial statement this morning, my right hon. Friend the Prime Minister thanked Sir Hayden, on behalf of the Government, for his hard work over the past 12 months. In the course of his review, Sir Hayden received submissions and held discussions with representatives of all the major political parties, as well as consulting the public, the Electoral Commission and various academic experts.

Sir Hayden's report identifies important principles that could form the basis of a lasting settlement of the party funding system. However, as Sir Hayden himself concedes, a number of practicalities remain to be worked out and will require further discussion between the parties. We will play a full and constructive part in those talks.

The issue of party political finance and spending is central to the debate about the health of our democracy. There is a keen public interest in securing lasting reform in a way that curbs wasteful spending, does not gratuitously advantage one party at the expense of others, and does not interfere in the internal structures of any political party.

If the various political parties can agree on a reform package that meets those objectives, we will have a funding regime that will increase public confidence in the probity of the democratic process and help stimulate grass-roots renewal of our parties.

The most compelling need identified by Sir Hayden is the need to end the political spending "arms race", which has seen expenditure spiral upwards even as party memberships have declined. In the 1997 to 2001 Parliament, the Government, with all-party support, sought to tackle the problem of excessive spending with what became the Political Parties, Elections and Referendums Act 2000. The Act reflected key recommendations from the Committee on Standards in Public Life, chaired by Patrick Neill QC. It introduced a national limit on campaign expenditure, created the Electoral Commission, and made the funding system more transparent by requiring that all donations above £5,000 nationally and £1,000 locally be made public.

We all believed that through the introduction of those limits and that transparency, public confidence in the system could be assured; but the recent revelations about unpublicised loans to parties by individuals, resulting from a loophole in the 2000 Act, have clouded that transparency. In addition, the line between local and national spending has become blurred by developments such as political campaigning facilitated by the internet, and other advances in telecommunications. As a consequence, a modest relaxation of spending controls at local level in the 2000 Act has been exploited to an extent far beyond what was intended in the legislation.

Sir Hayden draws attention to the fact that spending by the two main parties in the 12 months before the last general election—in 2005—rose to £90 million, up nearly 40 per cent. on the £65 million spent during a similar period in 2000-01. He must be right to say that the 2000 Act

"sought to control the level of spending, but it has proved inadequate to the challenge".

The immediate problem of transparency in relation to party loans has been resolved by the Electoral Administration Act 2006, which requires that loans be publicly declared in the same way as donations. However, in his report Sir Hayden advances proposals for further reform. Crucially, he shows support for the principle of continuous spending limits at local and national level. He also proposes tighter controls on third-party expenditure, and a reformed Electoral Commission with the power, capacity and practical experience to perform its role as an effective regulator.

The importance of effective spending limits cannot be overstated. As the Select Committee on Constitutional Affairs observed in its report "Party Funding", published in December last year, the United States offers an instructive example of what can happen when political spending is left unchecked. The Committee said that in 1976, the total cost of all United States elections was $40 million. By 2004, the cost of federal elections alone had risen to $3.9 billion, 97 times higher.

Sir Hayden also recommends the introduction of caps on donations. All three main parties agree in principle that there should be some form of donation cap. The Constitutional Affairs Committee recommended a voluntary arrangement. We believe that that would work, providing enough flexibility for the different structures and traditions of the various parties to be respected.

Sir Hayden offers welcome backing for the judgment of the Constitutional Affairs Committee that

"any move to change the nature of party funding must not stray into prescriptive devices to require political parties to organise internally in ways that violate their democratic relationships with other institutions".

Finally, Sir Hayden recommends the introduction of a higher level of state funding for political parties. The Constitutional Affairs Committee reached a similar conclusion, but recognised the need for further debate about the values and principles that should govern such funding. As a 1976 report on party funding—by a committee chaired by the then Douglas Houghton—showed, there has long been a degree of state funding in United Kingdom politics. All political parties have the opportunity to claim free television and radio broadcast slots, along with free postage. Since the 1970s, the provision of Short money and Cranborne money has given millions of pounds of state aid to the main Opposition parties. That funding has increased more than threefold since 1997. In 2006, the total amount of Short money was £6.3 million, with more than £4 million being paid to the main Opposition party.

The Neill committee noted in its 1998 report that the arguments for and against state funding were "finely balanced". Although Neill did not recommend a major extension, his committee concluded:

"We can envisage circumstances in which substantially increased state funding of the political parties—including the funding of their general activities—might become imperative."

Sir Hayden concludes that those circumstances now exist, and he has put forward proposals for increased state funding based on electoral support and the recruitment of members.

Our democracy could not function without the organisation of political parties of all political shades and opinions, and the platforms for debate and the exploration of ideas which the political parties provide. Their work, and in particular the work of party foot soldiers who devote time and energy to their cause, is fundamental to the health of the democratic process.

In order for them to command high levels of public support, the funding arrangements for political parties must be fair and transparent. Through earlier legislation, Parliament has taken significant steps to put such a system in place. Sir Hayden Phillips' report has identified areas for further reform and some key principles. The task now for the political parties is to work on the practical arrangements of achieving a fairer, more sustainable and more transparent funding regime. The public would expect nothing less.

Mrs. Theresa May (Maidenhead) (Con): I thank the Leader of the House for giving me advance sight of his statement.

We welcome the publication of Sir Hayden Phillips' report. We accept his main recommendations. We want to have cleaner and cheaper politics, and we want to work with the other parties to achieve that goal. However, if cleaner and cheaper politics is the goal, we start a long way from that point. The cash for peerages scandal has pushed the public's estimation of politicians to a new low. This issue is not just about our vanity, nor is it just a joke that can be easily written off. Public cynicism about our political process is deeply damaging to our democracy, so will the Leader of the House agree to hold cross-party talks on Sir Hayden's recommendations as soon as possible?

There is much to welcome in Sir Hayden's report. We support the moves towards a long-term cap on donations to political parties and a reduction in the general election campaigning cap, and we are happy to discuss spending caps on all year round non-election campaigning and proposals for tighter controls on third-party expenditure, greater transparency on donations, such as those by unincorporated associations, and new powers for the Electoral Commission. Does the Leader of the House share our support for those proposals?

Sir Hayden suggests that it might be desirable to control local campaign spending outside election times, but he rightly notes the difficulties in putting that into practice, such as the variance of constituency boundaries according to the type of election, the practice of targeting marginal constituencies which is inevitable in our electoral system, and the fact that local party officers tend to be volunteers. Despite our scepticism about the need for local limits, in order to secure agreement we are prepared to consider them, but subject to one condition: that any caps imposed at local level do not entrench incumbency. Does the right hon. Gentleman agree to that?

It has long been the position of the Conservative party that in order to restore public trust we must remove the dependency of the political parties on all large donors, regardless of whether they are individuals, businesses or trade unions. I am glad that Sir Hayden has reached the same conclusion. Does the Leader of the House agree with Sir Hayden's proposal that caps on donations should apply across the board—to individuals, businesses and trade unions?

Sir Hayden's report suggests that, despite the cap on donations, trade union affiliation fees could count as individual donations on the condition that

"it is possible to trace payments back to identifiable individuals".

Does the Leader of the House agree that any such system must be free from abuse? Does he agree that if affiliation fees are to count as individual donations it is imperative that individual trade union members are able each year to opt in to political funds, rather than being left to opt out, as is currently the case? Given that more than half of all union members who pay affiliation fees do not vote Labour, should not members who opt in to political funds be able to choose annually to which party their fees should go?

These are very important questions because it is, of course, Labour's financial links to the trade unions that have prevented reform until now. *[Interruption.]* The party's national executive committee recently pledged to "vigorously oppose plans" for an across-the-board cap on donations, saying that

"the Labour Party cannot accept a statutory uniform donation cap...It would also undermine the Labour Party federal structure and seek to amend a system of Trade Union contributions".

However, as Sir Hayden says,

"a limit on donations need not...challenge the Party's constitutional relationship with the trade unions".

Does the Leader of the House agree with Sir Hayden? Three quarters of Labour's donations—some £8.5 million per year—come from the unions, and there is another £8 million per year in affiliation fees. Is it not the Labour party's constitutional relationship with the unions that is threatened by funding reform, and what it is particularly worried about is its financial relationship with the unions?

Sir Hayden is clear that there should be no new state funding of political parties until an agreement is reached on all aspects of reform. We agree. There should not be a single extra penny of state funding until there is a cap on all donations from individuals, companies and trade unions. Does the Leader of the House agree that there should be no more state funding until that is the case? Does he also agree that any new state funding must promote democratic engagement? As the Committee on Standards in Public Life and the Constitutional Affairs Committee have each concluded, that could be done through tax relief on small donations and matched funding for non-taxpayers.

We need to reform party funding if we are to get cleaner and cheaper politics, and we need cross-party consensus if we are to reform party funding. Sir Hayden's report, published today, is a very good starting point for cross-party talks. The principal block to reform remains the Labour Party's relationship with the trade unions. This Government came to power promising to reform party funding to end sleaze. I am sure that in new Labour's old days the Prime Minister and Chancellor would have wanted to be bold by ending the unions'

[Mrs. Theresa May]

financial grip on their party. That is the key to achieving consensus on party funding, so will the Leader of the House now accept that challenge?

Mr. Straw: Of course we would like the all-party talks to take place soon, but I must say to the right hon. Lady that they will have to take place on the basis of what is actually in Sir Hayden Phillips' report, rather than on what she wishes was in his report.

The right hon. Lady talks about state funding. Sir Hayden proposes that that must be linked to other changes, and of course we accept that. There is a big issue, which the Constitutional Affairs Committee raised, to do with ensuring public consent for the idea of extended state funding—it is not that there is no state funding at the moment; it is about extending state funding.

I wondered how quickly the right hon. Lady would try to turn the issues covered in the report to suggesting that the big problem was trade union funding, and it certainly did not take her long. It is simply untrue that Sir Hayden anywhere says that the "principal block", to use the right hon. Lady's phrase, to solving the problems is the issue of the trade unions. More to the point, she knows that, in all this public concern about some aspects of trade union funding, there is absolutely no evidence—not a scintilla—of any problem in respect of funding by the trade unions. She also knows that her party went through a series of so-called reforms of the method of the trade union political levy through the 1980s and up to 1992, and that in 1998 the Neill committee reported that there was no evidence that there was a case for any further reform. The Conservative party said in its evidence to the Neill committee:

"The question of trade union funding of parties is not a matter of direct concern to the Conservative party. We recognise the historic ties that bind the trade union movement with the Labour Party."

It was content to accept the evidence that there was no case for further reform, given the fact that the Conservative Government of Margaret Thatcher had introduced a series of reforms that sought to change and undermine our system of party funding, but—consistent with their usual practice—never touched their own system.

We will have talks, but I cannot think of any one occasion in the past 50 years when the Conservative party has taken the initiative to try to clean up party funding. As recently as 5 March—*[Interruption.]* It has not done so when it has been in government. Of course, Conservatives will say things in opposition, but they did nothing between 1951 and 1964 or between 1970 and 1974, and the only thing that they did—although it was a big thing—between 1979 and 1997 was to seek to undermine another party's finances while their own were maintained.

The proof of that comes from Lord McAlpine, who for a long time was the Conservative party's treasurer. He said in his memoirs "Once a Jolly Bagman":

"Personally, I do not think that we ever should have shown how we spent our money. The Conservative Central Office is not a charity dedicated to helping the sick and the suffering".

He also said:

"There was a black hole in the Party's finances...The solution was easy: we gave up publishing accounts."

That is the approach that the Conservative party has always adopted. It has to be dragged kicking and screaming towards any sort of transparency.

Even at the last election, and notwithstanding the Conservatives' subscription to the principles of the 2000 Act, they were up to it again—using front organisations such as the Midlands Industrial Council and other bodies to evade and avoid the principles to which they had signed up. I am glad that there has been a rapid Pauline conversion today. Only two weeks ago, the right hon. Member for Horsham (Mr. Maude), the chairman of the Conservative party, said in a published interview:

"Let's be quite clear: the reason party funding needs reform is nothing to do with how much is spent."

That is the real position of the Conservative party. We will go into these discussions hoping to seek agreement. I just hope that the Conservative party does the same.

Mr. David Heath (Somerton and Frome) (LD): I have to say that the opening exchanges do not immediately instil confidence in consensus being reached.

I thank the Leader of the House for his statement and welcome Sir Hayden's report. We support the principles that he so clearly sets out, as we also welcomed the report by the Constitutional Affairs Committee, which preceded it. Sir Hayden correctly identifies the lack of public confidence in the party political process, and that is partly fuelled by factors such as the cash for peerages allegations, the loans scandal and the perceived influence of big donors, as well as increasing resentment of the spiralling costs of campaigns. Parties say that they have little cash to spend, but spend more and more on national campaigns.

When Sir Hayden says that nothing should be agreed until everything is agreed, that must be right in the case of the contentious issues, but does the Leader of the House agree that there are several non-contentious matters in the report—such as strengthening the policing role of the Electoral Commission—that can proceed forthwith and do not need consensus to emerge on everything else in the report?

Now is the right time for all parties in the House to engage seriously in a constructive way on the outstanding issues that Sir Hayden identifies. I suggest to the Leader of the House that three issues are outstanding on which it will be difficult, if not impossible, for us to reach agreement. One has already been clearly identified in the opening exchanges: the limits on individual donations. We have always strongly supported the view that there should be a limit on individual donations, but does the Leader of the House agree with Sir Hayden when he says that the principal defence against avoidance will be public opprobrium? Does not experience suggest that public opprobrium is insufficient and that we need statutory support and clear regulation if limits are to be introduced?

The issue of the trade unions is important in terms of public perception and the discussions that we must have. I understand some of the reservations that the Labour party has on the issue, but I do not believe that

it is impossible to reach a solution that takes account of those concerns and, at the same time, produces a binding limit on individual donations.

The second issue is the limit on campaign spending. Is it not outrageous that in individual constituencies, particularly marginal ones, we have a gross, continuing and routine abuse of the spirit of electoral law by the application of massive expenditure from central sources in campaigning in order to affect the result without it appearing on the accounts of individual candidates? Does not that need to be addressed, and as a matter of urgency?

The third issue is perhaps less difficult, but it is the linking of future funding to membership. I strongly support the view that we should encourage local engagement, but I can see serious difficulties in defining membership and avoiding abuse of that process if simple membership of a party leads to the unlocking of state resources. We need to reach consensus on that.

I hope that we can now proceed from the basis of a firm starting point. I wonder whether Sir Hayden will be involved, given the work that he has done so assiduously over the past year, in the cross-party discussions which now need to take place. We need good will and determination on the part of all parties if we are to produce a system that is transparent, fair and restores public trust. No party should have a veto on the grounds of partisan advantage, but nor should any party's legitimate concerns be ignored. This work is essential and urgent.

Mr. Straw: I thank the hon. Gentleman for his constructive response to this issue. I think that he has answered his own question about whether anything can be agreed until everything is agreed. In the end, this House and the other place have to make decisions, and he described the process appropriately: no party should have a veto on sensible reforms that are likely to carry public support, but at the same time the discussions and any agreement that can be reached have to take account of the legitimate interests of all the parties. That is an important point for the Conservative party to bear in mind.

I say to the Conservatives seriously that they need to reflect on the point that I made earlier, which is that they have never introduced any changes in the financing regime that have adversely affected them. They have sought to change the regime that affects us, and the right hon. Member for Maidenhead (Mrs. May) was at it again today. She was trying to return to the opt-in arrangements in the Trade Disputes and Trade Unions Act 1927. Not even Margaret Thatcher tried that on. Of course there has to be a level playing field, but that requires effective spending and donation limits. I concede that the Liberal Democrats have been consistent about the issue.

It is worth pointing out that when the Liberal Democrats advanced the proposal for donation limits in 2000, I said from this Front Bench that I did not think that they were necessary. So did the Conservative party. Indeed, that remained the official position of the Conservative party until very recently, because in November 2005 the hon. Member for Wealden (Charles Hendry), who was a Conservative Front-Bench spokesman at the time, said in a debate on the issue that the argument about caps on donations was

"a sideshow in the debate."—[*Official Report, Westminster Hall*, 8 November 2005; Vol. 439, c. 17WH.]

It is worth reflecting on how much the Opposition have had to move, because until recently they thought that donation caps were a sideshow and spending limits were not the issue. We look forward to movement on their part. Discussions must take place on what Sir Hayden says, not on the basis of a partisan interpretation of what he does not say.

My last point on the issue of trade unions is that there may have been a public perception about trade union funding, but it was completely dispersed by changes introduced both in legislation and by us. All opinion poll evidence shows almost zero concern about trade union spending, because it is the most transparent arrangement. Interestingly, the Better Regulation Task Force said that there is too much regulation of trade unions in that respect, not too little, and the assiduous certification officer said that there have been three complaints—only three—about the operation of the levy since 2000. Two of them were withdrawn and one rejected.

Tony Lloyd (Manchester, Central) (Lab): I congratulate my right hon. Friend on his statement. Does he agree that the central issue the electorate expect us to deal with is the question of both national and local spending limits? That is the driver of dodgy practices such as the Midlands Industrial Council, which we have come to know only too well, and the dining clubs in the House of Commons. Does my right hon. Friend also agree that the basic reality is that the role of trade unions in relation to donations has been transparent and open? It is there for people to see. We can always put our record in comparison with that of the Conservative party: ours is one of honour.

Mr. Straw: I accept that. We changed the law on local spending in 2000. I was the Minister responsible—I put my hand up to that. We thought it would make the system as controlled but more transparent. However, it failed to do that. I accept what the right hon. Member for Maidenhead says about the need for regulation that does not deny the reality that elections are principally fought in marginal seats—of course that is true—and which takes some account of the so-called incumbency factor, although it affects different parties at different times and I do not recall its being mentioned often between 1979 and 1997, but there you go—here you go. The reason why those proposals, which emanated from the 1998 report of the Neill committee, have not worked is that there used to be a clear distinction in practice between national and local spending, but because of things such as call centres and personalised mailing the division between national and local spending has become almost non-existent. That is why we need both national and local controls on spending, for which Sir Hayden provides strong support in his report, and they should be pretty continuous.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): May I welcome Sir Hayden's report and the fact that it follows

[Mr. Alan Beith]

closely the lines of the Select Committee's report? Does the Leader of the House recognise that the Committee believes unanimously that there should be voluntarily agreed binding limits on all large donations, whether individual, corporate or trade union, and a cap on all party spending, including spending outside the election period, as a precondition for more state funding? Does he realise that all the parties will have to move on from past positions? We found it was possible to do so when we saw how successfully Canadian parties had adapted to quite fundamental change that still enabled them to preserve their trade union links or their ability to engage with the electorate. Surely, the taxpayer cannot be asked to pay the parties more money unless they carry out reforms to remove large paymasters.

Mr. Straw: I accept that we all have to move on, and we are ready to do so in the spirit set out in Sir Hayden's report. I commend the report and, for the avoidance of doubt, point out that—I think with the acknowledgement of the Constitutional Affairs Committee—I delayed publishing the Government's formal response to the Select Committee report because we wanted to wait for Sir Hayden's response. Of course, the right hon. Gentleman accurately quotes the recommendations. The only thing I would say is that they were relatively general; the issue now is to try to pin down those general propositions, which we welcome, into propositions that can be the subject of legislation.

Mr. John Spellar (Warley) (Lab): Does my right hon. Friend accept that Conservative parties all round the world constantly conspire to try to keep trade unions out of politics because they fear working people engaging in the political process to advance their interests? In his talks with the other parties, will he make it clear that the democratic involvement of trade unions in the Labour party is not on the table for discussion?

Mr. Straw: Yes I will.

Mr. Andrew Tyrie (Chichester) (Con): I thought the statement of the Leader of the House was not in the real world when he suggested that there was no longer any public concern about trade unions. The trade unions are about to have a large say in the appointment of the next Prime Minister, and they will almost certainly be the main, if not the only, funder of the Labour party at the next general election. Will the Leader of the House answer a specific question that he did not answer when my right hon. Friend the Member for Maidenhead (Mrs. May) asked if he agreed with Sir Hayden's conclusion that

"a limit on trade union donations"

and affiliation fees

"need not...challenge the party's constitutional relationship with the trade unions"?

Mr. Straw: It need not, but that requires a certain spirit of consensus from the main Opposition—the spirit that informed the hon. Gentleman when as a member of the Constitutional Affairs Committee he signed up to its report. It is not the trade unions as corporate bodies and their national executives that play a part in the election of the leader and deputy leader of the Labour party; it is 3.5 million levy payers—ordinary people across the country—who in a secret postal ballot, supervised by an external independent body, will have that right. Is the hon. Gentleman seriously suggesting that those 3.5 million people, who voluntarily pay the political levy, should be denied that right?

Mr. Dennis Skinner (Bolsover) (Lab): Will my right hon. Friend confirm that Hayden Phillips was given that job in the aftermath of cash for peerages, starting with the Tories way back in at least 2001—as far as we know—and then encroached on by us, the Labour party? Will he also confirm that when deciding on Hayden Phillips to do that job there was not reference at any time to examining the trade union movement? Is it not ironic that despite all the big business money, and the Swiss roll-over for the Liberal Democrats, we find ourselves here in the House discussing a report from Hayden Phillips about clean money from the trade union movement that is balloted for every few years, while the Tories and the rest want to imagine that big business has played no role whatever? There should be no cap on the trade unions; the cap should be on the spending. In terms of equality, we should decide on a national spending cap of about £10 million—equivalent to the amount a party would spend in every constituency it contests—

Mr. Deputy Speaker: Order. I think that is plenty.

Mr. Straw: My hon. Friend's recollection of the history of the establishment of the Hayden Phillips inquiry is entirely right; at the time, there was not a single mention of problems with the trade unions, because there is no problem with the way that trade unions have been making contributions towards the Labour party. The hon. Member for Chichester (Mr. Tyrie) asked me about the matter when I gave evidence to the Select Committee and I invited him to provide even a sheet of evidence that suggested any concern that the current, highly transparent, highly regulated system in respect of trade unions was operating inappropriately. None was forthcoming. The Conservative party has been unable to produce such evidence; nobody has been able to produce it. The Department for Constitutional Affairs cannot and neither—as I confirmed to the Select Committee—has the Electoral Commission. My hon. Friend the Member for Bolsover (Mr. Skinner) is entirely right to say that what the Conservative party are trying to do is on the one hand say, "Yes, we'll take part in talks," while on the other trying to shift the issue in a rather blatant and [illegible]s way from the real problem, which is the over-reliance by all three parties on single, large donors—with the inappropriate and completely opaque influence that can bring—to trying to suggest that the trade unions are the bogey. I am afraid that is the old Conservative approach, and they will have to wrest themselves away from it if they want consensus in the talks.

Mr. Andrew Mackay (Bracknell) (Con): The Leader of the House, in rightly commending the review, said that the conclusions would be underpinned by the creation of a level playing field to which we would all agree, so may I ask him to turn to local funding? By allowing all of us to have up to £10,000 extra a year as a communication allowance and allowing some of our incidental expenses to go towards campaigning effectively in the constituency, do not we put those who

are not incumbent at a disadvantage? When he reaches the conclusion of his all-party discussions, it must be right that other parties in a constituency should be able to spend the same amount as the incumbent Member.

Mr. Straw: I say to the right hon. Gentleman that there will be a debate on the recommendation of the House of Commons Commission in respect of the communications allowance. As he will see when the report is put forward, that is about communicating in respect of our parliamentary duties and it actually proposes tightening up considerably the way in which the existing incidental expenses provision is currently used and restricting the amount that can be spent on franked envelopes from no limit at the moment to one that Mr. Speaker will set at £7,000. Yes, some additional funding will be provided for communication by Members of Parliament and all the evidence suggests—it is not a party issue at all—that that is necessary if we are to inform our electorates better. However, that will take place in more strictly controlled circumstances.

I do not want this issue to be thrown across the Chamber, but if we are talking about the amount of money that is spent locally, it has to be said that even the communications allowance will pale into insignificance compared with the amount that Lord Ashcroft is already spending and spent at the last election. He made a significant speech the other day in the other place in which he set his face against any idea of spending limits, and said that parties want to spend whatever they can. He reinforced that view in an aptly entitled book on the 2005 elections called "Dirty politics, Dirty times".

Mr. Chris Mullin (Sunderland, South) (Lab): There is a great deal to welcome in Hayden Phillips' report. I agree with my right hon. Friend that what most damages the public perception of British politics is the suggestion that the main political parties to a greater or lesser extent are in hock to a handful of extremely wealthy individuals. As regards the political levy, does he agree that 3 million to 4 million people paying £3 or £4 voluntarily a year is the nearest thing that we have to mass politics in this country and that we ought not to throw it away lightly?

Mr. Straw: I agree with both my hon. Friend's propositions. On the political levy, I want to say that the proportion of members of trade unions that are affiliated to the Labour party and who pay their political levy varies. It was 80 per cent. a few years ago; it is currently 90 per cent. The number of individual trade unionists who pay varies and there is a change year on year. What that shows is that trade union members are well aware of the fact that if they pay the political levy and their trade union is affiliated to the Labour party, part of the money—part only—will go to the Labour party. It is transparent and highly regulated in a way that much else in the current political funding regime is not.

Sir George Young (North-West Hampshire) (Con): Has not Hayden Phillips done an heroic job in narrowing the gap that existed between the parties a year ago and in setting out some general principles on which we should all agree? However, there is still a gap that we need to address. Of course, Opposition Members should listen to the legitimate concerns expressed by Labour Members, and some of them have been aired in this exchange. However, can the Leader of the House for the third time try to answer a question that has been put to him—whether he agrees that a limit on donations from trade unions

"need not challenge…the Party's constitutional relationship with the trade unions"?

Is his party interested in pursuing what, on page 10 of the report, Sir Hayden regards as a "reasonable outcome"?

Mr. Straw: I thought that I had answered the question, and I apologise if I have not. Of course, the limit need not challenge the relationship—some suggestions are set out on page 10—but that depends not just on us but on the Conservative party. This is not a symmetrical issue. The Conservative party has issues with us and we have issues, as it were, in the other direction. *[Interruption.]* I am trying to be helpful, if the right hon. Member for Maidenhead will stop muttering.

I understand any Opposition party's concern about incumbency and I obviously appreciate the fact that under our system—indeed, under virtually any system that we can think of—elections are fought out in marginal seats. Sir Hayden understands that and he has come forward with suggestions that try to take account of the fact that, as we all know, in safe seats the level of expenditure both at an election and well before it is very different from that in marginal seats. If there are to be limits, however flexible they are, they have to apply everywhere.

Dr. Tony Wright (Cannock Chase) (Lab): Sir Hayden Phillips was given the impossible task of seeking consensus where no consensus exists and he has performed that task heroically. He now says that we have to move on to further inter-party talks to resolve the real issues at stake. However, he says that that will be accomplished satisfactorily only if there is independent oversight of such talks. What is my right hon. Friend's view of that?

Mr. Straw: My right hon. Friend the Prime Minister, in the written statement that he issued this morning to accompany the publication of the report, has already welcomed Sir Hayden's offer that he might chair those further discussions. We will discuss the modalities of the discussions; none of us wants to waste Sir Hayden's time. My feeling is that we will probably wish to see some staff work and work by the three parties directly, as well having Sir Hayden chair some of the talks. However, I also endorse the point made by the hon. Member for Somerton and Frome (Mr. Heath) that if this is going to work, no party should have a veto and all parties should take account of the legitimate interests of the other parties round the table. That is the only way forward. However, in the end, the House will have to make its own judgments.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): Sir Hayden Phillips says that the practicalities have yet to be worked out and he refers to the three main parties. I would argue that that is perhaps an oversight. If yesterday's edition of *The Times*, with its headline "Nationalists set for stunning victory in May", is to be believed, the Scottish National party would become Scotland's biggest party. Given the cash for peerages scandal that the SNP played a modest part in exposing and the exploitation of the loopholes in the 2000 Act, we are where we are.

[Mr. Angus MacNeil]

However, with the special situation in Scotland, should the SNP not be involved? Sir Hayden has said that he wants this process to be fair and transparent, and I would put the emphasis on fairness.

Mr. Straw: I am happy to talk both to Sir Hayden and to representatives of the hon. Gentleman's party and Plaid Cymru about how they can be involved in the talks.

Mr. David Winnick (Walsall, North) (Lab): A good deal of the spending nationally at election time on posters, for example, is, as we all know, a complete waste of time and has no effect on the result. However, does my right hon. Friend not agree that having a firm legal limit on local spending but no limit during elections makes a mockery of the legal limit, especially since so much of the money is donated between elections by secretive, anonymous business organisations accountable to no one?

Mr. Straw: I agree with my hon. Friend. One of Sir Hayden's important recommendations is that the loophole that allowed secretive third-party organisations, such as the Midlands Industrial Council and many others, to fund the Conservative party should be plugged, so they are subject to the same rules on transparency as political parties.

Mr. Desmond Swayne (New Forest, West) (Con): The amount of money spent by my political party on the last two general elections should serve as a powerful corrective to any notion that it is of any value whatsoever. If there are to be local limits, does the Leader of the House agree that there should also be rather more rigorous scrutiny of the existing rules about how allowances are spent locally?

Mr. Straw: The hon. Gentleman speaks for himself, but I note that he is the Parliamentary Private Secretary to the Leader of the Opposition, so his view makes a refreshing change. I agree with him. Many wise souls in the Conservative party as well as in our party believe that an awful lot of the money that is spent—£90 million at the last election—is wasted.

To pick up a point that has just been raised with me, I think that there is a case for examining whether voluntarily or by regulation we ban the use of posters. As far as I can tell, the only people who benefit from the posters are those who have the poster sites. The number of so-called salients and members of public who take any notice of them has dropped. Just as we are banned from advertising on television and radio, it would be a huge relief to us, and moreover to the voters, if they did not have to suffer the visual pollution of posters from all three parties, particularly in marginal seats.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. If the Leader of the House promises me that he will be very brief in his answers, I will try to call all Members who are seeking to question him.

Andrew Miller (Ellesmere Port and Neston) (Lab): Given that every trade union member can trace back their donations made under the trade union levy through headquarters accounts and given that those accounts are properly audited by external bodies and have the oversight of the trade union commissioner, is it not a reasonable proposition for those donations to be counted as individual donations?

Mr. Straw: That is one of the suggestions made by Sir Hayden, and one that we must take account of in the discussions.

Kelvin Hopkins (Luton, North) (Lab): Following the theme of the contributions from many Labour Members about caps on spending, does my right hon. Friend agree that having much lower levels of spending, rigorously enforced, with severe criminal penalties, would solve all the problems? Lord Ashcroft could keep his money and stop trying to buy elections for the Conservatives.

Mr. Straw: I agree. If one compares the examples of Canada and the United States, there is no question but that it is the arms race on spending that is the mother and father of the current problems.

Mr. Frank Doran (Aberdeen, North) (Lab): Does my right hon. Friend agree that the discussion on trade unions needs to be put in context? Since 1906, only one segment of our society has been restricted in the political donations that it can make: the trade union movement. As he has quite rightly pointed out, in 1992 that was strengthened even further. During a temporary absence from this place, I was responsible for the second round of political fund balloting for about 5 million levy payers. Does he agree that further restrictions and a further regulatory burden placed on unions would be unfair and, further, that the focus is being shifted away from where it should be: the excessive spending, particularly at a local level?

Mr. Straw: I agree with my hon. Friend. It seems to be a temptation in the bloodstream of the Conservative party to attack the funding of the Labour party.

Angela Eagle (Wallasey) (Lab): Does my right hon. Friend agree with me and the Hayden Phillips report that it is now in the public interest to have rigorously enforced expenditure caps in order to deal with the huge escalation in expenditure on elections, which is against the public interest and threatens to take us in the same direction as the United States? Following his comments on the potential banning of the use of poster sites, does he agree that allowing—as they do in the midlands and in Northern Ireland—political parties to put up much cheaper posters on lamp posts achieves the idea of telling people that there is an election on? That should be allowed.

Mr. Straw: I agree with my hon. Friend's first point. *[Interruption.]* Personally, although this is subject to immediate disagreement on the Front Bench, I also agree with her second point. I am envious of the way in which the west midlands handles the matter. It is a good idea and, of course, it is cheap.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): What does my right hon. Friend think that the time dimension on all this is? There are those of us who have always believed that the great boast of British politics is that we do not spend much money. Clean politics is cheap politics. What worries me is that in some constituencies at the moment, as we all know, the Ashcroft money is swashing about. It is pouring in. We know that that is not really what most sensible people on the Opposition Benches want either. Often, it swashes around with particular kinds of Tories, not the average Tory.

Mr. Straw: We want to move as quickly as possible. We know that there is deep anxiety in the more sensible parts of the Conservative party about the fact that Lord Ashcroft is trying to buy up part of that party.

Mr. Tom Watson (West Bromwich, East) (Lab): Sir Hayden has now completed his task and, whether he was within his remit or not, that work is done. However, Sir Hayden does not have the monopoly on good ideas for party reform. There are other academics in the country who have come up with alternative, but similar proposals. May I ask my right hon. Friend to look at the work of Professor Keith Ewing, and perhaps if we are taking this further, to try to include other academics in our further deliberations?

Mr. Straw: Sir Hayden would not suggest that he has a monopoly on good ideas and of course we are ready to take account of any sensible suggestions.

Martin Linton (Battersea) (Lab): In welcoming my right hon. Friend's statement, may I urge him to bring forward a Bill as soon as possible to deal with the Ashcroft loophole, if necessary ahead of the party talks? It is imperative to deal with this matter well in advance of the next election. Will he also reject the view of the Phillips report and of the official Opposition that the same donations limit should apply to individuals and to organisations? Many other countries have different donation limits for individuals and organisations and it would surely be an interference in the Labour party's constitution if the measure was imposed on us. May I also—

Mr. Deputy Speaker: Order. I heard one "also"; the second "also" gives a warning sign.

Mr. Straw: My hon. Friend has taken a long interest in this matter, and moved provisions relating to donation limits in the proceedings on what became the 2000 Act. Sir Hayden makes a suggestion about the way in which the current levy paid by 3.5 million trade unionists should be treated for the purposes of any changes. On having legislation in bits, I think that, in the real world, we need to see whether we can reach agreement on a comprehensive package.

Dr. Alan Whitehead (Southampton, Test) (Lab): Does my right hon. Friend agree that it is possible to resolve the issues concerning the input of money into local political activity that Sir Hayden Phillips sets out in his report? Does he consider that the Electoral Commission could play a substantial role in auditing and maintaining those arrangements, as Sir Hayden Phillips mentions? Does he consider that, among other things, the addition of commissioners with a political background and understanding to the Electoral Commission would be helpful in that respect, as Sir Hayden Phillips also mentions in his report?

Mr. Straw: Yes. Sir Hayden makes some important recommendations, which I think are already agreed between the parties, for major reforms to the Electoral Commission, to make it, as he says, smarter, to separate its educative role, and to make it better at regulation. Crucially, not only the Constitutional Affairs Committee and Sir Hayden Phillips, but the Committee on Standards in Public Life, have all recommended that there have to be people among the commissioners who understand how political parties operate and who have experience within parties.

Mr. Clive Betts (Sheffield, Attercliffe) (Lab): Does my right hon. Friend agree that the spending of tens and tens of thousands of pounds in individual constituencies for the sole purpose of electing a single candidate is a real threat to a democracy and little more than an attempt to buy votes and seats? Will he therefore give his support to Sir Hayden Phillips' recommendation for continuous spending limits at a local as well as a national level and work with the Opposition parties to try to find a way of making sure that the limits are both practical and enforceable?

Mr. Straw: I do agree with my hon. Friend and Sir Hayden Phillips's report provides a way through, taking account, as I have said, of the fact that, inevitably, more money is going to be spent in marginal seats—but it need not be ridiculous sums more.

John Mann (Bassetlaw) (Lab): Next Tuesday there is yet another dinner of the United and Cecil club expressly to raise money for Tory marginal seats. Does my right hon. Friend agree that the names of the donors at those dinners, which are not on the public record, should be made transparent and put on the public record?

Mr. Straw: Yes, I do. Some £105,000 has been raised in the last two years. That is in addition to the £1.4 million that has been raised by the Midlands Industrial Council.

Mr. Kevan Jones (North Durham) (Lab): Does my right hon. Friend agree with me, and with my hon. Friend the Member for Bassetlaw (John Mann), that there should be full transparency of donations? That includes fundraising front organisations, such as Conservative patrons clubs and the United and Cecil clubs. There should be a legal obligation on those organisations to publish accounts of who gives them money and who attends the fund-raising dinners they hold in this place.

Mr. Straw: Yes, I do. *[Interruption.]* The right hon. Member for Maidenhead is chuntering about this. She is ever anxious to impose further regulation on the trade union movement—it has been the subject of a century of further regulation by the Conservative party—but not to examine the problems in her party and the lack of transparency that has always been a feature of Conservative party funding.

Higher Education

2.8 pm

The Minister for Higher Education and Lifelong Learning (Bill Rammell): I beg to move, That this House do now adjourn.

I am pleased to have this opportunity today for what I hope will be an informed debate about widening participation in higher education, which is rightly at the centre of the Government's efforts to expand opportunities and life chances. As Members of Parliament, many of us will have direct experience of going to university, either as students ourselves or by having a graduate in the family. Many, like me, will be first in our families to have gone to university. I grew up in a council house and went to a comprehensive school. Without having gone to university, my life would certainly not have developed in the way that it has. I certainly do not believe that I would be standing here today as Minister for Higher Education and Lifelong Learning.

The Government are strongly committed to ensuring that every student across all the socio-economic groups who wants a university place, and has the necessary talent and commitment, can get one, so that regardless of their background or financial position, they too can experience the challenges and benefits of study in higher education. We strongly believe that that objective is critical to the continued economic success and social well-being of this country. However, that opinion is not universally accepted. We sometimes delude ourselves into believing that we have achieved a consensus on the issue in this country.

I fear that there is still a strong body of opinion, which is most notably featured in the pages of the *Daily Mail* and *The Daily Telegraph*, that continues to argue against increased and widened participation in higher education. The opposition centres on the view that if more people are going to university, that, in some sense, devalues the degrees that are awarded. People say that quality will decline and that the Government will be interfering in admissions and fair access, and that, as a result, people from higher income groups or independent schools will miss out. I wholly reject the view that to validate one's educational success, one has to see others fail. Frankly, such a view has held this country back for far too long.

Educational success should not be restricted to the privileged few. Increasing access to, and widening participation in, higher education is not in any sense about denying people from higher socio-economic groups or independent schools the chance to progress. It is, however, about helping everyone, whatever their background and circumstances, who wants an independent future through higher education to fulfil their potential.

Jeremy Wright (Rugby and Kenilworth) (Con): I am sure that we all agree that we do not want to restrict access to further and higher education. However, does the Minister agree that one of the dangers of the way in which the Government are pursuing their policy is that they are giving the impression that the only way in which to succeed in further or higher education is to go to university? It is important to talk about a broad range of educational options that might be suitable for some, but not others.

Bill Rammell: I agree in part with the hon. Gentleman. It is not the Government's policy to present university as the only route to educational success. One of the Government's achievements over the past 10 years of which I am most proud is the tripling of the number of apprentices in this country. However, it is exceedingly difficult to get journalists and the national media interested in that issue. We need more people to be educated at all levels, and that certainly includes apprentices and people going through school, further education and, indeed, university.

We must be clear that ensuring that people have such an opportunity is an economic and social necessity. Failure in our education system, whether through illiteracy, high drop-out rates or an unskilled work force, breeds wider failure in our society and economy. In many senses, this is a fundamental economic imperative. I strongly believe that being a global economic leader demands a skilled and educated work force who have not only the right skills, knowledge and experience, but the ability to update them in the face of phenomenally rapid change. That change is very significant.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): I am sure that the Minister will join me in acknowledging the great work that the Open university in my constituency has done for the past 30 years or so. Given that many people are considering part-time higher education, what does he propose to do to ensure that there is a level playing field for those in part-time and full-time higher education?

Bill Rammell: I am certainly happy to celebrate the achievements of the Open university, which was one of the finest creations of the previous Labour Government. The Open university was among the bodies that strongly welcomed the 27 per cent. increase in the part-time student grant that I announced last year. Indeed, the significant increase in the access to learning funds from some £3 million to £12 million has been a really important step forward that we should celebrate. The increase gives the Open university, Birkbeck and other institutions a real opportunity to thrive.

I was talking about the rapid rate of change. There is research showing that of the 12 million jobs that were expected to become vacant in this country between 2004 and 2014, 6 million would be in occupations that were most likely to employ graduates. Employers value graduate skills immensely. Over the course of a working life, a graduate, on average, earns over £100,000 more, net of tax, than someone with just two A-levels. The latest Universities UK report on the economic benefits of a degree confirms that graduates, on average, earn more, and are more likely to be in a job, than people without degrees. It also shows that higher education is likely—we should promote this very strongly—to be the best investment that a student will ever make. In addition, the report confirms that the graduate earnings premium is holding up well.

Stephen Williams (Bristol, West) (LD): How does that £100,000 premium, which is an average, compare with the figure that was cited in the last Parliament—before I was a Member of the House—when the Bill that became the Higher Education Act 2004 was being considered? I think that the figure cited in 2004 was about four times that amount. Does the Minister think that if the research that is available now had been available then, the top-up fees Bill would have gone through?

Bill Rammell: If the hon. Gentleman had done his research a bit better, he would be aware that the £400,000 figure was the difference in earnings between a person with a degree and someone with no qualifications. The figure that I am citing is the difference in earnings between someone with a degree and a person with just two A-levels. The figures are not comparable. The body of evidence suggests that the graduate earnings premium has not declined as we have expanded participation in higher education.

David Howarth (Cambridge) (LD): One aspect of what the Minister just said was puzzling. According to Universities UK, nearly everyone with two A-levels or better goes on to higher education. The figure that he cites must therefore be calculated from a low statistical base.

Bill Rammell: That demonstrates that a little research can go an awfully long way towards misleading people. It is not the case that virtually everyone with two A-levels goes on to university. The figure that I am citing is robust. There is a sustainable graduate earnings premium. If hon. Members wish to try to decry that notion, they are doing a disservice not only to their argument, but to the young people throughout the country whom we need to inspire to participate in higher education.

There is an international dimension to the debate. Data from the Organisation for Economic Co-operation and Development show that there is a clear relationship between the number of graduates in the economy and increasing rates of growth in gross domestic product. Emerging economies such as India and China are developing large reserves of talent with people who are highly skilled and ready to reap the rewards of globalisation. Countries such as China and India are certainly not having navel-gazing debates about whether to expand higher education; they are just doing it. That should give us a strong pointer in the right direction. Unless we face up to the challenges that arise from the changes that are taking place around the world, and do more to educate people right through the system to higher levels, we will be blown away by the global competition.

Given the challenges that we face, what have we actually done? Increasing and widening participation in higher education is a good social policy and an invaluable economic policy. To make it a reality in this country, the Government have rightly focused on attainment, aspirations, applications, admissions and affordability, which involves delivering high-quality education to enable people to gain higher education entry qualifications; increasing people's knowledge and understanding of higher education so that they see it as a possible and realistic option; encouraging young people to apply to the institution and course that best suits their potential and ambitions; ensuring that higher education institutions are fair, transparent and professional in the way in which they make their admissions decisions; and addressing perceived financial barriers that might deter young people from poorer backgrounds from going to university or college, or delay their going there. Through pursuing those changes, we have made a real difference.

In 1997, less than 82 per cent. of young UK higher education entrants came from state schools. Some 12 per cent. of higher education entrants came from neighbourhoods that were known to have a low proportion of young people in higher education. By 2004, the number of young UK higher education entrants from state schools had risen to nearly 87 per cent., with almost 14 per cent. of higher education entrants coming from neighbourhoods with little participation in higher education. We have certainly got more to do, but I believe that we are moving in the right direction. Overall, the number of UK students in higher education, as measured by the Higher Education Statistics Agency, has risen from 1.8 million in 1997-98 to 2.2 million in 2005-06. For those undergraduate students for whom HESA has social class data, the proportion from lower socio-economic groups has risen from 30.8 per cent. to 31.5 per cent. since 2002-03.

Greg Mulholland (Leeds, North-West) (LD): I have listened to the figures with interest, and particularly to those for before 2004, but according to the Government's own figures, only a fifth of those going on to higher education are from the lowest socio-economic groups. We have not yet felt the full impact of top-up fees; when will the Minister publish those figures, broken down by demographic group, and what will he do to get more than a fifth of those from the lowest socio-economic groups into higher education?

Bill Rammell: I believe that I am right in saying that the Universities and Colleges Admissions Service published the breakdown by socio-economic group when it announced the January admission figures in February, but I certainly agree with the thrust of what the hon. Gentleman says. We have made progress in widening the participation of people from lower socio-economic groups in higher education, but I am the first to admit that we have a great deal more to do. The system that we have put in place really does help young people from such backgrounds to move forward, but we need to do a great deal more genuinely to encourage them.

Mr. David Chaytor (Bury, North) (Lab): On that point, does my hon. Friend know whether UCAS still levies a charge for providing the information that it compiles to local Aimhigher partnerships? If it does, does he not think that that is unacceptable, and that the information should be made available, as of right, to the Aimhigher partnerships?

Bill Rammell: I am genuinely not aware of the detail on that issue, because UCAS is separate from the Government, but I will look into the matter. On the face of it, I agree with the thrust of my hon. Friend's point; the data ought to be available as widely as possible, and should particularly be available to Aimhigher partnerships.

Paul Farrelly (Newcastle-under-Lyme) (Lab): My hon. Friend is right to say that a general breakdown of data has been provided, but there has been no disaggregation of the data by university. One of the main arguments put forward by those of us who opposed variable tuition fees concerned the possible deterrent effect on people from poorer backgrounds, and we were also concerned that they might consider choosing cheaper universities. We need that data, and I would be grateful if the Minister published it. We have had only two years' worth of data, in which the figures were up and down. May I just quote Ivor Crewe, who was one of the main supporters of tuition fees—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. Not in an intervention; that would be extending it much too far.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op) *rose—*

Mr. Deputy Speaker: Order. This is not Question Time; this is a debate, and the Minister must be given a chance to respond to the hon. Member for Newcastle-under-Lyme (Paul Farrelly).

Bill Rammell: If I may, I shall respond to the point that has been raised, and then I will happily take other interventions. One of the benefits and challenges of our higher education system is the fact that the Government are not directly responsible for the compilation of all statistics. A number of issues are dealt with by UCAS. I do not believe that the point made by my hon. Friend the Member for Newcastle-under-Lyme (Paul Farrelly) is borne out by the evidence that I have seen, but I agree that thus far, nationally, the evidence on the proportion of people from lower socio-economic groups going to university under the new system is encouraging. However, we need to see that information on a university-by-university basis as quickly as possible.

Mr. Sheerman: Mr. Deputy Speaker, I was merely trying to help my hon. Friend the Minister to answer an earlier intervention. On the breakdown of the figures, we really should make it plain to those who opposed top-up fees and variable fees that applications are up by 6.7 per cent. in England, but down in Scotland, Northern Ireland and Wales. That is a success story, but some on the Liberal Democrat Benches will still not even talk about those facts.

Bill Rammell: I wholly agree with my hon. Friend. He anticipates what I shall say towards the end of my speech—I always thinks that it helps to leave the best news until last. I will come back to that issue, but he is fundamentally right.

Paul Farrelly: The Minister faces many challenges in Harlow in Essex. This year, there was a rise of 5 per cent. in the number of applications to Essex university, but Professor Ivor Crewe has said:

> "We may be getting a slightly different social composition with fewer students from working-class backgrounds".

The rise is fuelled by greater numbers of middle-class applicants.

Bill Rammell: I genuinely do not believe that there is national evidence that backs up my hon. Friend's claim, but I agree that we need to see a breakdown of the figures, university by university, as quickly as possible. On the general trend in applications, the point that he tries to make is not borne out by the evidence. If we look at the first year of the operation of the new fee system, we see that there was some variation, both upwards and downwards, but it was difficult to detect a pattern in the kinds of institutions affected, and in what was taking place. We need more information, and we need to get it as quickly as possible.

David Howarth *rose—*

Bill Rammell: I will give way to the hon. Gentleman, but then I will make progress.

David Howarth: I thank the Minister for giving way again. When he gets to the end of his speech, will he take into account the fact that far more children—almost 18,000 more—were born in 1988-89 than in 1986-87? If we compare the figures for those two years, taking that into account, the picture is not quite as rosy as the hon. Member for Huddersfield (Mr. Sheerman) suggests.

Bill Rammell: Unfortunately for the hon. Gentleman, he too anticipates a point that I was going to make later on. Desperate people searching around for a fig leaf to justify their continued opposition to fees have come up with that argument, but if we consider the applications for 2007-08, we see that the increase in the age cohort was about 0.8 per cent., but there was a 7.1 per cent. increase in student applications in England.

David Howarth *indicated dissent.*

Bill Rammell: With respect to the hon. Gentleman, that is right, and the upward trend in applications is moving significantly ahead of the demographics.

Mr. Chaytor: On that point, and to put in context the Liberal Democrats' attempts to undermine the progress that has been made, is it not the case that the figures that we are talking about relate only to full-time undergraduates, who account for about 55 per cent. of all university undergraduate admissions? To see the complete picture, we need to consider what is happening elsewhere, where there has been an amazing expansion in part-time education. Part-time undergraduate applications represent about 45 per cent. of all university undergraduate applications.

Bill Rammell: My hon. Friend is absolutely right, and one of the frustrations in this debate, when variable fees—

Mr. Deputy Speaker: Order. The hon. Gentleman is turning away from the microphone, and I have already been told that he is going off-sound, which I am sure is not what he wants.

Bill Rammell: I am off-sound rather than off-message, Mr. Deputy Speaker. My apologies for that. My hon. Friend the Member for Bury, North

(Mr. Chaytor) makes a pertinent point, because one of the frustrations in the debate about variable fees and their introduction concerns the obsession of the opponents of variable fees with focusing on full-time students instead of on the many thousands of other students who are rightly accessing higher education.

On attainment, despite claims in the media that it is now easier for a person to get the qualifications that they need to go into higher education, the demands of studying and of achieving those qualifications are as high as they have ever been. The gap in attainment between higher and lower social classes goes some way to explaining the relative success that they have in getting to university. Our significant investment in schools since 1997 has helped to raise standards overall. The attainment gap, at age 16, between higher and lower social classes at level 2 is narrowing, and that is welcome, but it is still the case that only about a quarter of lower-social-class 18-year-olds achieve two or more A-levels, compared with around half of those from higher social classes. That is one of the most worrying and troublesome challenges that we face.

The research shows that in the 1990s, children with parents whose incomes were in the highest 20 per cent. were about five times more likely to acquire a degree by the age of 23 than children with parents whose incomes were in the lowest 20 per cent. That is simply unacceptable, and we are determined to address the problem. Evidence shows that if someone makes a decision to stay on at school or college at 16, they are much more likely to stay in education after 18.

The choice of too many 16-year-olds not to stay in education is the biggest barrier that we have to overcome. Through the development of diplomas, ongoing investment in personalised learning in schools and colleges and, crucially, initiatives such as education maintenance allowances, we are making progress. EMAs have contributed to an increase in participation in post-16 education that we expect to feed through to higher education. The proportion of 16-year-olds in the first post-compulsory year of full-time education at the end of 2005 is estimated to be 76.5 per cent.—the highest ever rate and an increase of 2.7 percentage points since the end of 2004. It is the biggest step change in participation in full-time education at 16 since 1993.

I now turn to aspirations, which are the most important challenge that we face. Significant investment in the Aimhigher programme, which my hon. Friend the Member for Bury, North mentioned, and other interventions are raising the aspirations of more young people with the ability and talent to enter higher education. Through a range of activities, such as university visits, master classes, mentoring and summer schools, we aim to show students from disadvantaged backgrounds what study at a higher level involves so that they can experience the realities, challenges and joys of being a higher education student. We welcome the fact that early evaluation of Aimhigher shows that its participants have more positive intentions towards higher education than non-participants. Furthermore, national data indicate that the gap between higher and lower social classes at age 16 intending to go on to higher education narrowed by almost 5 per cent. between 2001 and 2003. I strongly believe that the Aimhigher programme helps to show students from disadvantaged backgrounds that they, too, can strive for entry to universities with the most demanding admission requirements.

That work is critical. Evidence suggests that even when their qualification levels are similar, people from lower social classes are slightly less likely than people from higher social classes to apply for higher education—and if they do, they are less likely to apply to the institutions and courses with the most demanding entry qualifications. That is a challenge for all of us, and for the way in which we advance the debate.

Paul Farrelly: In north Staffordshire we are slowly cracking the 16-plus argument, but the key issue is making sure that students aged 17-plus complete their courses. A policy in the White Paper package aimed at widening participation proposed that every district should have a choice adviser, who would advise students on which universities to choose, given the myriad fees and bursaries available. What happened to choice advisers, and will my hon. Friend point me to my local one in Newcastle-under-Lyme, because as far as I am aware, we do not have one?

Bill Rammell: A range of advice and assistance is available to young people locally, and I will ensure that I send my hon. Friend the details of what is available in his constituency. We must constantly review the advice and guidance given to young people to ensure that all the available opportunities are highlighted and signposted.

Mr. Sheerman: I understand that the Sutton Trust is piloting choice advisers for the Government.

Bill Rammell: The Sutton Trust is doing excellent work, often in conjunction with the Government, which can contribute to the improvement of the advice and guidance given to young people and mature students locally.

Mr. Rob Wilson (Reading, East) (Con): We have heard a great deal about social class, but we have yet to hear anything about what the Government are doing to help to widen access for disabled students.

Bill Rammell: There is significant expenditure under the provisions of the Disability Discrimination Acts to ensure that all university premises are genuinely open. There are specific funding programmes, too, to enable more disabled students to attend university. Many people from different backgrounds have benefited from further and higher education who would not have done so 10, 20 or 30 years ago, and we must promote their involvement.

I should like to say a few words about the university application process.

Mr. Boris Johnson (Henley) (Con): Before the Minister moves on to another "A", it would be bizarre if he did not comment on asset sales. There was a story in the *Financial Times* this morning about the securitisation of the loan book. Is the Minister aware

[Mr. Boris Johnson]

of that, and was his Department consulted? I should like to know whether the story is true, and whether the Government will get a better deal on the sale of the loan book this time than they did in 1997.

Bill Rammell: I have learned in politics and in government never to comment on stories about what may or may not, or might possibly in some circumstances, happen in the Budget, and I will not break that rule today.

I shall deal now with applications. I welcome UCAS's changes to the higher education application process to improve it for everyone trying to get into higher education. I remain strongly committed to a system of post-qualification application. Such a system would help to ensure that students are better matched to their courses, and reduce the potential for students to drop out. Fifty per cent. of predicted grades are inaccurate, and they are most inaccurate for students from lower socio-economic groups; we need to be clear that that is unacceptable. Whatever a student's background, that level of inaccuracy is a cause for concern. I acknowledge that change cannot happen overnight. Our target is 2012, but the HE sector is already developing early reforms that will improve the HE application process for all students.

Mr. Chayter: Is the Minister saying categorically that a fully developed post-qualification application system will be in place by 2012? Can he say a little more about the interim steps that are being taken to achieve that?

Bill Rammell: The Government are not responsible for the HE applications process. Nevertheless, the Department, the Secretary of State and I have driven the debate and are strongly urging universities to sign up to a pathway leading towards post-qualification applications. We had a constructive working party chaired by Sir Alan Wilson, the former director general for higher education at the Department. We achieved a consensus among all the representative bodies in higher education, which sets out a clear timetable for progress on this important issue. It is a two-stage process of reform.

There is the end date objective of 2012 for a full PQA system, and there are significant reforms in 2008-09, such as students being given the access profile course by course, institution by institution, a reduction in the number of applications that each student makes from six to five, to ensure that students can make more informed choices, and the opportunity by 2008-09 for a student who does better than their predicted grades to re-apply once they have gained those grades to a course or institution that better suits their needs or interests. These are important changes, which we should strongly encourage universities to take forward.

Mr. Sheerman: Five years ago the Select Committee made a strong recommendation about post-qualification access and about the nonsense of Oxford and Cambridge having an entirely different date, time and structure for their admissions process. The debate is about broadening access. When will the Government push Oxford and Cambridge into a sensible admissions policy that is the same as any other university's?

Bill Rammell: I can assure my hon. Friend that we have ongoing discussions with all institutions, including Oxford and Cambridge. One of the changes included in the 2008-09 reforms is the concept of a gathered field before the evaluation of applications takes place. Although that will not move the Oxford and Cambridge application date, it should ensure that all applications are dealt with on their merits. That will help to improve the admissions process for those two institutions and many others.

Although we have always said, rightly, that admissions are the responsibility of universities, we do have an interest in these policies and practices. I was encouraged by the findings of our independent review of admissions led by Steven Schwartz. The review showed that, overall, admissions are fair, but that more could be done to demonstrate professionalism and transparency. With universities and colleges, we continue to take action in this area.

On affordability, a matter that was raised earlier by Liberal Democrat Members, it is important to say clearly that all the evidence suggests that the critics of the new system of higher education are being proved emphatically wrong. The UCAS figures released earlier this month show a significant rise in applications from students in England. Applications have risen from 271,700 in 2006 to 291,000 this year, which is a very encouraging rise of 7.1 per cent. Among those providing social class data, applications from the lower socio-economic groups have increased from 30.9 per cent. to 31.3 per cent. Although it is true that the rise in applications will have been affected by demographic trends, that explains only a small part of the increase. The population in England is rising, and applications are rising even more strongly. The increase is well in excess of this year's 0.8 per cent. population growth among 18 to 20-year-olds.

Stephen Williams: Before the Minister draws too many firm conclusions from the socio-economic data derived from the UCAS collation of statistics, will he concede that the biggest group in the data is unknowns, because students do not have to tell UCAS which social group they come from? How can we be so certain that the proportion from lower socio-economic groups is going up?

Bill Rammell: I concede that one cannot be absolutely certain. We seek to ensure in the best way possible that we get as much information as possible on the backgrounds of students who are applying to university, and UCAS is looking at that. If we are having an adversarial trading of blows on this issue, I know whose position I would much rather be in: I would rather defend the changes which we have made and which the hon. Gentleman opposed. One of the reasons why I am confident that we are protecting access for those from poorer backgrounds is that the new system of student financial support is genuinely progressive and genuinely fairer. Student grants have been reintroduced, and we have ensured that students do not start to repay until they are in work and earning more than £15,000 a year, which is effectively a postgraduate system of repayment that rightly ensures that the greatest resources go to those who are most in need.

Paul Farrelly: The Minister is right; the robust argument that we had on these Benches during the changes meant that the student support and bursaries were much improved to sweeten the pill. I would be delighted to be proved wrong about participation by people from poorer backgrounds, but the evidence from overseas shows that when fees are raised all the other moves tend to be neutered, so the overall result is neutral. Does the Minister agree that there is a world of difference between having a cap at £3,000 and giving in to the blandishments of some universities to raise the cap and to introduce a system similar to that used in the United States? I hope that he will resist any such blandishments.

Bill Rammell: I disagree with my hon. Friend about the evidence from overseas. This debate raged long and hard during our proceedings on the Higher Education Act 2004. In some countries where higher fees have been introduced, there has been an increase in applications. On his core point about what we will do about the cap after 2009, we have made it clear that we will not move until we have seen the first full three years of operation of the new system. There will then be an independent commission. I say, both to those who advocate lifting the gap and to those who say that we should scrap fees now, that both those approaches are premature, because we need to see the full operation of the first three years of the new system.

The role of the Office for Fair Access has been significant in helping to smooth the passage of the new system. The introduction of access agreements through which universities can commit publicly to what they will offer students from poorer backgrounds out of the additional income generated from fees has been an important step forward. In the Higher Education Act 2004, we legislated to ensure that a university must have an access agreement approved by OFFA if it wishes to charge more than the basic fee. The introduction of variable fees was an incredibly difficult decision to take, but the Government had the courage to take it, and as I have said, we are being proved right.

I welcome the fact that the Conservative party has shifted its ground on that issue. If I look long and hard, even some Liberal Democrats appear to be shifting their ground—*[Interruption.]* Maybe not the ones who are present today. In my experience, different groups of Liberal Democrats come up with different conclusions. Nevertheless, the pamphlet that was produced before Christmas by the Lib Dem think-tank, which fundamentally endorsed the Government's approach on a post-graduation repayment system, was very significant.

The time has come for those who criticised the concept of OFFA and the bursaries regime in 2004 to move on from that position. OFFA has been an important success. All the institutions that have chosen to set fees above the basic level have successfully completed an access agreement. I take this opportunity to pay the fullest of tributes to Martin Harris and his team for the outcome that they have secured and for how they have gone about it. As a result, access agreements are in place and forecast to deliver in excess of £300 million per year in bursaries to students. I have no doubt that the right to additional fee income for universities must go hand in hand with a social and moral responsibility to students from less advantaged backgrounds. Universities have demonstrated their genuine commitment to that principle through the extent and generosity of the bursary schemes and additional outreach commitments in their access agreements.

At this juncture, I should refer to the concerns that have been raised about a potential underspend on bursaries in some universities. I have been monitoring that situation very closely. The overall scale of underspend has been exaggerated in some reports. In several universities, including a significant number in the Russell group, the projections are that there will be no underspend at all. Forecasts of spend inevitably carry with them some uncertainty, especially in the first year of an entirely new bursary scheme, and some universities set a high figure for reasons of prudent financial management. I am not in the business of unfairly or unjustly criticising people. OFFA will monitor expenditure and performance annually, and we will have a full picture of year 1 after the relevant monitoring information has been collected this summer.

At the same time, universities should be doing all they can to ensure that students get the support to which they are entitled. In recent weeks, several vice-chancellors have explicitly said to me that they intend to invest any underspend in their original bursary estimates on other measures to improve social inclusion. One of them told me:

> "The money for bursaries is 'budgeted out'. If it cannot be spent on bursaries, then it will go to support other widening participation projects."

That is heartening. I would urge all universities forecasting a genuine underspend on bursaries to take that approach.

Mr. Chaytor: Before we leave the question of bursaries and fees, we must recognise that we are still talking about full-time undergraduates. In the context of widening participation, part-time students are likely to provide the greatest number of new students. Will my hon. Friend say a few words about improving financial support for part-time students? I know that he has agonised about the complexity of this. What is his latest thinking?

Bill Rammell: My hon. Friend hits on a key point. The 27 per cent. increase in the part-time student grant that we announced last year was a very significant step forward. However, there remains a challenge. If we simply replicated the full-time system of student financial support for part-timers, there would be an immense amount of dead weight. We need to encourage employers to invest more in the higher education of the people who work for them. Bearing in mind—I am quoting these figures from memory—that 35 to 40 per cent. of part-timers receive a financial contribution from their employer, I do not see why the state should automatically step in through a replication of the full-time student support package in order to absolve the employer of that responsibility. We must ensure that we keep these issues under review to ensure that the part-time student package is as flexible and attractive as possible.

Dr. Hywel Francis (Aberavon) (Lab): I recognise what my hon. Friend is saying as regards the contribution of employers, but would he acknowledge that many potential part-time students are not in employment? Some are carers, for example. How would he address that question?

Bill Rammell *rose—*

Madam Deputy Speaker (Sylvia Heal): Order. May I remind the Minister about speaking into the microphone? Those taking notes may experience difficulty in hearing his contribution.

Bill Rammell: My sincere apologies, Madam Deputy Speaker.

The point about carers is important. One of the changes that we recently announced—an additional bursary for those leaving care—is an important step forward. The specific point that my hon. Friend the Member for Aberavon (Dr. Francis) made is one of the reasons why we need to keep such issues under review. I am not committing to anything today, but it is important that the system is as flexible as possible.

As I said, I urge all universities that forecast a genuine underspend on bursaries to take the approach that I described earlier. It is right in principle, consistent with universities' social obligations, and important for the credibility of the new fees regime. That is why I am pleased that the Russell group and the 1994 group of universities are making clear their support for that principle today. I am also glad that the National Union of Students has given its support.

Malcolm X said:

"Education is our passport to the future, for tomorrow belongs to the people who prepare for it today."

If we want a work force that can compete with the best in the world, adapt flexibly to the challenges of the global marketplace and deliver high productivity, we must ensure that more people have the higher-level skills needed to achieve that. In my view, that will involve a big future expansion in work-based, flexible higher education.

If we want a society that is fair and tolerant, where everyone has an equal chance to succeed and fulfil their potential and dreams, we must ensure that everyone with the talent and ability to benefit—whatever their background, class or bank balance—can pursue higher education. The Government will continue to take the actions necessary to bring about the fundamental changes required to widen participation, increase access and overcome the obstacles that continue to prevent too many bright people from disadvantaged backgrounds from entering higher education. The future success of our country depends on it.

2.51 pm

Mr. Boris Johnson (Henley) (Con): I am grateful to the Minister for his kind remarks about my party's position on some aspects of higher education. Of course, we agree with many things that he said and I admire him for the sincerity with which he speaks about widening participation.

I do not want the occasion to be entirely glutinous and consensual, but I wish to congratulate British universities on their achievements. They are not only huge money-spinners for the British economy, generating £45 billion according to Universities UK, but the chief motors of social mobility and the chief emancipators of women in the past 100 years. In spite of all the social and political obligations that we politicians place on them, and all the hectoring that we give them about widening participation, they remain places of light, learning and scholarship.

Paul Farrelly *rose—*

Mr. Johnson: I hope that I express common ground with the hon. Gentleman, to whom I shall give way, when I say that universities' primary purpose is to achieve an intellectual transformation and—who knows?—an emotional and spiritual transformation, too.

Paul Farrelly: I am sure that the hon. Gentleman would also include a good standard of teaching. Before he gets carried away in congratulating universities, does he believe that they have invested enough of the extra income from top-up fees in rewarding lecturers a little better?

Mr. Johnson: It was perverse of the lecturers to oppose top-up fees and then go on strike for a larger share of the proceeds from them. It ill behoves lecturers and the hon. Gentleman to be grudging about the extra income—perhaps not as much as we would like—that has flowed to the academic community and also gone towards the bursaries that are so essential to the needs-blind admission that we all support in higher education.

Mr. Sheerman: Is not it a fact that we know our friends when there is a common and shared purpose and times are rough and tough? Where was the hon. Gentleman's party when we were fighting for variable fees? Indeed, where were the Liberal Democrats? Is the hon. Gentleman today apologising for the position that the Conservative Opposition took in those tough times?

Mr. Johnson: I almost find myself apologising to almost everybody. If it pleases the hon. Gentleman to have an apology from me, I have absolutely no compunction about issuing one. All I would say is that the record will reveal that I did not, for one reason or another, contrive to vote with my party on that particular issue—one of the many reasons why I got into trouble—but I take the hon. Gentleman's point.

Unlike the creatures on the Liberal Democrat Benches, my party has changed. The Minister has hinted that there are signs of a thaw in the Liberal Democrat position, and it would be a good thing if representatives of the species other than the hon. Member for Bristol, West (Stephen Williams) came to the House today and ventilated the change of heart that we are starting to see.

The Liberal Democrat position is being exposed by the statistics as against the interests of the universities and against the interests of students—we should look at the figures from Scotland, as the Minister said—as well as regressive and socially unjust. I do not say that

the UCAS figures are definitive—of course not—but if they are correct in so far as they relate to lower socio-economic groups, they are, as the Minister rightly said, very encouraging. There is a great deal more to be done, as he conceded, and the Government have been open in their confession of failure to attract candidates from lower socio-economic groups. We are not doing well enough yet in convincing people of natural ability from poorer backgrounds that university might be the place for them.

The brutal reality—here I shall become more controversial—is that not enough of them are getting good grades in the demanding subjects that universities often require for entry.

In 2004, only 28 per cent. of those from socio-economic groups 4 to 7 went to university and only 13.1 per cent.—more or less the same statistic that the Minister mentioned— from Labour party's traditional neighbourhoods. It would be quite wrong to blame the vice-chancellors, students or lecturers for those dismal figures, because all three are making huge efforts. Anyone familiar with today's students or who looks at their CVs knows how much time ambitious students at least seem to spend—and who knows, they probably do spend—working with schools in deprived areas to encourage kids to think of themselves as potential university material. That happens to an extent that would have been unimaginable 20 or 25 years ago, or however long it was since I was at university. That is a wonderful thing for students to be doing, it will reap huge dividends over time and it is the way to go. That is why we completely support the objectives of the Aimhigher programme, though I note that the Minister has ordered a review of it and that it is to be cut by £19 million in 2007-08, so I would be grateful if he would explain the consequences of that cut for the objectives that we all share.

Paul Farrelly: As I mentioned previously, north Staffordshire has one of the lowest participation rates in the country. The crucial stage is 17-plus—getting people to complete their courses and then go on to higher education. What would the hon. Gentleman's party do in particular to improve the careers advice service?

Mr. Johnson: One thing worth considering is getting rid of the Connexions service. The general problem that the hon. Gentleman raises is at the heart of the whole widening participation agenda. At every stage from 16 on, we are trying to remedy defects and divisions in our education system that appeared much earlier on. That is the key point that I want to make today.

Too often, there is a direct read-across from economic or social disadvantage to academic disadvantage. Let us consider two small kids of 22 months—one from a low socio-economic background and one from a well-off background. Let us suppose that at 22 months the kid from the poor background does well in a test and the one from the well-off background does relatively badly. By the age of six, their positions will have been reversed, and the gap will never again be closed.

That raises deep and difficult philosophical questions. What do we mean by raw intelligence? What is the role of the Government in winnowing out and encouraging raw intelligence? Is it randomly distributed throughout the population? It would be crazy to discriminate against parents who read to their children and who make an effort to turn the television off and take away the PlayStation in order to improve literacy. We also have to recognise, however, that the system is simply not working for poorer brighter kids.

By the age of 16, almost half of those qualifying for free school meals in 2005 failed to get a single A* to C-grade GCSE. Only 19.8 per cent. received five or more A* to C-grade GCSEs including maths and English. In recent years, the gap in attainment between the free-school-meals lot and the non-free-school-meals lot appears to be widening. Those people do not go on to do A-levels, and the consequence is that there are very few candidates in that socio-economic group with the requisite A-level qualifications to get into university. There were about 850 in that group, all told, who got three grade As at A-level. It is no wonder that it is so hard for the universities, which are keen to meet these political objectives, to show that they are widening access and participation, when they are all chasing the same small number of candidates from those groups.

Paul Farrelly: During the debate on top-up fees, I met the then Secretary of State to discuss the effectiveness of the Connexions service. The hon. Gentleman has just said that he would get rid of it, but we would then have nothing. What would he replace it with?

Mr. Johnson: I am sorry, the hon. Gentleman must have misunderstood me. It is our purpose to reform the Connexions service, not to get rid of it. I am grateful to him for allowing me to clarify that point.

We were talking about the gap in attainment between free-school-meal kids and non-free-school-meal kids, and what worries me is that the position is even worse when we look at their respective performances in the kind of subjects that universities traditionally value. I tend to get into even more hot water than usual when I talk about this, because I use the term "crunchy subjects". That is not popular with the educational establishment—it does not seem to be popular with anybody—but I continue to use it. It seems to be an article of faith that all academic subjects are equally academically challenging, but I am not sure that that is entirely true—*[Interruption.]* Perhaps I have support from the Liberal Benches on that. I do! I am very glad to see it.

I shall defend my position on this by making reference to a study by Durham university which looks at the rates of progression from an A grade at GCSE to an A grade at A-level. I hope that we are in agreement across the House that it is palpably easier to progress from an A at GCSE to an A at A-level in some subjects than in others. Are we agreed on that? Thank you. In so far as there are crunchy subjects—I think that it is agreed that there are—the worry is that they are being increasingly ghettoised in the independent sector and in the top performing state schools.

Mr. Chaytor: Before we leave the subject of differential attainment between children of different social backgrounds, may I point out to the hon.

[Mr. Chaytor]

Gentleman that the amazing insights that he is bringing to the debate have been common knowledge on this side of the House for many years? Not only that, but it has been an article of faith for us that something needs to be done about it. Is the logic of his new insight into these matters that he now completely accepts the kind of intervention that our Government have brought in since 1997 in early years and primary education, and in raising achievement in secondary schools? Does he think that anything done by the Government since 1997 has not been designed to contribute to closing that attainment gap?

Mr. Johnson: Of course, the Opposition support anything that can be done to improve children's performance in the early years, but I am afraid that recent statistics do not bear out the hon. Gentleman's confidence in the Government's record. I am glad that he says that my analysis is common ground—

Mr. Sheerman: Will the hon. Gentleman give way?

Mr. Johnson: Perhaps the hon. Gentleman will allow me to complete my point.

In 2004, an increasing divergence was seen between the maintained sector and the independent sector in the crunchy subjects. No amount of extolling what the Chancellor has done can massage that away. Let me give the hon. Member for Bury, North (Mr. Chaytor) the figures. If he looks at the 2004 A-level statistics, he will see exactly what I mean, and the Labour Government cannot escape responsibility for the problem. In 2004, there was an increase in some of the easier subjects—I am glad that he accepts that analysis—with art up 11 per cent., communications and media studies up 22.9 per cent., design and technology up 23 per cent. and business studies up 13.4 per cent.

I do not wish to deprecate those subjects—I greatly admire the teachers of those subjects, and they are in many ways wonderful qualifications to attain. In parallel, however, some of what the hon. Member for Bury, North and I would agree to be the hardest A-level subjects have declined in the maintained sector. Let me give him the figures. Chemistry was down 2.4 per cent.; physics was down 9.1 per cent.; maths was down 10.4 per cent.; French, which the Minister for Higher Education and Lifelong Learning studied at university—I cannot remember whether he is the hon. or right hon. Gentleman, but he jolly well ought to be right hon.—was down by 16.7 per cent, in spite of his efforts; and German was down 24.9 per cent.

Mr. Chaytor: Those statistics are not under dispute. What is under dispute is the way in which the hon. Gentleman, to get himself off the hook, is trying to conflate two separate issues: the differential levels of achievement by social class over time, which have been reduced since 1997 because of the Government's efforts, and the distribution of high-ability pupils between the state and private sector.

Mr. Johnson: My point is a simple one. In trying to widen participation, which we all want to do, we must ensure that the crunchy, difficult subjects, which the hon. Gentleman and I agree are particularly valued by universities, are popular and well studied throughout our school system.

Let me give the hon. Gentleman the figures for the independent sector. As in the maintained sector, the number of A-level candidates has increased, by 11 per cent. The key point, however, is that entries have also increased for the crunchy subjects. In 2004, chemistry was up 8.6 per cent.; physics, which, if he remembers, was down 9.1 per cent. in the maintained sector, was up 6.5 per cent.; maths was up 8.5 per cent.; and modern languages, which saw such dismaying declines in the maintained sector, were up 5.5 per cent. overall. That translates directly into university admissions.

Dr. Roberta Blackman-Woods (City of Durham) (Lab): I am not entirely sure where the hon. Gentleman's argument is going. I think we all recognise the need for more young people to study science subjects at A-level and at university, but is the hon. Gentleman arguing that we should not encourage students to study other subjects that he listed, such as design and technology or media studies? In the north-east, we need students with such qualifications so that they can help to develop our creative industries.

Mr. Johnson: Of course we need students to study those subjects as well. I am merely trying to account for the problems involved in persuading universities to admit candidates from a wide range of social backgrounds at a time when the difficult subjects required by the admission procedures of many universities are not being studied sufficiently in the maintained sector.

In 1995, 15 per cent. of first-year chemistry students came from the independent sector; in 2004, the proportion had risen to 18.5 per cent. In 1995, 26 per cent. of new modern languages students came from the independent sector; in 2004, under the present Government's watch, the figure was up to 30 per cent. Alas, the trend is all the more pronounced at the so-called top universities. I know that we are not allowed to use that phrase, and the Minister carefully avoided it, but as usual I have introduced an unthinkable phrase into our discourse. In 2004, 48 per cent. of the French department at Bristol university came from the independent sector. I do not believe that that is the university's fault: as any Labour Member with an ounce of fairness would agree, it makes huge efforts to widen participation. I believe that it is the fault of the school system.

Mr. Chaytor *rose—*

Mr. Johnson: I will happily give way.

Mr. Chaytor: Where is this leading us? The hon. Gentleman is—

Mr. Johnson: If the hon. Gentleman would let me finish—

Madam Deputy Speaker: Order. The hon. Member for Bury, North (Mr. Chaytor) is in the middle of an intervention.

Mr. Chaytor: The hon. Gentleman is defending the status quo. He is repeating a set of statistics with which everyone is familiar. What conclusion does he draw, and how does this relate to differential levels of achievement in the early years?

Mr. Johnson: If the hon. Gentleman will allow me to finish my argument, he will understand. The problem is that we cannot widen participation in the universities by concentrating on the universities alone, at a time when the performance gap in the schools sector continues to become wider and wider.

While I am on the subject, let me say that I think it quite wrong of the Government to seek—as they have today, apparently—to politicise university admission procedures by the incredible expedient of forcing students to give details of what their parents do, the race to which they belong, and whether their parents obtained a university degree. In my experience, universities are not interested in the background of parents; they are interested in the potential and the academic ability of students. I think that it would be disastrous for every university admissions procedure to become a nightmarish discussion about nature versus nurture. I believe that students have a right to withhold that information, and should be judged on their educational performance and potential alone.

Mr. Chaytor *rose—*

Mr. Johnson: The hon. Gentleman keeps asking me where my argument is going. If he will allow me to make some progress with it, I shall be happy to enlighten him. The school system and the imbalance of the progression and uptake of the crunchy subjects are at least partly responsible for the difficulties that we are discussing.

Bill Rammell: Will the hon. Gentleman give way?

Mr. Johnson: With pleasure.

Bill Rammell: I cannot resist pointing out that during an earlier discourse, the hon. Gentleman strongly agreed with me that one of the virtues of the new system was that there had been not a fall but an increase in the proportion of students from the lower socio-economic backgrounds. How can we obtain that information unless UCAS asks for it on the application form?

Mr. Johnson: I think the Minister knows the answer to that. Indeed, I think he was about to give it to the hon. Member for Cambridge (David Howarth). It is perfectly all right, in general, for UCAS to have the information so that we, as a society, can know what kind of people are going to university and can study social progress. What is not right is for university admissions tutors and academics to feel the pressure and oppression of such data, and to be constantly dragged into discussions about the background and parentage of individual candidates when they are seeking to make a judgment about their academic potential. That is wrong, and I hope that the Minister will give students the option to withhold that information.

David Howarth: I can give the hon. Gentleman some support—although, as a Cambridge academic, I might have to declare an interest to do so. The request for information about parental background was removed from the Cambridge application form because it was thought that applicants might think that it might prejudice their application and that it would have an adverse effect on access.

Mr. Johnson: I am grateful to the hon. Gentleman for injecting some common sense from the Liberal Democrat Benches—on this occasion, at least. I hope that the Minister will take account of what he is being told because his position on the matter under discussion is mistaken.

The imbalance in respect of the uptake of difficult subjects is producing perverse incentives. Let me give an example. The hon. Member for City of Durham (Dr. Blackman-Woods) talked about the need to encourage people to study science subjects, and we are all keen to keep our science departments open, but there is a paradox involved in that. If a university admits a good science candidate, the chances are—statistically, this is very likely—that they will come from a relatively well-off background and from a relatively successful school. Therefore, the university might achieve the objectives of admitting a good science candidate and of expanding science education in this country, but it will not achieve the objective of widening participation.

As I—and the Minister, too—never tire of saying, in terms of science, success is followed by success. Let me give a statistic that the Minister should have used when addressing the Liberal Democrats: engineering graduates enjoy an earnings increase of £243,730 as opposed to an increase of only £34,494 for those, like the Minister and me, who were so unwise as to study an arts degree. That point is a great advertisement for science, and it should be used more widely by all Members to evangelise on the benefits of the study of science at university.

However—to return to my core point—the tragedy is that we deprive our children of a realistic choice of what to study much too early in the system; that happens not at university, but much earlier. As well as taking steps such as recruiting more science teachers and making science more interesting, I agree with my hon. Friend the Member for Havant (Mr. Willetts) that we should take a harder look at the effects of the league table system, and particularly the extent to which the tables build in disincentives to study what I call the crunchy subjects. As my hon. Friend suggested, it would be a sensible reform if we were to give a special weighting in school performance assessment and league tables to such difficult subjects—which are the subjects that universities look at in particular in deciding on admissions. That is the key to what I, the Minister and everybody else wants to achieve, which is to expand the classic route to university.

Paul Farrelly: I want to return to the crunchy issue of Connexions. The hon. Gentleman has acknowledged the importance of good career advice for acquiring information, confidence and aspiration, and he has made it clear that he would not get rid of such advice, but that he would reform it. Lest Members think that

[Paul Farrelly]

he might be making policy on the hoof, will he tell us what is the key reform that he would implement in respect of Connexions?

Mr. Johnson: It is particularly important that students have better advice on the right mixture of GCSEs necessary to gain admission to the place they want to go, but we will not solve the problem we are discussing by addressing the careers advice system alone. We must make sure that all children in all schools have equal access to the vital utensils that they will need to get to higher education. The hon. Gentleman trivialises the matter by endlessly banging on about Connexions.

Let me turn to a point that has been repeatedly made: everyone involved in universities who is listening to this debate and my speech—and everyone else who is listening—would say that we are missing out addressing a huge chunk of matters relating to how we could widen access to higher education. The hon. Member for Bury, North made just that point a moment ago. We should not think of higher education as an 18-24 issue or even as an 18-30 issue. We have to encourage all sorts of groups to think of themselves as university material at all kinds of ages.

We should also be expanding part-time study and it is interesting to hear the focus on that point in the Chamber today. We are clearly all getting pressure from constituents to expand part-time provision and find an imaginative way—I am sure that the Government can think of one—to ensure that part-time students have the same access to financial help as full-time students. That would be very expensive, and I am not making any spending pledge, because I would be immediately jugulated. I am conscious that my right hon. Friend the Member for West Derbyshire (Mr. McLoughlin) is in his place and watching me very carefully, but it would be good if we could consider the issue. I heard what the Minister said about not wanting to drive out business funding, and the point about dead weight is well taken, but there has to be some way to help part-time students.

It is sad that one sector that has declined under this Government is the adult and community learning sector. The Minister shakes his head and I hesitate to disagree with him, but the numbers for that sector are down on 1997.

Mr. Sheerman: As ever, the hon. Gentleman is being extremely entertaining, but he has been speaking for nearly half an hour. Could he just get on with the argument, because we are waiting for it? We have heard a lot of waffle, but what is the Conservative party's view on how to broaden access?

Mr. Johnson: That is very disobliging of the hon. Gentleman, who was being kind to me earlier. I have already made it clear that we have two concerns. The first and most important is that the school system is not adequate for the job of widening participation in the way that we all want to see. That is why we should look again at the league table system, and there was some nodding by Labour Members when I made that point—but perhaps the hon. Gentleman was nodding off—*[Interruption.]* Perhaps they were shaking their heads. I said that we must ensure that people did not face any disincentives when choosing to take the crunchy subjects that universities value and that assist people in getting into higher education. That would be a useful reform and it has been promulgated by my hon. Friend the Member for Havant, who is in his place on the Front Bench.

Secondly, we should consider part-time students, who come disproportionately—

Dr. Francis: Will the hon. Gentleman give way?

Mr. Johnson: I keep being interrupted and asked to make fresh points. I am obviously stimulating much thought in what passes for Labour Members' minds.

We should do more to stimulate part-time study, because part-time students—as Labour Members will know—come disproportionately from low-income groups. The Minister recited the figures today, but we all know that 70 per cent. of the 2020 work force is already in work. We need to keep training them and, as the Minister rightly said, to become more competitive.

I wish to end with a thought about increasing participation generally, not only in universities but in education as a whole. It is widely recognised that one of the failures of this Government, to which the Minister did not allude, is that there has been a 15 per cent. increase, to 1.25 million, in the number of 16-year-olds who are not in education, employment or training. We are seeing, time and again, the results of failures at earlier stages of education. We need a better vocational route for those people and a better progression from further education to higher education. I am glad that progress has been made, although I realise that the Further Education and Training Bill was a rushed job, spatchcocked together at the last minute—*Interruption.]* I thought that was what the Minister said. However, he has been imaginative and conciliatory in his solution to the difficult problem of further education colleges issuing degrees with no co-operation with universities. I think he has accepted that articulation agreements will be in the Bill—I hope he will reply on that point—which is a good thing, because the agreements will ensure that there is integration and co-ordination between FE and HE institutions.

Angela Watkinson (Upminster) (Con): Does my hon. Friend agree that co-operation between local FE colleges and universities will be an opportunity to release the huge untapped pool of talents of women who did not go to university when they were younger and have now brought up their children? They will be able to undertake a course of academic or other study and acquire a degree without having to move away from home or give up their other responsibilities.

Mr. Johnson: I am grateful to my hon. Friend for making that point. She is right. We support the broad thrust of the Bill because it will help people from disadvantaged backgrounds to go to university, as long as we make sure that the FE and HE sectors are properly interlocked and not in pointless competition. We support the measure not because we want to aim at pointless targets of 50 per cent. participation in higher

education, but because we believe that universities have enormous power to change society and to change people's lives. That is why widening participation is a vital objective, provided we remember that we cannot ask universities to remedy the divisions and injustices that have already appeared in British education. Any serious attempt to widen participation must address the serious and growing gulf in performance between our schools.

3.27 pm

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): We should congratulate my hon. Friend the Minister for Higher Education and Lifelong Learning on his role in initiating this debate on widening access. It is high time that we debated the subject in the House. The Select Committee on Education and Skills has just embarked on a major inquiry into the sustainable university and the hon. Member for Henley (Mr. Johnson) is welcome to participate in any of our sessions. I am sure that some of the distinguished people who will give evidence over the next few weeks will be of great interest to him.

We must look seriously at the progress report on higher education. Much of what the Minister said is right and should be welcomed. I hope I shall not be castigated by anyone in the university world if some of my remarks are a little uncomplimentary about the higher education sector's timidity in meeting some of the challenges.

I think all parties agree that getting less-privileged young people into higher education is a difficult job, and that although all the statistics show that there has been gradual improvement, it has not been fast enough for most of us. What should we do about that? We know that more than 90 per cent. of 18-year-olds with the appropriate qualifications go into higher education. Most young people who remain in education after the age of 17 go on to higher education, as my hon. Friend the Member for Newcastle-under-Lyme (Paul Farrelly), who has left the Chamber, suggested. That is to be celebrated, but those figures do not include enough kids from poorer backgrounds. We need to raise both our aspirations for those young people and their achievements.

Can I have my cake and eat it? What irritates me about some of our colleagues—not just Opposition Members, but Labour Members too—and many media commentators is that they pontificate about what goes on in our schools but do not actually visit them. In my job, I make sure that I get a strike record of visiting two or three schools a week. That means piling in an awful lot during term time. However, there is nothing like it.

If you, Madam Deputy Speaker, picked up *The Sunday Times* and read the education stories and finished with the last page and an article by the former chief inspector of schools, that would almost drive you to suicide. The only thing that prevents a suicidal act in my case is the prospect of visiting a real school on the Monday or Tuesday. If we go to a school, we see the good teaching, great learning and the highly motivated staff.

The best teachers that I have seen in my lifetime are now coming through. The new generation of teachers make wonderful school leaders. Indeed, last week, I spoke at the National College for School Leadership in Nottingham and saw how many new young heads are coming through aided by inspirational new programmes such as "fast track" that identify early on the young teachers who have the potential to become heads. I met two only last week. They are aged 29 and they are heads of their schools. That is truly inspirational.

Mr. Chaytor: Before my hon. Friend moves on from discussing the educational guru of *The Sunday Times*, he will recall that he played an important part in the demise of the former chief inspector. Given Mr. Woodhead's continuing influence over a large section of the British establishment in respect of education policy, does not my hon. Friend think that Mr. Woodhead would be a suitable candidate to bring before the Select Committee at a future hearing?

Mr. Sheerman: The guru status and influence of that particular gentleman can be exaggerated. I will have to think about my hon. Friend's suggestion.

Angela Watkinson: The hon. Gentleman has just repeated a comment that he made in questions to the Secretary of State for Education and Skills earlier. He seems to be under the misapprehension that Opposition Members do not visit schools. May I assure him that he is preaching to the converted? I, and every colleague I know, frequently visit our schools and share his concern and interest.

Mr. Sheerman: I was just trying to get the balance right. I meet many Members of Parliament who do not visit many schools, and I urge them to do so. However, let us put that issue to one side for a moment.

We want to raise the aspirations of 18-year-olds. However, what was disappointing about the speech of the hon. Member for Henley was that he did not go below the age of 18 and explore what we can do to stimulate those pupils further. There was a broad generalisation that we must improve schools. Of course, that is so, but there has already been a steady improvement. However, he did not mention the fact that the independent sector is good at identifying what he calls the "crunchy subjects". I am always a bit cautious about crunchy subjects because one person's crunchy subject is not the same as another's. Is economics a crunchy subject? Is law a crunchy subject?

Mr. Boris Johnson: I think that the hon. Gentleman will agree that English and mathematics are crunchy subjects. The disgrace of our education system is that 44 per cent. of children still leave primary school unable to do reading, writing or basic mathematics. That is where the division begins and that is exactly the point that I was making throughout my speech.

Mr. Sheerman: That is the Woodhead argument, is it not? It is not true. That is not the percentage of children leaving school at 11 with those low levels. The hon. Gentleman does the children and teachers of this country an injustice by exaggerating the levels of illiteracy and innumeracy. Perhaps he can provide me with the facts or statistics that would authenticate his wild view, or perhaps he will change his view after two minutes as he did about the Connexions service as the

[Mr. Sheerman]

result of an earlier intervention. It is not right to talk about low levels of performance. The performance of children in our schools is improving steadily, although of course it is never good enough and we want it to be better.

Let me talk about the responsibility of higher education in that respect. I have taken the Education and Skills Committee to visit many of the ivy league universities in the United States. People in those universities do not sit there, concerned and worried about the lack of bright students from less privileged backgrounds. The universities have a technique for identifying where those students are and a rigorous way of going out, finding them and bringing them into their institutions. If we look at the overall performance—particularly of the research-rich universities in our country—it is lacking, in terms of what our universities could learn from the United States. Stanford, Princeton and other leading ivy league universities in America have a map of America that shows every state, city and community. They know where the students are coming from and they know when they are underperforming in terms of attracting students from a particular state or municipality. They are so well organised that they use their alumni, as well as professional staff, to visit schools in areas from which they do not get students.

Mr. Kevan Jones (North Durham) (Lab): Does my hon. Friend agree that, slowly but surely, universities in this country—certainly in the north-east—are changing? However, we have to get to a situation whereby universities visit not just secondary schools, but primary schools to light the little touch paper there and to put the idea of going to university not just into the kids' minds, but more importantly—especially in families where there is no tradition of going into higher education—into the parents' minds.

Mr. Sheerman: My hon. Friend makes a good point.

Jeremy Wright: I agree entirely that it would be much better if British universities did what American ivy league universities do in identifying those who can most benefit from a higher education, but the hon. Gentleman must recognise that the major difference is the amount of funding and the resources that American universities have to do that with. I am sure he would agree with me that many British universities do as much as they possibly can with the limited resources that they have available.

Mr. Sheerman: The hon. Gentleman makes a fair point. American universities, and especially ivy league universities, have greater resources. When one meets a president from somewhere such as Stanford, he will have 50 MBAs standing behind him. That does not happen with most vice-chancellors in most universities in Britain. But let us get the balance right. I am not condemning universities in this country; I am saying that they could do far more in terms of going down their supply chain and looking at where their talent comes from and, if there is a deficiency, doing something positive about it.

I have been rather disappointed in some of our institutions. I am a governor of the London School of Economics and I tell our director that we do not do enough. We have summer schools, as do many universities. But, without the impetus of the Sutton Trust and Sir Peter Lampl, many universities would not even have gone that far. The hon. Member for Havant (Mr. Willetts) and I have visited summer schools in Cambridge. The criterion for someone to go on one of those Cambridge summer schools, which are supported by companies such as Goldman Sachs and organisations such as the Sutton Trust, is that neither parent has been to university. Perhaps it is dreadful that that criterion is used, if the hon. Member for Henley is to be listened to, but the fact is that a high percentage of the young people invited to those summer schools get into Cambridge. So, there is much that can be done.

Universities in this country, including the London School of Economics, should go further. I am disappointed that more universities have not gone into partnership with academies, or created academies. They could go down their supply chain and choose to be based in communities where they could make a difference and participate in the process long before children choose their subjects. That is the level of partnership that I would like to see our universities indulging in. There is also the new ability to form trusts, which are in some senses less onerous. I would like to see more imagination from our higher education institutions in reaching down the supply chain, identifying the problem and doing something about it.

Let me make a comparison. The thing that, more than anything else, has stimulated universities in the United Kingdom to move faster towards the American tradition is fundraising. Universities throughout the country now carry out fundraising much more successfully than before, usually because they are copying American techniques. Indeed, many universities are hiring Americans to raise money for their institutions. If more attention were paid to the situation in America—the Americans have a similar culture to ours, and a comparison with continental Europe is much more difficult—we could learn American techniques reasonably quickly. There is much to learn from the United States. Of course, American universities have more resources, but there are now more resources in this country than there have been for a long time because the fundraising of some of our premier institutions has been very successful.

Jeremy Wright: Does the hon. Gentleman agree that although there are many similarities with the American system, one of the major differences, which has a direct bearing on what he is saying, is that American universities have a well-developed system of keeping their alumni interested in, and supportive of, the university? Does he agree that British universities could try to do that to a greater extent? If they were to succeed, there would be not only more examples of people from less well-off backgrounds who had gone to university on which to draw, but better access to funding.

Mr. Sheerman: The hon. Gentleman is absolutely right. I welcome the fact that that is happening in British universities of every kind. I hope that the Chancellor of the Exchequer will go further with the tax breaks and incentives that he can give to people who put something back by investing in the institutions from which they have benefited.

Although we have teased each other about this, it is true that variable fees, or top-up fees, as the Lib Dems successfully called them, have been a success story. Those of us who passionately believed in variable fees and still have the bruises from our discussions about them in the House—they were backed by a very narrow vote, against the opposition of Liberal Democrat and Conservative Members—are seeing that the measure is showing much success. English universities are out-competing universities in Scotland, Northern Ireland and Wales on applications, and there is evidence that more children in England from deprived social and economic backgrounds are going into higher education than in other parts of the United Kingdom. That is a success story.

Although we did not know about this, one of the less successful aspects of the measure that is now materialising—we have evidence for it—is the paradox that the universities with the most funding for bursaries have fewer students from socially deprived backgrounds to whom to award them. We have a problem that the research-rich universities have a disproportionate amount of funding for bursaries compared with the less well-endowed universities, where the need for bursaries is greater. We must do something about that.

I heard what the Minister said about the use of unused funding for social inclusion, but there would be a danger that we could develop a system similar to that in independent schools. Independent schools justify their position to me by saying that they put money back into poorer students, but the "poorer students" to whom they give bursaries tend to be those with parents who are not very well-off and are struggling with the fees, rather than children who are from very poor backgrounds, but have ability. There is a danger that such a situation might arise if we were to give the bursaries to people who did not really deserve them.

David Howarth: On access and fees, does the hon. Gentleman agree that the crucial measure of the system is the chance that a particular person born in a particular year will apply for higher education? If he does agree, what is his response to the calculation that a child born in 1986-87 had a 43.7 per cent. chance of applying to university by the time of the Universities and Colleges Admissions Service cut-off point of 15 January, that that figure fell the following year to 40.5 per cent., and that although the figure increased in the most recent year, it increased to only 43.2 per cent., which was less than the starting point? Does not that contradict what the hon. Gentleman said about access and fees?

Mr. Sheerman: No, it does not, because we only have one year's figures to look at in considering the impact of fees. As we have said, we will look very carefully at the figures for the three years. One reason why Labour Members believed that the variable fees option was the way to go was that we understood clearly that although expenditure on education across the piece had increased substantially under the Labour since 1997, less of an increase had been affordable in higher education. We knew that realistically, there was one way to get new resources for the higher education system, and we knew that there was one way to start paying staff in higher education properly—something that the hon. Member for Cambridge (David Howarth) will perhaps appreciate.

Let us remember that we still have many world-class universities of which we should be proud, but we cannot take them for granted, and if we do not pay academic staff adequate salaries we will not get the talent coming through. People will not choose an academic or research career, but will instead go to the City of London, which everyone seems to think is the acme of success. They will not choose to give something back by teaching in a higher education institution. There has to be a balance; if people choose that pathway, they should earn an adequate income for doing so. I have a vested interest, as I am still a vestigial member of whatever the Association of University Teachers is called these days. I also have a son-in-law who is a struggling academic; they will all tell you that they are still struggling on their salaries, which compare badly with those in the United States.

David Howarth: I thank the hon. Gentleman for giving way again, and I appreciate his supportive comments about rates of pay for my colleagues in academia, but he should appreciate that the amount of money that universities, especially research universities, get from tuition fees is actually quite small, compared with the university budget as a whole. In Cambridge the total university income is something like £500 million, and the net income from fees is less than £20 million, so academic pay is not entirely determined—in fact, is hardly determined at all—by tuition fees.

Mr. Sheerman: I think that the hon. Gentleman is quibbling a bit. The fact is that a significant tranche of new money came in, and will continue to come in, for higher education. One of the great things about the university system in this country is its relative autonomy from government. It is far superior to the rather centralised systems in continental Europe. One of the reasons why I know the details is that the Select Committee on Education and Skills is considering the Bologna accord at the moment, and we have taken evidence on the subject.

Mr. Kevan Jones: Will my hon. Friend give way?

Mr. Sheerman: In a moment. The very different tradition in mainland Europe, and difference in the history of its universities, has been brought home to me. We should surely nurture a system in which there is greater independence from government. We were talking about receiving money from alumni, and we are now talking about receiving money from fees, and surely that arrangement is part of the health and strength of a relatively independent higher education system. It adds to universities' viability and independence. It means that in many years' time, long after we have stopped strutting this stage, we will have a university and higher education system that maintains itself, and has independence and integrity. Surely the hon. Member for Cambridge would agree with that.

David Howarth *rose—*

Mr. Sheerman: I will not give way to the hon. Gentleman; I will give way to my hon. Friend the Member for North Durham (Mr. Jones).

Mr. Jones: Does my hon. Friend agree that if we had followed the never-never land approach of the Liberal Democrats and opposed tuition fees, that extra money would not be going into Higher Education, and would not be having the effect that he describes?

Mr. Sheerman: When the Select Committee intervened and held a session to try to bring the two sides together in the pay dispute, I asked the general secretary of the Association of University Teachers whether she was embarrassed about taking the money after opposing the proposal. She said that she did not feel any embarrassment at all. *[Interruption.]* Well, I am glad that she spoke up for her members in that regard.

Another problem affecting access to higher education is the existence of subcultures. We can discuss the problem in an airy manner, but some children face barriers to higher education. As I travel around England looking at the problem and talking to students, I meet people in my own community and in other communities, and I have discovered that there are distinct subcultures in which people do not believe that higher education can play a part in their life. They do not know anyone who went into higher education, and they do not have any neighbours in higher education. They live in communities where that aspiration is not voiced, so there is a tremendous onus on their teachers to introduce them to higher education.

It is extremely difficult to tackle that problem. We know which parts of the country, which wards and which postcode areas are affected, so we must identify the relevant schools so that we can support them in raising aspirations and giving students the imagination to think about going to university. With my colleagues in the Select Committee, I try to visit schools around the country and talk not only to teachers but to parents and students. We know when we are in part of the country where that aspiration is low. I recently visited a Yorkshire school—it is not in my constituency—in a white working-class area of social housing. The head told me, "We don't have many aspirations that these children will go into higher education." That attitude made me angry, as it is rare that one hears such low aspirations from teachers.

We must, however, tackle those subcultures. We know where they are, which is why I want more active participation by the Government, through whatever agency, so that schools can raise the aspirations of their students and tackle the problem. There are other subcultures that worry me, too. I have four children, two of whom went to Cambridge, one to Bristol and one to Edinburgh. I accept that I am lucky that my children all went to university in towns and cities that are accessible and pleasant to visit. They went to local comprehensives, and they all said that there is a subculture in those universities that puts off a hell of lot of children from ordinary backgrounds. I do not know as much about Oxford as the hon. Member for Henley (Mr. Johnson) and other Oxford graduates in the Chamber, but a subculture dominated by the independent sector and the leading public schools is prevalent in our research-rich universities.

That problem is underestimated. In the past five years, the number of students from Eton going to Oxford and Cambridge has grown from 38 to 70 students a year. That statistic makes me angry, as does a similar statistic for Westminster school. I do not wish to condemn those schools, but Oxford, Cambridge—and, I admit, the London School of Economics—are regarded almost as finishing schools for our leading independent schools. That is not the only problem, as a subculture has been set up within those universities. Having discussed the issue with my children, who have been to those universities, I know that there is another Oxford, another Edinburgh and another Bristol. That subculture is extremely off-putting to children from other—

Mr. Johnson: Stop this chip-o-rama rubbish!

Mr. Sheerman: The hon. Gentleman knows a lot about it. I know a little bit about his Oxford set and the old Etonians at that university. The perception among many ordinary bright young kids—and he will never be able to see this—is that those universities are not for them, because the pervading ethos is set by a restricted and privileged group of young people. We underestimate that.

Five years ago, we said that bright kids from working class homes were put off applying for Oxford and Cambridge because the system of application is so distinctive and so different. We took evidence that because Oxford and Cambridge were different, ordinary kids in ordinary comprehensives who were bright enough to be predicted to get three A grades were put off applying because they saw those universities as different, exclusive and not for them. We recommended on an all-party basis that that system should change.

Mr. Johnson: It is a tragic comment on the vacuity at the heart of the hon. Gentleman's argument that he is obliged to reduce an important and interesting debate about higher education, access to higher education and the difficulties of allowing schools to compete on an even playing field to an ad hominem, ad personam discussion of the off-putting characteristics of this or that group of people. That is tragic, and it also shows that the hon. Gentleman is failing to address the key point of the debate. If we want to widen access to higher education, there is no point in blaming the people who are at Russell group universities for being in some way off-putting—a pathetic argument, which will be bitterly resented by Russell group universities, because they make huge efforts to widen participation. We should look at what is happening in our schools.

Mr. Sheerman: I do not need to say much more.

Mr. Johnson: Yes, you do.

Mr. Sheerman: It is obvious that the shadow Minister does not understand the problem. He has been part of that system of privilege, and it is so ensconced in him that he does not even realise that it exists.

Mr. Chaytor: I do not find the hon. Member for Henley (Mr. Johnson) remotely off-putting, but is not the key point in the debate about differential access to the leading research universities for applicants from state schools and private schools the HEFCE research

which shows clearly that for every given set of A-level point scores, applicants from state schools gain a higher class of degree than applicants from private schools? Is that not the key point that we should focus on? Does my hon. Friend think our leading research universities are doing enough to recognise that statistical fact?

Mr. Sheerman: My hon. Friend has stolen the last part of my speech. That is precisely the argument. Many of our bright young people underperform because they are given poor guidance and they come from a background where they are not encouraged to stay in education, and all the things that we take for granted. In my speech I have tried to identify some of the steps that we could take in partnership, and some of the ways in which higher education institutions could reach down and do something about that. The hon. Member for Henley does not like that. The feeling that some of our research universities are centres of privilege to which ordinary young men and women have no access and no right is one of the problems. I am trying to balance the argument, but he does not like it.

Mr. Johnson: The hon. Gentleman has made a sincere speech and some good points. I was particularly interested in what he said about the zones that he goes into where people have no aspiration whatever to go to university. That is tragic and we need to work on it. As for the quality of the elite universities and the ethos that they allegedly exude, the fact is that in the 1960s far more children, proportionally, went to those universities from the maintained sector than do now. It was about 60 per cent.—

Mr. Sheerman: It was not.

Mr. Johnson: It certainly was.

Mr. Sheerman: It was not.

Mr. Johnson: Will you allow me to finish? It was about 60 per cent.—

Madam Deputy Speaker: Order. The hon. Gentleman is on his feet making an intervention. Perhaps he will bring that remark to a close.

Mr. Johnson: The point is that in the 1960s and 1950s far more children from the maintained sector got access to those very universities than achieve it now, because of the failure of the hon. Gentleman's Government's schools policy.

Mr. Sheerman: That is not the case.

Mr. Johnson: It is true.

Mr. Sheerman: It is not the case.

Mr. Johnson: It is true.

Mr. Sheerman: The louder the hon. Gentleman shouts—

Madam Deputy Speaker: Order. Interventions are made from a standing position, and Mr. Sheerman is responding to an intervention.

Mr. Sheerman: Most of us in the Chamber, including the hon. Gentleman, know that the figures are much more complex than the ones that he has shouted at me.

Mr. Johnson: But I am right.

Mr. Sheerman: No; the hon. Gentleman is not right.

Mr. Chaytor: The point is that the figures quoted by the hon. Member for Henley (Mr. Johnson) conceal the fact that in the 1960s direct grant grammar schools were deemed to be part of the maintained system. That figure comes from the redefinition of which schools were in the maintained system, which is completely irrelevant to widening participation.

Mr. Sheerman: I thank my hon. Friend for that intervention. The Opposition spokesman has been infuriated by the fact that one particular aspect of my speech is about the power and influence of one sector of education in this country, which is highly privileged and from which he took advantage.

David Howarth: As one of the working-class kids who was not put off by Cambridge's atmosphere and who went on to interview applicants for Cambridge undergraduate courses for 20 years, may I say that the reason why there is a different cut-off point for the Cambridge entrance procedure has to do with the desire to interview as many applicants as possible in as short a time as possible, in order to be fair in comparing various applicants. The hon. Member for Huddersfield (Mr. Sheerman) might be right to say that a different system would have a better effect, but he should be aware that there might be negative results of switching away from that system.

Mr. Sheerman: The hon. Gentleman has brought me to the last thing that I want to say in my contribution.

Mr. Johnson: Great!

Mr. Sheerman: All that training at Eton and Oxford never actually raises the level of the debate.

Mr. Johnson: This is chip-o-rama.

Madam Deputy Speaker: Order.

Mr. Sheerman: I want to end my remarks by saying this: this country must use all the potential of all the people. One valuable point that has come out of today's debate is that we are not focusing simply on the potential of young people at 18 or 21. As my hon. Friends have said, part-time students and mature students are entering higher education in larger numbers; you will know something about that, Madam Deputy Speaker. People are deciding to enter higher education later, which is a success story. We want people with potential to be able to go into higher education, if it is right for them. It is not right for everyone.

We do not have a system in our universities that identifies potential as well as that in the United States—I am sorry to return to that example. When I have talked to the presidents of universities in the

[Mr. Sheerman]

United States, they say, "We don't interview. If we wanted more people like us, we would interview." Many people in this country are hooked up to the view that interviews are the best way to identify talent. We restrict the scope of people who enter higher education by using interviews. Some universities do not interview, but the research-rich universities tend to interview.

In the United States most universities use five different criteria on which to judge a student, including written work, standard assessment tests and recommendations from teachers. Those five criteria are used to judge not only examination passes and grades, but whether students have the potential to benefit from the institution. That goes to the heart of today's debate. If we are going to do something radical about getting into higher education all the talents who could be there, we must change how we assess potential at every level of our education system.

4.4 pm

Stephen Williams (Bristol, West) (LD): I enjoyed the long speech by the hon. Member for Huddersfield (Mr. Sheerman), and I enjoyed some of the interventions even more. One of the other jobs that I do for my party in this House is to sit on the Select Committee on Education and Skills, which the hon. Gentleman chairs, and yesterday we visited the Natural History museum together to see the outreach work that it does in education. We did not see any Liberal Democrat creatures among the specimens there, nor Etonian creatures for that matter.

When the Minister opened our debate, he rightly referred to the economic reasons why we need to get more people educated to level 4 or degree standard. The Leitch report, which has not been mentioned by name so far, has the rather challenging target of increasing from 29 per cent. to 40 per cent. the number of people in our work force who are educated to degree level. The stark statistic in the report, though, is that 70 per cent. of the 2020 work force have already left formal education. That suggests that the people who will need to go into higher education in order to achieve that target by 2020 are the people who are currently in work, which suggests in turn that an even greater proportion of people than now will be studying for degrees part-time. Moreover, a greater contribution will probably be made by the further education college sector, which already contributes about 14 per cent. of the people who study for degrees. Those are some of the topics that we have not heard a great deal about this afternoon.

We are here to discuss widening participation in higher education, which is about much more than simply increasing the stock of the population—the human capital—with a degree. Throughout the past few decades, because a greater proportion of the population have gone into higher education—we hear about fiscal drag; perhaps this is educational drag—people from all classes have participated more. None the less, there are still some alarming gaps, which means that we do not have a broad mix of social classes within higher education. For instance, over the past 15 years the proportion of people with unskilled or manual worker parents who go on into higher education has increased from 11 per cent. to 19 per cent., whereas the proportion of children who have parents with non-manual or professional occupations has increased from 35 per cent. to 50 per cent. The social groups at either end of the social spectrum, as measured by the Office for National Statistics, have increased their participation in higher education, but nevertheless the gap has widened. If we go back 40 years, the proportion of students from the lowest socio-economic group of all has barely changed—it has increased, but the increase has not been dramatic—whereas the highest socio-economic group of students with professionally qualified parents who have been to university themselves has a participation rate in higher education of more than 80 per cent. That implies that we have reached saturation point in that social group.

There are other differences in society. Nobody has referred to the gender difference that is opening up in higher education. For some years, the Government's favourite measurement of initial participation rates in higher education, for which they have the target of 50 per cent.—although they do not talk about it much any more—has been stuck at about 42 per cent. However, that is an average, and underneath that average we find that the participation rate is 37 per cent. for male students and 47 per cent. for girls—a 10 per cent. gap that is widening with each year that passes. That trend continues in the most recent UCAS application statistics, which the Minister is fond of quoting. There are 221,000 applications from women and 174,000 applications from young men.

As many hon. Members have acknowledged, a large part of the explanation for that difference lies further back in the education system: it reflects attainment at school, not just the higher education process itself. In future, the gap between girls and boys may actually have some beneficial aspects in society. The salary premium has been mentioned a couple of times. At the moment, male graduates tend to get the higher salary premium because of the kind of professions that males and females have traditionally gone into. Perhaps the widening gender gap means that women will start to dominate in some of the higher-earning professions such as medicine, law and accountancy. That might be a good spin-off benefit.

The ethnic gap has not been mentioned. In a written answer to my hon. Friend the Member for Brent, East (Sarah Teather) on 13 March, the Minister gave the latest available statistics, which show that only 305 students who identify themselves as black African, black British or black Afro-Caribbean, and only 300 who identify themselves as being of Bangladeshi origin, went to Russell group universities. That is a pitifully small number, which does not get the attention that it deserves.

Geographical variations have also emerged from the underlying trends. My constituency, along with others such as Sheffield, Hallam, is in the top category for participation in higher education. However, Bristol, South—which the Paymaster General represents, just over the river from my constituency—and Nottingham, South are the bottom two parliamentary constituencies for participation in higher education. In one city, which is one of the most prosperous cities in Europe, and the most prosperous in this country after London and

Edinburgh according to some measurements, there are stark differences in educational attainment and participation in higher education.

Dr. Francis: I am listening attentively to the hon. Gentleman's argument and I agree with the thrust of it. Will he comment on the extent to which Bristol university has extended access to students from St. Paul's, which I believe is the ward to which he refers, and contrast that with the work of London Guildhall university, which has a remarkable record of widening participation for ethnic minority communities?

Stephen Williams: If the hon. Gentleman is patient, he will find that I shall deal with fair access to particular institutions, and the point that he makes, shortly.

Mr. Rob Wilson: Does the hon. Gentleman accept that, although the Government have made some progress with black African ethnic minorities, the representation of Asian Indians in higher education institutions has gone backwards? How does he explain the disparity between the wide range of ethnic minority children and white children that appears to exist at universities?

Stephen Williams: I thank my Select Committee colleague for his intervention. It is perhaps for the Minister rather than me to explain matters on behalf of the Government. However, even within the white group to which he refers, there are enormous variations between social classes. It is a flaw in the statistics that they do not reflect that. The participation rates of white boys from council estates in higher education are probably even lower than those of students who identify themselves as being from the different ethnic groups that we discussed.

In my constituency, eight wards have higher education participation rates that exceed 43 per cent., which is the highest figure that is given in the Higher Education Funding Council's statistics. However, nine wards in Bristol, South have participation rates of below 16 per cent. In Bristol, North-West, Southmead ward has a participation rate of less than 10 per cent. Westbury on Trym, which is next door, but happens, by a quirk of the boundary, to be in my constituency, has a participation rate that exceeds 60 per cent. I shall not breach the rule about props, but simply mention that the cover of HEFCE's compendium of statistics, which I am holding, displays a map of the Bristol wards.

There are similar pockets elsewhere. Not many representatives of rural constituencies are currently in the Chamber, but participation rates are unacceptably low in parts of Cornwall, Devon and other rural seats.

What are the barriers to people accessing higher education? As has already been said, solving the problem lies not only with higher education institutions but with attainment in school or college. Of course, the staying-on rates at 16 or 17 are also important.

Mr. Kevan Jones: Does the hon. Gentleman agree that, while there is an economic dimension in respect of the relationship between socially deprived areas and the staying-on rates, another problem is the lack of role models—perhaps people who have themselves been to university—in those communities to help raise the aspirations of youngsters to go to university?

Stephen Williams: Yes, I agree absolutely. I intend to say more about that later.

The 2003 review by Steven Schwartz showed that of the top three Office for National Statistics social groups, 47 per cent. get the requisite A-levels to go on into higher education, compared with 23 per cent.—less than half—of classes 4, 5, 6 and 7. A large part of the problem could be dealt with, I believe, by the reform of the curriculum. Some points were raised about that in Education and Skills questions this morning. The reason why people are not achieving more at 16 or are not motivated to stay on beyond 16 probably lies in the school curriculum itself. Although we have a statutory school leaving age of 16, I think that many people in our communities leave school mentally at 14 or even younger. That is the big challenge for the Minister and his ministerial colleagues—to make sure that the 14-to-19 diplomas start to arrest that alarming situation.

The Minister initially disputed the fact—though not when it was repeated—that 90 per cent. of people, from whatever social class, who get their A-levels go on to higher education. The big problem is therefore young people not reaching the standard of qualifications that they need. School reform is clearly outside the scope of this particular debate, Madam Deputy Speaker, but there are things that universities and higher education colleges can do about the problem. The Government's programme has a role to play, but universities can do more through their outreach work.

Like my hon. Friend the Member for Cambridge (David Howarth), I take part in the Royal Society MP-scientist shadowing programme, which I find extremely worth while. Last year, the chemist who was shadowing me—I was shadowing her on that particular occasion—helped me to find out much more about Bristol university's outreach work in Bristol schools and further afield in rural parts of Gloucestershire. It does much to enthuse children about the excitement of science—chemistry in that case—and to encourage schoolteachers into the university department to upgrade their skills and take them back into the classroom. Those teachers then help to get some of their children interested in what higher education has to offer them.

I hope to speak in another Adjournment debate next Tuesday on the bicentenary of the abolition of the slave trade, and perhaps that debate will provide an opportunity to enthuse people from different racial groups about history and their past. They might like to do what I did and go on to study history at university.

There are many things that universities can do in their work with schools, but the hon. Members for Aberavon (Dr. Francis) and for North Durham (Mr. Jones) are right that there are aspirational barriers as well as problems with attainment levels in schools. We have a part to play in trying to tackle them. When it comes to our parliamentary role in visiting schools, I think that I can trump the hon. Member for Huddersfield today, because I visited a school before I came here on Monday morning, and on Friday I will visit two primary schools and a secondary school as well. Like the hon. Gentleman, I try to do that as often

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as I can. We can find out far more about what is going on in our schools by visiting them than we can even by attending Select Committee hearings.

Another barrier to participation in higher education is undoubtedly the burden of debt, exacerbated by fees and the different financial arrangements that students now face. The Minister has been crowing, as we all expected, about the latest UCAS statistics, and that has been echoed by some, though not all, of his hon. Friends. The figures show that UK applications have gone up from about 371,000 to about 395,000—an overall increase of 23,624, to be precise. The point has already been made by my hon. Friend the Member for Cambridge that the number of 17 and 18-year-olds who could have applied has gone up by 30,000.

Dr. Blackman-Woods: Will the hon. Gentleman distance his party from some of the remarks that were made before the last election about tuition fees discouraging students from applying to go to university? We now have evidence that that is not the case. Will he also accept responsibility for discouraging some young people from low-income backgrounds in my constituency from going to university, because his party's representation of tuition fees made no mention of the reintroduction of bursaries and grants?

Stephen Williams: No, I will not accept responsibility for that. In every speech that I made in the 2001 and 2005 general election campaigns, whether I was talking to schoolchildren or to people in student unions who had already gone to university, I was careful to make the point that if they had the educational attainment and the ambition to go to university, they should not let the prospect of debt put them off, because university would transform their lives. I am sure that all my fellow Liberal Democrat candidates would have said the same thing. I was actually trying to do some of the Government's work for them, and I continue to do it. However, that does not mean that we can disregard the fact that debt will be perceived by some students as a barrier to their going into higher education, and that it might well skew their occupational choices thereafter.

I was talking about the Minister crowing about the UCAS statistics on the increase in one year. To do so seems rather perverse, however, given that, underneath that statistic, there has also been an increase in the number of teenagers who are eligible to apply to university. We can get lots of good news out of the way in one go this afternoon, because the number of teenagers who are eligible to apply to go to university will increase every year between now and 2011. I am sure that the Minister will therefore have lots of good news for us in the future.

Mr. Eric Joyce (Falkirk) (Lab): I do not think that it is perverse to celebrate the fact that a higher number of students are leaving school more qualified to go to university. The hon. Gentleman said earlier that we had effectively reached saturation point among the better-off going to university. Clearly, the level of payment that people in the better-off groups are making is not affecting their entry into higher education. Is he arguing that the better-off should be paying more, to subsidise the least well-off?

Stephen Williams: That was a rather convoluted economic point. All students will have had their debt increased in the current year by £3,000 when they leave university, no matter what social group they come from. The debt burden will be the same for all of them. The Minister appears to be grunting, and I recognise that the Government have introduced bursaries and maintenance grants, but students use those to live off while they are at university. The grants do not reduce their debt levels thereafter.

Bill Rammell: Does the hon. Gentleman accept that, under the old system, poorer students on average ended up with higher levels of debt? Does he acknowledge that one of the virtues of the new system is that they end up on average with lower levels of debt?

Stephen Williams: The arrangements that a modern-day applicant has to face are so convoluted, compared with those that we all had to deal with, that I am not sure that we can make that judgment. One of the smart little differences that the Government have made is that a student's eligibility to borrow from the Student Loans Company is reduced by £1,500 if they qualify for the £2,700 maintenance grant—sometimes called a fee loan, depending on which publication we read. So, yes, they are getting a grant, but the student loan that they have to live on will have been reduced. It is a complicated scene that students face at the moment. The Minister will tell me if I am wrong about that.

The Government would be foolish to rely on one year's set of statistics for justification. One swallow does not make a summer, and one blip this year does not make for a statistical trend either. Over the past few years, as different financial arrangements have come into play, higher education statistics have been on a rollercoaster, and that will continue for the next few years as students under the old regime leave, and those who have to face the new regime join the system. It is too early for the Government or Labour Back Benchers to justify retrospectively the decision in 2004. They certainly cannot rely on one data set from one year of applications to imply that it will be okay to take the cap off fees in 2009. Such far-reaching policy conclusions cannot be made on the basis of one year's worth of statistics.

Dr. Blackman-Woods: If university applications continue to increase in future years, will the hon. Gentleman's party then recognise that its stance on tuition fees was wrong?

Stephen Williams: If the hon. Lady looks at my website or the federal party website, she will see that the first thing that I did when the statistics came out—during the half-term recess, I think—was to welcome them. I welcome more people going into higher education, as would most of my colleagues. That does not mean that we cannot question some of the assumptions made about those statistics.

As the hon. Member for Bury, North (Mr. Chaytor) said, the UCAS statistics do not include the large number of people who apply directly to institutions, either because that is the way that they do it or because they are studying part-time. About 40 per cent. of students currently study part-time. The statistics leave

those people out of the equation. We do not yet understand, because the statistics have not been made available to us, the effect of the arrangements on them.

On social class differences, the Minister is clinging to a 0.3 or 0.4 per cent. increase—depending on which table one reads—in participation by lower socio-economic groups. Such a marginal increase in one data set is nothing to draw firm conclusions from. Earlier, he conceded that I had a fair point—just for once—in mentioning that the biggest sub-set of data in the UCAS statistics relates to students who do not volunteer information on their parents' socio-economic group. We cannot draw hard conclusions from such statistics.

Debt may or may not make a difference. In some circumstances, in which a person is determined to go to university, I accept that it may not. Were I making my university choices again, despite coming from probably a similar background to the Minister's, from what he said earlier—mine was a single-parent family from a council house in south Wales—I would like to think that financial considerations would not have stopped me. But some people in a similar group might make a different decision. Even if people do go on to university, the issue might skew their choice of institution or subject. We do not know about that yet.

Student bursaries are completely bewildering. I tried to replicate my choices of 20 years ago via the Aimhigher website and gave up after struggling to find out the different levels of financial support for the different institutions and subjects—history and economics—between which I was choosing at the time.

Mr. Sheerman: Are they crunchy enough subjects?

Stephen Williams: I think that they are. In the end, I chose history. The hon. Member for Henley (Mr. Johnson) is nodding that I did a crunchy subject, and I certainly think that it was—I have not read his latest book about Rome, however, although I did see it in the Library the other day.

The Department for Education and Skills has launched a new bursaries website in the past couple of weeks, which is a way of conceding that the information available was bewildering for students to navigate.

It is possible that a third barrier is presented by the structure of degrees. The financial arrangements for part-time students may present a barrier as well, but it is likely that the structure of courses does not attract some people who would like to benefit from higher education. Perhaps we should adopt a credit-based system, allowing students to dip in and out of higher education at different points in their lives, perhaps even studying at different institutions.

The hon. Member for Henley nods. That happens to be my party's policy; I do not know whether it is his party's policy, or indeed whether he can speak for his party when his chaperon is absent. It seems that he does not dare to say anything! But it is my party's policy, something that may not be quite as well known as our opposition to variable fees at the last general election. We would like the degree structure to be reformed, so that students can take up a course of study and if their circumstances change—or for any other reason—can stop and continue with it later, perhaps at a different institution, in order to build up a degree. I understand that Wales is beginning to move in that direction; perhaps England should consider doing the same.

There has been an increase in foundation degrees over the past few years. We welcome that, and look forward to discussing it soon when we debate the Further Education and Training Bill. We may also need to consider the length of study involved in a full-time degree. Why does it have to be three years? It is not three years everywhere else, as we know from discussions we have had elsewhere about the Bologna arrangements. Perhaps the period could be condensed. Do students really need the long holidays that are required by the academics who teach them? If we condensed the programme of study into two years, the debt with which students leave university would undoubtedly decrease, and that would draw more people in.

David Howarth: Perhaps I should inform my hon. Friend that research universities no longer refer to "the long vacation"; it is now called "the research period". Academics must do their work at some time.

Stephen Williams: I thank my hon. Friend for correcting me. I trust that the research takes place in the courts of Cambridge and not on a Mediterranean island—unless it is archaeological research, of course. Anyway, there are reforms that I think the higher education sector could introduce to increase participation rates among not just young people, but people of all ages.

Fair access is another issue. Widening participation is not merely about increasing the total volume of people who enter higher education; it is also about the institutions at which they study. Some higher education institutions have been extremely successful in attracting more students. I recently visited the university of Bedfordshire in Luton, where 60 per cent. of students come from areas with a Luton postcode, and I have already mentioned the contribution made by further education colleges to attracting members of the local community to higher education. However, this is not just a question of going to university; it is a question of where people go.

My life—like that of the Minister, as he told us earlier—was undoubtedly changed, not just because I went to university but because I left my home community, then still a mining village in south Wales, to enter a completely different environment in Bristol, where I met many students from Eton and other such schools. I had never met people of that sort before, but, unlike other Members who have spoken today, I was not put off by that, and to this day some of my best friends are people who went to those schools. Nevertheless, fair access must be an aim of widening participation. It is not just a question of increasing numbers; it is a question of ensuring that people have fair access to our top universities, a phrase that has been used a number of times today.

The latest edition of the House of Commons compendium "Social Indicators" shows the benchmarks set by the Higher Education Funding Council for all higher education institutions. Some universities, such as Greenwich and Teesside, exceed their benchmarks for students from certain socio-economic backgrounds with

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given A-Level grades, while others—including, regrettably, Bristol, of which I am an alumnus and which I now represent in Parliament, as well as Oxford, Cambridge, Durham and Nottingham—fall short of their expected intake of students from social classes 4 to 7. I will not restart the debate between the hon. Member for Huddersfield—who has left the Chamber—and the hon. Member for Henley about the state school-private school gap, but as recent reports have shown it is widening in some higher education institutions. That means that there is an important role for those institutions to play. I have mentioned the local outreach work that universities do; I know that Bristol university does that in local schools, and I am sure that all other universities also do such work.

The hon. Member for Huddersfield mentioned the programmes at top American universities. I see no reason why such programmes could not take place at our universities as well. Under the "widening participation" postcode-related grants that universities receive from the HEFC for taking students from certain backgrounds, there is, effectively, a financial incentive. As we know where those low participation postcodes are, why can we not encourage universities to reach well beyond what they consider to be almost a catchment area and pair them off with particular schools, especially those in low participation areas, so that they can enthuse and draw in students from such backgrounds? When I was doing my own university applications—before somebody brings this up, I admit that I am an Oxford reject—I noticed from reading the Oxford prospectus that certain Oxford colleges have historical links to particular schools. Why cannot some of our universities develop links with certain state schools?

To echo a point made earlier, we need to start this process when people are younger. If we start speaking to people when they are 14 or 15, it is probably too late. We need to do more work in our primary schools. I made that point earlier this week when I met some young scientists from the Royal Society of Chemistry representing a group called "Voice of the Future".

Let me turn to my final point. *[Interruption.]* I know that other Members are keen to speak, but I think that my speech has been briefer than the contributions from both of the other Front-Bench spokesmen—although perhaps I have not had as many interventions. Fees might skew the choice of subject that people make. We know that there is already a social imbalance in certain subjects: 45 per cent. of the medicine and dentistry intake come from the highest socio-economic group—higher managerial and professional people—compared with 8 per cent. from class 6, which covers semi-routine occupations. The figure for class 7 is so low that it is not even reported. The balance is better in law and business. *[Interruption.]* Yes, so it is better in the professions of my hon. Friend the Member for Orkney and Shetland (Mr. Carmichael) and myself, but, curiously, the trend is the opposite in education and teaching. Only 14 per cent. of the intake for degrees that lead to teaching careers is from the highest socio-economic group. We are also worried that the intake for science subjects is skewed. Part of the reason for that problem lies further back in the school system, and is to do with the qualifications of the teachers who teach the subjects—in particular physics and chemistry.

There is a huge risk that the market system that the Government might introduce beyond 2009 will make such trends even worse. If we have genuine variability in the tuition fees, that might not deter people from participating in higher education, but I think that it will deter people from going to certain institutions and skew their subject choices.

I began by mentioning the challenge of the Leitch report. Higher rates of participation in higher education will bring about economic prosperity and social justice. Widening participation is all about achieving social justice; it will make sure that we all share in prosperity, and it will also give us a chance of increasing social mobility in our country which, depending on which measurement we use, is either the lowest among the industrial countries or just above the level achieved in the United States. Many Members have cited statistics this afternoon. What is clear is that it is far too early to know with certainty whether fees are having a detrimental effect, but we certainly know that there is a lot more work to be done in widening participation.

4.39 pm

Dr. Hywel Francis (Aberavon) (Lab): It is a pleasure to follow the hon. Member for Bristol, West (Stephen Williams). I do not necessarily agree with all of his analysis, but I share his objectives for social justice.

I should declare an interest in terms of my personal background and as a parliamentary patron of the adult learners body NIACE—the National Institute of Adult Continuing Education—and a vice-president of Carers UK. I also participated in adult education as a tutor for most of my working life and I continue that interest as a professor emeritus at Swansea university, my former university.

I welcome this debate as an opportunity to recognise and applaud the work of the Labour Government since 1997 in widening participation. The debate is important for two other reasons. The first is the long and honourable record of higher education in attempting to address the questions of social and economic injustice. The second is the current challenge of the skills agenda, as we have already heard from the hon. Gentleman, and—following the Leitch report—the interface between the skills agenda and part-time higher education. That will be the main subject of my contribution.

Before I come to that issue, I will indulge myself in discussion of another crunchy subject—history, which is my discipline—and provide a brief historical perspective. Arguably the most influential thinker on education of the 20th century was Michael Young, the founder of the National Extension college, the inspiration behind the Open university and—the hon. Member for Henley (Mr. Johnson) may not know this—largely the author of the 1945 Labour manifesto. In his seminal work, "Labour's Plan for Plenty" from 1947, which was largely the Labour manifesto, he paid tribute to Britain's greatest social thinker of the 19th century, Robert Owen. We commemorate the 150th anniversary of Robert Owen's death next year. Michael Young said:

"Of all the social services, education is far and away the most important. 'The best governed state,' said Robert Owen, the pioneer of modern socialism, 'will be that which shall possess the best national system of education.'"

We would all endorse that.

It is to the credit of this Labour Government since 1997 and of our first Secretary of State for Education and Employment, as the post was then, my right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett), that one of his first acts was to establish the National Advisory Group for Continuing Education and Lifelong Learning. I was privileged to be appointed as a member of that group. Its two reports, "Learning for the 21st Century" and "Creating Learning Cultures: Next Steps in the Learning Age", provided the intellectual groundwork for the progress in the last decade in such major issues as the interface of lifelong learning with community development, access to learning, stimulating demand among under-represented groups in further and higher education, and building networks and partnerships in localities and regions.

Democratic devolution was developing at the same time in the late 1990s in Scotland and Wales and they pioneered their own educational programmes, which were more radical in some respects. In Wales, the whole vision of the Welsh Assembly Government was of a learning country, and that encouraged much wider participation, especially in building interesting relationships with the voluntary sectors and women's groups, and in developing the notion of community universities in different parts of Wales that had begun to develop in the period after the miners' strike in 1984-85.

I turn now to the contemporary challenge for the skills agenda and part-time higher education. I believe that all higher education institutions should address the question of widening participation and the need for greater opportunities for part-time students from the perspective of not only social equity but economic progress. The challenge is both global and local; the two are complementary.

A national campaign would be welcome to highlight the valuable contribution that part-time higher education could make if there were greater opportunities and proper financial support for such study. The National Union of Students debate in Central Hall on 21 March will no doubt provide the opportunity to begin such a campaign. I have been impressed by NUS representations, which reminded us recently that 42 per cent. of HE students are part-time, yet the equalities review of March 2007 shows that the great expansion in higher education has apparently led to an increase of only three percentage points in the number of graduates from the poorest families. That is a debatable figure—indeed, it was discussed earlier—although it is too soon to assess the recent changes. However, it is a major challenge to all of us, especially my Labour Government and other parties.

For that reason, and from the perspective of social equity and the global economic challenge, the recent written evidence of Professor David Latchman, Master of Birkbeck college, to the Education and Skills Committee is important. I visited the college recently, as did the hon. Member for Henley who gave a lecture there—he would not allow me to intervene earlier when I wanted to refer to my visit. Professor Latchman is a dynamic leader of that institution, whose president is the distinguished historian, Professor Eric Hobsbawm. Birkbeck is a higher education institution serving one of the great cities of the world, and a range of students who largely study part-time. I was impressed by the fact that it is ahead of Government and other thinking about how we address the skills deficit and widening participation, especially in its innovative project to develop a new campus in the east of London and the Thames Gateway.

Professor Latchman raised important issues, with which I am sure many Members are familiar, about ensuring that part-time study is better supported. Before I go through them, I should point out that many other higher education institutions that are supportive of part-time students, such as London South Bank university, my own university—Swansea—and the North East Wales institute of higher education, would also benefit if we addressed the economic barrier faced by part-time students.

Professor Latchman made the following points: first, it is necessary to make use of full economic costing in determining the allocation of teaching funds, to recognise the higher cost of part-time provision; secondly, the funding allocation must be responsive to the flexible and modular patterns of study followed by part-time students; and, finally, there must be recognition that the present funding method has limited scope for increasing part-time fee rates as a means of closing the funding gap faced by many institutions, such as Birkbeck, which have a large number of part-time students. I look forward to the Minister's response to the points raised by Birkbeck and similar institutions.

Carers are an under-represented group in higher education, yet bearing in mind their caring responsibilities they could benefit enormously from part-time study. The Government have done outstanding work in supporting carers—from the Prime Minister's national carers strategy in 1999, which established the carers special grant, to my Carers (Equal Opportunities) Act 2004, which the Government supported and which highlighted the importance of education and training opportunities for carers, and the Work and Families Act 2006, which gives carers the right to request flexible working. To build on that progress, I believe that the current review of the national carers strategy should recognise the pioneering work of the National Extension college in helping carers to access further and higher education. There should be a section in the new review on carers' ability to access such opportunities. That would contribute enormously to addressing the question of social exclusion and the need to widen the participation of this very important group. The whole question of the 21-hour rule is a serious barrier to carers studying part-time.

As I said at the outset, I have focused on the new skills challenge and its relationship with part-time study. I end by paying tribute to a pioneer in this field—Bob Fryer, who 10 years ago was the principal of the Northern college. He was chair of the National Advisory Group for Continuing Education and Lifelong Learning and, since that time, he has continued the important work of widening participation by developing innovative and Government-supported strategies that could be seen as a model for future action. He was a leading figure in the

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early years of the University for Industry, which is now rebranded as learndirect, then the chief executive of the NHS university, and he is now the Department of Health's national director for widening participation in learning. His work shows how seriously the Department of Health takes the development of its staff, especially the 25 per cent. who are qualified below NVQ level 2. His first report last year identified a great disparity between professional and non-professional employees in the national health service, and it is something that I know the Department will take seriously. It is very much part of the whole debate about widening participation.

Hon. Members on both sides of the House referred to the fact that we should not be narrow in our definition of higher education. It is not entirely about residential, full-time university opportunities; it is about work-based learning, home-based learning and a whole host of other things that have been developed by fine institutions such as the Open university.

I conclude not only by referring to the great and the good, such as Michael Young and Bob Fryer, as pioneers, but by recognising those people at the grass roots, such as Lesley Smith and Julie Bibby, who are carrying forward the work of widening participation for working-class women in former mining communities through the work of organisations such as the Dove workshop in the Dulais valley. It is now held up throughout Europe as a model of how to address the skills deficit in socially deprived communities. I should declare an interest at this point: my wife was one of the founders of the workshop and is its current president.

I am wearing the tie of the university of Wales, whose motto is "Prifysgol y Werin"—the people's university, an aspiration that we all share. The challenge before us today is much easier than it was 150 years ago, when the university of Wales was established. The pennies of the poor, which inspired the establishment of the university of Wales, still inspire developments such as the Community university of the valleys, with which I was associated, Birkbeck college's fine work in east London, and—most inspirationally of all—London South Bank university's partnership with universities in South Africa to widen participation for black and coloured peoples, women, and working class people in that new country. It is the task of this Labour Government to sustain, widen and deepen such initiatives so that they are not marginal, but are mainstream in our higher education system. That would be a real achievement.

Mr. Boris Johnson: I hope that the hon. Gentleman will forgive me for not allowing him to interrupt during my speech. It was because I was taking so many other interventions. I want to join him in what he says about Birkbeck. I hugely support Birkbeck's fantastic efforts in the east end. But does he really think that women represent a minority whose participation in higher education needs to be expanded, given that they currently make up 59 per cent. of the student body?

Dr. Francis: I take the hon. Gentleman's point, but what was lacking in his contribution was any class analysis. I am talking about working-class women and black working-class women. People from all kinds of social backgrounds should be encouraged—particularly women of working-class origin.

My last point is that this is a worthy, honourable and appropriate challenge for a party in government today that gave this country and the world the national health service and the Open university. It is a challenge that it will meet and in which it will succeed.

4.56 pm

Jeremy Wright (Rugby and Kenilworth) (Con): I am delighted to follow the hon. Member for Aberavon (Dr. Francis), because I want to pick up on some of the points that he made about part-time students, but also because I share with him an interest that I should declare: until fairly recently, my wife was in charge of widening participation at Warwick university. I should put that on the record from the outset, before I start complimenting Warwick university on all the wonderful work that it did until recently to widen participation—and, of course, is still doing.

It is quite apparent from what we have heard in the debate so far that the issue of widening participation in higher education has been around for a great many years, but the issue has changed and developed. Whereas once upon a time we might have talked about the need to bring more women into higher education, as my hon. Friend the Member for Henley (Mr. Johnson) has just observed, that is most distinctly no longer the issue. If anything, the issue is now the opposite of that. It is just as true to say that, as the Secretary of State observed yesterday and this morning, we must look at how to bring more white working-class boys and young men into higher education, as to say that we must look at many ethnic minority groups.

The issue is changing and developing and we find new challenges within it. One of those new challenges, to which reference has also been made, is the need to bring more disabled people into higher education. That brings with it specific challenges that are to do with the need to persuade people with disabilities, whether physical or mental, that university is an environment within which they can thrive. I say that because for those with a disability, it is particularly challenging and worrying to have to adapt to a new environment. It is important for that group that we make every effort to ensure that the environment is reassuring and that the development they will need to find within the environment that they will move into will be suitable for them.

Above all—this applies not just to disabled potential students, but to many of the other groups that we have talked about—we need to find new and imaginative ways to persuade people of something on which everyone has focused. I am talking about the need to explain that, despite their initial perception, university is a place within which they can do well and feel comfortable. One of the most imaginative and effective ways to do that is to develop mentoring programmes. If it is possible to demonstrate to someone that a student who is just like them—in terms of their background, the challenges that they have faced and the interests that they share—has done well at university, that is the most effective way that I can think of to show a prospective student that they will also do well in a

university setting. I hope that what the Government have in mind for developing the widening of participation in higher education will include an element of mentoring, because that is very effective.

I want to widen the debate beyond the issues about which we have talked at some length and to concentrate on how we can broaden out the 18-to-30 age group that is going into universities. We could widen participation among those outside that group. I disagree with the Government's 50 per cent. target for participation in higher education among the 18-to-30 age group for several reasons. One of the target's flaws is the fact that it tends to focus too much attention on that age group and thus to underline the perception that higher education is only for people between the ages of 18 and 30, and that when one reaches the age of 30, it is no longer an appropriate course to pursue. That is profoundly wrong, and it is entirely at variance with other things that the Government are properly trying to do to develop the idea of education being a lifelong experience.

In many ways, the problem is mirrored by what is happening with adult learning courses. For perfectly understandable reasons, the Learning and Skills Council is focusing its attention and funding on the 14-to-25 age group, but the people who suffer are those outside that age group who are trying to attend adult learning courses later in life. Again, I understand why that focus is there and I sympathise with many of the reasons for it. However, one of its consequences is that it underlines the perception that if one has not taken the chance to go into higher education early in life, one cannot do so later. Such a situation would be profoundly regrettable.

I am not making my point solely to criticise the Government. On the contrary, I think that they are trying to deal with the situation. It is important that people understand that education, and especially higher education, is about second chances as well as first chances. Someone who did not go into higher education should be able to do so later, and people who, for whatever reason, went into higher education and then came out of it should be able to go back. Academics and those involved in higher education often say that people who go back into higher education later in life after an initial only-too-brief experience have done proportionately better on the second occasion, and better than others who have gone straight into higher education. There is a lot to be said for the opportunity to go in, or back in, at a later date.

It is important that we develop the idea of lifelong learning and consider widening participation in that context. We face a changing economic world in which few people of my age or younger will be able to look forward to one career from the moment they leave education to the moment they retire. We have realised that that is true for manual trades and technical professions, but we might not have recognised it quite so comprehensively for the professional or academic fields. For people in those fields, too, there will be huge burdens of retraining and expectations of re-education, so universities have a massive part to play in developing that re-education and retraining.

I accept that that already happens, to an extent, so I congratulate universities on what they do. They already effectively provide continuing professional development for those in mid-career who wish to develop their skills. I would like to see more of that. However, we face a particular challenge when addressing those who are between careers because, for whatever reason, they have left their particular employment or profession. Such people might wish to retrain and re-educate themselves so that they can go forward in a different field. However, those people are often in an especially difficult position. Employers, of course, see it as in their interests to pay for the continuing professional and academic development of their staff, so they do so. The universities find that helpful and they provide a good service. However, people who are between careers have a problem because they do not, by definition, have an employer that can help to fund what they wish to do to retrain, to be re-educated, or to re-skill. How are they to fund what they wish to do? Those individuals face particular problems. The hon. Member for Aberavon mentioned people who wished to become part-time students; overwhelmingly, the people I am describing will wish to study part-time, rather than full-time. They may face caring responsibilities, or more general family responsibilities, and they may well be obliged to earn money while studying. They will almost certainly face the challenge of having to reacquaint themselves with how studying and learning works, because they will have been absent from education for some time. They will face particular challenges, and although the issue is partly about how we can structure their educational experience so that they feel more comfortable with it, it is substantially about funding.

I do not have a magic solution to offer the Minister any more than anyone else does, but neither his Government nor any other Government can simply say, "The issue is too difficult and complicated; we won't address these problems." An answer must be found, because the group of people to whom I am referring will become ever larger, and will have ever more demanding needs. We need to find a way to ensure that their educational experience is comfortable, and we need to ensure that they can afford to undertake those educational tasks and can sustain themselves economically while they do so. That is partly because of the economic benefits that they will receive, but partly because of the benefits that we will all receive if more people reach a higher standard in education.

There are wider benefits to higher education, too, but very little has been said about them this afternoon. There are huge cultural benefits, benefits of well-being, and straightforward health benefits to higher education and further education. We have an increasingly ageing population that will need to return to education more often. People may wish to return to education once their working life is done. They may well want to re-enter some form of education during what may be a very long retirement, in order to keep their brain active and keep themselves interested, and we should encourage that. Why should we not talk about widening participation in higher education for those in retirement? They will have the time, and may have the income, to go into higher education. There must be considerable advantages to our society of encouraging people to keep their brains active, given that we know that dementia, Alzheimer's and other conditions among older people will be an increasing drain on the health budget.

[Jeremy Wright]

I am keen to allow others to participate, but I wanted to speak in favour of broadening the definition of widened participation, so that it includes those beyond the 18-to-30 age group, important though that is. I want to talk about a broader idea of what education should be; it should be a genuine lifelong learning experience. It should not be expected or anticipated that a person's education will finish when they are 16, 24, 60 or 84. It should genuinely be an opportunity that people may take advantage of at any stage of their life. If we can achieve that, we will genuinely have widened participation.

5.7 pm

Dr. Roberta Blackman-Woods (City of Durham) (Lab): I, too, congratulate the Minister on introducing today's debate. Like many others in the House, I share a real interest in widening participation in higher education. As hon. Members may well know, before I entered the House I worked in higher education and did stints at Ruskin college and the Open university, two institutions that are absolutely committed to widening participation.

The debate is important, because it underpins values held by the Labour party, most notably the value of securing equal opportunity for all socio-economic groups when it comes to education. That is one of our foundations, and it remains an important aspiration. I am sorry to start on a contentious note, but I could not disagree more with the hon. Members for Henley (Mr. Johnson) and for Rugby and Kenilworth (Jeremy Wright) about the Government's aspiration of getting 50 per cent. of young people into higher education. We have to look closely at why the Government set that target. It has helped us to shape the debate about higher education by focusing it clearly on getting more people into HE.

Jeremy Wright: I accept, as does the hon. Lady, that it is a good thing to get more people into higher education, so I do not object to the target on those grounds. However, if we set a target of 50 per cent. we instantly suggest to young people who are seeking to go to university that if they do not do so, they must be in the bottom half. There is no problem in saying that we want as many people as possible to go to university who have the capability and ambition to do so, and who will benefit from the experience, but there is no reason to put a figure on it.

Dr. Blackman-Woods: I accept that point only in so far as to say that we should not rest with the minimum. We must do everything that we can to encourage as many young people and other age groups to go to university. However, it is important to provide an aspiration, as it helps to focus everyone's attention on getting more young people and others into university.

It is a pity that the hon. Member for Bristol, West (Stephen Williams) is not in the Chamber, because he discussed the Leitch report, which made the point that we need to upskill the entire population. Some of that upskilling will take place in further education to level 3, but we must give our young people higher-level skills if we are to achieve a knowledge-based economy and compete internationally. In the past couple of years, I have had the opportunity of visiting India and China, where there is massive investment in the higher education system and a hunger for learning among young people. If we are to compete in future we must ensure that our young people have suitable skills.

There are other reasons for extending higher education opportunities. Recent forecasts by the Institute of Employment Research show that half of the 12 million jobs—some 6 million—likely to become vacant between 2004 and 2014 will be in occupations most likely to employ graduates. Graduates are more likely to enjoy better health and are less likely to commit crime. They are much more likely to engage actively in civil society, and we need no other reason for trying to encourage access to higher education. So far, the Government's record is quite good. Since 1997, university applications for undergraduate enrolment have risen by about 23 per cent., and there has been a 28 per cent. increase for postgraduates. The proportion of first-degree entrants to university from state schools has risen, as has the number of young people going to university from low-participation areas. About 28.2 per cent. of young entrants to first degree courses are from the lowest socio-economic groups, which shows that good progress has been made on achieving the 50 per cent. target. However, Government Members are not at all complacent, and we accept that much more needs to be done if we are to achieve the 50 per cent. target and, indeed, exceed it, as we all want to do.

To achieve that goal, the Government have taken a number of steps to improve the admissions process. In particular, they have sought to raise aspirations. Not only do we have to improve educational opportunities and outcomes for everyone, but we must ensure that we raise the aspirations of people in the lowest socio-economic groups, as well as their attainment at university level. That means encouraging more young people to engage in post-16 learning. As well as young people doing A-levels and going straight on to university, there has been an increase in part-time study at university.

When considering the 18-to-30 group, we perhaps do not pay enough attention to the expansion that has taken place in work-related learning and work-based learning, and the excellent work that a number of trade unions are doing in the workplace through Unionlearn and by getting employees signed up to opportunities for more training and further qualifications.

Aimhigher has been mentioned this afternoon. It is a national programme that we know works in some of the intensively disadvantaged areas of the country. It co-ordinates a number of activities locally from HE, FE, schools and the learning and skills councils to encourage more young people into higher education and further education. I welcome the activities that Aimhigher carries out in my constituency, but I would like to hear more from the Minister about how it will be reviewed and how it might be transformed so that it can extend its work further.

I shall say something more about the higher education institution and the further education institution in my constituency. When we have these debates, we sometimes forget about the tremendously good work that is already being undertaken by institutions to raise aspiration and extend access. As

the MP for City of Durham, I draw attention to the work of Durham university and New college Durham. Durham university is one of our leading research institutions. It would probably accept that it could do more to widen access. Nevertheless, it has a school-targeted aspiration-raising scheme, which it calls STARS, fortunately. That is targeted at local schoolchildren aged 14 to 16 to give them an idea of what it is like to be a student. They are brought into the university for study days and given mentors in the community.

I also want to draw attention to the mentoring scheme that Durham university runs through Collingwood college for its students to mentor looked-after children. We need to put more effort into raising the educational attainment of looked-after children, and the mentoring scheme has been shown to be extremely successful in raising the aspirations of those children. The Government should try and think of ways in which that scheme could be rolled out further. Durham university does all the things that almost all higher education institutions in the country do, by offering master classes, summer schools, talks and tours for years 12 and 13.

New college Durham undertakes activities though the Aimhigher programme. It has a target of taking 75 per cent. of its students from low-income neighbourhoods. We should applaud that target and the college's efforts to work with local schools and other colleges to meet it.

There are a few topics on which I should like to hear the Minister's comments. We have heard the figures that show that the Government are making considerable progress towards the 50 per cent. target, but there is more to do. What role will extending foundation degrees, particularly vocational foundation degrees, play in achieving the target? How might the Further Education and Training Bill address the issue by giving colleges the ability to award their own foundation degrees? What more can be done to encourage universities, particularly ones like Durham, where the majority of the intake comes from the independent sector, to get more applications and more students from state schools into our best universities, and to ensure that some of those students come from lower-income backgrounds, to raise aspirations across the board? Will the Education and Inspections Act 2006 be an important factor in that respect in terms of extending the right of schools to have a sixth form?

Will the Minister acknowledge that there is still a need to streamline all the different organisations involved in promoting skills and skills development? The situation is incredibly confusing not only for young people, but for older people who are trying to get back into higher or further education, because they are bombarded with information from a huge number of agencies. There needs to be better liaison between local authorities, learning and skills councils and schools in an area in order to plan effectively.

On sixth form and post-sixth form places, we may need to look at support for part-time students. Science teaching and the need to produce more science graduates has been mentioned this afternoon. I have a science learning centre in my constituency, and it is excellent. It is giving wonderful support to teachers, and we need to consider how to roll out that model. I am absolutely certain that a science learning centre and the support that it gives to teachers means that there are more young people taking science-based subjects at A-level and going on to study science-based subjects through higher education. Can attention in the 14-to-19 curriculum be given not only to vocational subjects, but to encouraging young people to take their education on to further education and foundation degrees?

I will finish there, Mr. Deputy Speaker, because I know that other hon. Members want to speak.

5.21 pm

Mr. Rob Wilson (Reading, East) (Con): I am pleased to have the opportunity to participate in this debate. We all agree that, as the hon. Member for City of Durham (Dr. Blackman-Woods) has outlined, the issue that we are discussing this afternoon is very important.

To be fair, the Government have committed enormous resources and effort to trying to widen participation and improve fair access to higher education; they have spent some £350 million of taxpayers' hard-earned cash on that in recent times. I criticise them not for their commitment but for their use of outdated dogma, and to some extent for their incompetence. The Government suffer from the same problems that afflict many in the education establishment.

I have looked at a number of briefings for this debate from organisations ranging from the National Union of Students to the Association of Colleges, many of which make the same basic error. They seem to believe that the Government can do everything—that the Government can intervene and change the world to create a perfect model of society. I suggest that the lesson of the past 10 years is the opposite of that: we need less interference in order to achieve more success. The old saying "Less is more" is relevant in this particular case.

Part of the problem is that the Government have approached increasing participation from the bottom socio-economic groups from the wrong end. As my hon. Friend the Member for Henley (Mr. Johnson) has said, much of the problem in getting a wider section of social groups into higher education lies in primary and secondary schools and the social problems in the areas surrounding those schools. As several hon. Members have said, there is a poverty of aspiration in many parts of the country today, and far too many parents have a poverty of aspiration for their children. We can set as many artificial and socially engineered targets as we like, but if we do not tackle that poverty of aspiration, improvements will be difficult to achieve and maintain. Our schools, both primary and secondary, do not currently provide a significant ladder of opportunity for social classes 4 to 7 as measured by UCAS.

Despite all the initiatives and money spent, the overall additional participation of the bottom social classes is only 1.8 per cent. since 2002, and just over 3 per cent. since 1997, according to the Library. That is not a significant return on the huge investment that has been made, and it is despite the bigger numbers going into higher education since the mid-1990s. From 1994 to 2005, the number of home students accepted at universities through UCAS rose from 251,000 to

[Mr. Rob Wilson]

360,000—an increase of about 30 per cent. I congratulate the Government on making funds available for that and on making further funds available for an increase of another 50,000 over the next couple of years.

The good news is that more young people go into higher education and will continue to do so, but the bad news is that they do not come from an increasingly wide socio-economic group, despite all the Government's top-down schemes. As my hon. Friend the Member for Henley said, the latest wheeze is to record whether applicants' parents went to university so that admissions tutors can make judgments as to which candidates deserve to go to their universities. Our great academic institutions are being encouraged to pick students not on merit but on the basis of what their fathers did decades before. After last week's debate, some will appreciate the irony of this Government's establishing a new hereditary principle. Universities are being penalised for not hitting arbitrary targets for the number of poor students they should be taking; several have had funds cut as a result. That kind of social engineering attacks the problem from completely the wrong end, and does nothing to resolve the issues.

One thing that the Government may have got right, although it is still too early to tell for certain, is top-up fees. The figures suggest that after last year's dip, this year's applications have climbed by about 7 per cent. That is good, but as we have heard, the NUS and others, including the hon. Member for Bristol, West (Stephen Williams), suggest that it may be related to the demographic bulge.

Stephen Williams: Partly.

Mr. Wilson: Well, we will see about that. The NUS also makes a significant point about the 42 per cent. of higher education students who are part-time, about whose socio-economic class we do not have much information. For poorer students, there is something to be said for an annual grant of £2,700 plus a university bursary and interest-free loans that do not have to be paid back until they start earning. That may incentivise some poorer students to go to university; it certainly should not disincentivise them, as the Liberal Democrat spokesman suggested, particularly as fees are not paid up front. What I find less convincing, and less attractive, about that model is its effect on those who fall just above the qualification level. As always, students and parents who are just above the qualification level for such grants and bursaries face the biggest barriers to entry.

On student funding, I am prepared to listen carefully to any further evidence-based plans from the Government, as I think that they are going in the right direction. However, within the overall context of widening participation, policy mistakes are limiting access for poorer socio-economic groups. Let me demonstrate that with a couple of examples of how the schools system, as run from the centre, has militated against the success of the Department's own purported aim of improving fair access.

Two years ago the Government stopped languages being a compulsory subject when they dropped them from the core curriculum at key stage 4. Surprise, surprise—the numbers taking languages slumped. In 2004, 80 per cent. took one language or more at GCSE; now only half that number do. With fewer and fewer young people taking the subject to GCSE and then on to A-level, many universities struggle to recruit students. Consequently, languages are becoming elitist because only middle-class students study them at top universities. While the number of comprehensive schools teaching languages falls, grammar schools, specialist schools and independent schools forge ahead with them. Students from those schools go on to the Russell group of universities. However, further down the pecking order, 16 universities no longer offer a degree in the four major languages of French, German, Italian and Spanish.

Many schools in the state sector no longer teach single science subjects. The flow of students studying pure science at university has become a trickle. That has caused approximately 80 departments to close in recent years, including the physics department at Reading university, in my constituency.

The changes in language and science teaching in schools have had a direct negative impact on the number of young people from specific social groups who can participate in important academic subjects. The chances of those who have not had a middle-class upbringing being able to study a pure science or a language at university are increasingly slim.

Bill Rammell: With all due respect, this speech is one of the most poorly researched that I have heard—and I do not say that gratuitously. The hon. Gentleman has made a statement about the closure of university science departments. Will he give us the figures for the number of students who study science? If he can do that, he will paint a different picture.

Mr. Wilson: I will not give specific numbers, but I am talking about pure science subjects, not the combined science subjects to which the Minister is referring.

Mr. Boris Johnson: My hon. Friend is a man who knows about this subject. Pure science subjects such as physics have experienced a sad decline in numbers of students, and 30 per cent. of physics departments have closed in the past eight years. The Minister is right to say that the number of those studying forensic science and combined science subjects is increasing, but if he examines what is happening to chemistry and physics, he will realise that there is serious cause for concern. My hon. Friend is right to make that point.

Mr. Wilson: I mentioned lack of competence in some subjects, and I should like to give an example of that. Have the changes to post-qualification access—PQA—been shelved? Perhaps the Minister can enlighten us later. It is a system whereby students apply to university after they receive their A-level results.

In September 2005, the Department published consultation proposals from a group chaired by Sir Alan Wilson about the implementation of PQA. The Department based the case for change on the fact that 45 per cent. of predicted A-level grades are accurate.

The group highlighted the fact that predicted grades were most inaccurate for students

"from the lower socio-economic groups and those from certain school or college backgrounds".

The Department said that, "crucially", students with underestimated grades did

"not receive the conditional offers that they merit".

In other words, students from lower socio-economic groups were disadvantaged by the current system.

However, Geoff Hayward, who produced a report for UCAS, said:

"It's just not true. They are trying to portray a particular image that poorer students are being disadvantaged by the system, but the report I wrote finds very, very weak, if any, support for that conclusion."

Dr. Hayward's report shows that predicted grades are indeed less accurate for students from lower socio-economic groups, who are more likely to have their grades exaggerated. However, the discrepancy is largely explained by the accuracy of the different grade predictions. A grades are much more reliably predicted than others, and a strong correlation remains between socio-economic background and achievement at A-level. The report states:

"Teachers in independent and grammar schools make the most reliable predictions, largely because of the high proportion of A grades being achieved in these institutions."

The fact that fewer than half of all grade predictions are accurate matters only if it affects admissions. The report finds little evidence that it does. It found "only weak and negative evidence" of over-prediction increasing applicants' chances of success. Some commentators observed that the idea that the whole system might change to benefit specific sorts of applicant, however deserving, was asking for trouble. Why change the whole system when the evidence suggests that offers are not affected by slight inaccuracies in predicted grades?

After a major push for a move to PQA in 2005, the Government seem to have gone very quiet. Have they realised their mistake and buried the issue? Perhaps the Minister will explain in his summing up what is happening, but there is a bigger issue. If PQA is not a magic-bullet answer to improving fair access to higher education, what are the Government going to do to improve the chances of bright and able pupils from poor backgrounds to access top universities? Preferably, they will not offer socially engineered schemes—but I look forward to the Minister's response.

5.35 pm

Mr. David Chaytor (Bury, North) (Lab): I congratulate my hon. Friend the Minister on securing the debate. First, may I say that 10 years ago, it would have been inconceivable to have a debate on this topic in Government time? That in itself is a tribute to the efforts of the Minister and his predecessors on widening participation. I congratulate the Government on their unswerving pursuit of the objectives of increasing fair access and widening participation. I want to put on record my support for almost every individual policy that they have implemented over the last 10 years, which has made this achievement possible.

In contrast, during that time I cannot remember—until today—a single statement or policy put forward by the Opposition that has advanced this cause. In fact, the Opposition have voted against virtually every Budget that provided the money to make progress possible.

Mr. Boris Johnson *rose—*

Mr. Chaytor: I am afraid that I will not give way, as time is so short.

Mr. Johnson: I gave way to the hon. Gentleman.

Mr. Chaytor: I acknowledge the hon. Gentleman's generosity in giving way earlier, and I had more than my fair share of interventions—but let us see how the next 10 minutes go.

In the 15 years before 1997—before I was elected to the House—I had some involvement in this field of activity, and I cannot remember a single act by the then Conservative Government that advanced the cause of widening participation—*[Interruption.]* Although the numbers of students in our universities increased during that time, that was entirely due to two factors. The first was the gradual extension of comprehensive education during the 1970s and 1980s, which led to more children and young people achieving the necessary qualifications to enable them to stay on, to study their A-levels and continue on to university. The second factor was the two recessions in the early 1980s and early 1990s, engineered by the Conservative Government, that raised unemployment and led many adults to seek places at university because they could not find a job in the labour market. That was the reality.

It is precisely because of that reality that I particularly welcome the new rhetoric put forward by the official Opposition. *[Interruption.]* There now appears to be at least a consensus of rhetoric about the importance of widening participation—if not a consensus about the policies needed to address the issue. *[Interruption.]* I give way to the hon. Gentleman.

Mr. Johnson: Talk about a badly researched speech! I really think that the hon. Gentleman should reflect the role of the Conservative Government and the Conservative Education Secretary in hugely expanding the university sector by allowing the creation of a huge number of new universities.

Mr. Chaytor: That is not a picture that I recognise. What I do recognise is the fact that the previous Government put a cap on the number of places in universities. Since that time, of course, Conservative Front and Back Benchers have continued to argue that there are too many students of the wrong type going to university. Throughout this whole period, I have asked a number of Conservative MPs which of their children they are prepared to tell that they are the wrong kind of kid to go to university—and not one of them has been able to answer that question.

Until we see some sort of conversion halfway along the road to Damascus, which is where the Opposition currently are, and until we see them adopting and supporting the sort of sensible policies that this Government have put in place, we cannot accept that their position has much credibility. Indeed, during the whole 35 minutes of the opening speech by the

[Mr. Chaytor]

Conservative spokesman, the hon. Member for Henley (Mr. Johnson)—he was actually winding us up the whole time, which I thought was a subtle achievement—only one new policy was put forward. That was a tweaking of the arrangements for performance tables—a weighting of achievements in science subjects—which as far as I could see would simply increase the differential between schools that already had a large number of students pursuing and achieving in pure science subjects and schools that did not. That would have been a regressive step.

I support the various measures that the Government have taken and I pay tribute to the universities that have taken this matter seriously. In the opening speech from the official Opposition, I was struck by the way in which the hon. Member for Henley praised Bristol university in one breath and, in the next, condemned the measures that it had used to improve its rates of participation.

I also want to pay tribute to the work of the many Aimhigher partnerships operating throughout England and Wales. Although it is sometimes difficult to assess the direct effect of much of this work, I hope that the Aimhigher project will still continue after the forthcoming comprehensive spending review, because it involves long-term investment for long-term achievements. I particularly want to pay tribute to the active work of the Aimhigher partnerships in Greater Manchester, which covers my constituency.

We need to get away from a total obsession with getting a wider group of students into our elite universities. Widening the social base of those universities is crucial—my hon. Friend the Member for Huddersfield (Mr. Sheerman), the Chairman of the Select Committee, outlined the nature of this problem, and some of the solutions, extremely effectively—but widening participation is not only about Oxford, Cambridge, Bristol, Durham and one or two of the London universities. It is about the whole range of universities, and we need to look at the whole of the British university system rather than focusing on the elite research universities.

If we want to make progress with our leading research universities, we have to move to the post-qualification admissions system. That crucial measure will help us to implement a fairer system. We must also do more work on making more information on students' backgrounds available to admissions tutors. In the various discussions that I have had on this subject with Opposition Members in the past 10 years, I cannot remember a single occasion on which they did not introduce the concept of social engineering. That is an important concept, because we have had a thousand years of social engineering that has led to the kind of class-based inequalities of access to university that we now suffer from. The job of the university admissions tutor is to identify potential. To pretend that that can be done without judging the achievement of the student in the context of the school that they went to and the family that they came from is naive and dishonest. I therefore fully support moves to make such information available to admissions tutors.

I want to make a point that I hope will elicit a degree of consensus among all three parties here today. However important the Government's measures to improve the admissions arrangements to universities and to widen the social base of the students attending universities, the problem is not at the point of entry to the university. As speakers from all parties have said, the problem is to be found earlier in the education system. In my view, it arises at the age of transfer from primary school to secondary school. What distinguishes the British education system from many others in the Organisation for Economic Co-operation and Development is the significance that parents attach to the choice of school for their child. Until we can move fairly and quickly to a secondary education system that is more equal, and in which the choice of school has less effect on a child's eventual achievement, we will never have a fully developed, successful widening participation policy in our universities.

Mr. Boris Johnson: Will the hon. Gentleman give way?

Mr. Chaytor: No, I am sorry.

If we can develop a more egalitarian, less hierarchical and less elitist secondary school system, it follows as night follows day that more young people will achieve more at 14, 16 and 18 in a way that will provide them with an automatic route into university. They will not all be studying philosophy, politics and economics or ancient history at Oxbridge, but a range of important subjects. The progression from school to university, however, will become more automatic and inevitable if we lift the level of talent of all our pupils, and if the choice of school has less effect on the eventual outcome.

The 14-to-19 reforms are a hugely important development, which relates directly to the widening of participation in universities. It is regrettable that the Government did not adopt Mike Tomlinson's report in its totality. I hope, however, that the issue remains on the table for the future. We make a mistake, however, if we believe that the key to the problem is somehow to get parity between the vocational and the academic. As long as the academic subjects lead to the kinds of careers that pay two, three, four or even 10 times as much as those to which the vocational subjects lead, parents and students will never be convinced of parity. The key lies in eliminating the nonsensical concepts of vocational and academic. *[Interruption.]* I am delighted that the hon. Member for Henley agrees.

Medicine, of course, is the classic example of a vocational subject. For decade after decade, our system has produced people who know every fine detail of the history of the Peloponnesian wars, but who cannot change a plug or switch on the dishwasher. It is critical that rather than trying to get parity between the two concepts, which we will not achieve, we eliminate those concepts and develop a new framework and set of terms of reference to describe the different natures of learning reflected in the practical and the conceptual.

On costs and fees, among the most important steps forward in the past 10 years to a more egalitarian education system were the introduction of tuition fees in universities in 1999, and the extension of those fees by raising the maximum level to £3,000 for 2006. Those were hugely controversial steps. Once the effects have been analysed in four years' time, when the first cohort

of students will have gone through the new system with a maximum £3,000 fee, I believe that the case will be made for raising the cap. We cannot continue to finance a world-class university system largely on the back of the taxpayer. We need different sources of funding, to which fee income will contribute. I also find it impossible to understand how anyone who believes that it is reasonable to pay a fee for a child's secondary education should find that the taxpayer should pay the largest part of the fee for that child's university education. That is completely and utterly illogical. Raising the cap will be an important and high-profile political issue three or four years from now.

Finally, may I make a plea that the Government do it differently next time? We cannot just sit back as we did last time, and subcontract the decision to Sir Ron Dearing or some other expert. We cannot just have an external analysis of the impact of raising fees on the first cohort, and then try to push the change through Parliament. We must prepare the ground and develop a better understanding among Members of the three main parties represented here and among the wider public, parents and students. We should start discussing the arguments for and against raising the cap. We should not leave it to the last minute. We must do the groundwork so that in 2010, when I believe that the case will have been made for raising the cap in a careful and regulated way—and in a way that provides sufficient scholarships and bursaries so that no applicant from a low-income background feels that they cannot go to university—that change will become part of the new consensus in an expanding, thriving and internationally competitive university system.

5.49 pm

Bill Rammell: I think that our debate has been genuinely helpful, informed and instructive. I must say that at the outset I did not expect, at the conclusion, to be urged from the left to lift the cap, and I greatly respect my hon. Friend the Member for Bury, North (Mr. Chaytor) for that. I will not alter my opinion that we need to see what happens during the first three years of operation, but my hon. Friend's speech underlined the fact that there is a redistributive case for the system that we have introduced. I think that that is one of its merits.

I was pleased that the hon. Member for Henley (Mr. Johnson) began by saying that we should encourage more young people in lower socio-economic groups to enter higher education. I wish that that could be stated clearly from a Conservative perspective in the columns of the *Daily Mail* and *The Daily Telegraph*.

Mr. Boris Johnson: It is.

Bill Rammell: Their columns—apart from the hon. Gentleman's— constantly attack the Government for pursuing exactly that objective, but if we have a cross-party consensus here, that is to be welcomed.

Like many other Members who spoke, the hon. Gentleman mentioned the Aimhigher programme and our review of it. My hon. Friend the Member for City of Durham (Dr. Blackman-Woods) asked me about the review, which I instigated. I did not do that because I wanted the programme to be cut; I think that it is an excellent programme. However, I also think we should ensure that it is targeted as effectively as possible. The review has identified the fact that while an immense amount of good work is being done, it is not being targeted as closely as it should be on young people and children in the lower socio-economic groups.

Mr. Johnson: Will the Minister give way?

Bill Rammell: Very briefly.

Mr. Johnson: Can the Minister tell us where he thinks the money is going, and should not be going?

Bill Rammell: My point is that the money is there to target young people from the poorest backgrounds, which is not happening in all circumstances. We need to put that right.

The hon. Gentleman went on to make a number of comments about the fact that the key challenge in providing access to higher education is posed not by the university admission system, but at a much earlier stage. I agreed with that analysis, but I parted company with the hon. Gentleman when he repudiated the real progress made in the last 10 years in driving up attainment in state schools. There has been a step change in performance during that time. However we structure the figures—whether or not we include English or maths—there has been a significant improvement in the performance of state schools, which before 1997 had been flatlining for some time.

The hon. Gentleman majored on the position in the Russell group of universities. Ten thousand more young people are gaining access to those universities than were doing so in 1997. Is that enough progress? No, we have further progress to make—but I think the figure demonstrates that progress is being made.

We saw a couple of weeks ago how long it takes for a clear commitment on the part of the Conservative party to mellow into an aspiration. I think there was a gap of two minutes between the hon. Gentleman's commitment to abolishing the Connexions service and his commitment to reforming it. I found that an instructive example of the evolution of Conservative party policy.

The hon. Gentleman made a number of points about announcements made by the UCAS board about the need to take account of socio-economic and parental backgrounds. I should make it clear that the decision was made by the UCAS board, which includes representatives from universities across the country. It is a positive response to the Schwartz review's recommendations on an holistic assessment process. The Government did not ask for the decision or intervene in it, but I certainly welcome it. The new arrangement is optional for higher education institutions, which can decide for themselves whether they want to use it, but it could help the difficult process of assessing potential, which was mentioned by my hon. Friend the Member for Bury, North. Universities have been grappling with the issue for some time, and I think we undervalue its importance if we decry it.

The hon. Member for Reading, East (Mr. Wilson), on whom I intervened, began by accusing the Government of outdated dogma. In fact, his comments demonstrated his own outdated analysis of the

[Bill Rammell]

Government's policies and programme. He made one statement that was completely erroneous, and which motivated me to intervene on him. He talked about the targets for higher education institutions in respect of the proportions of students from poorer backgrounds and from state schools accessing them, and he then made the completely unsubstantiated claim that if universities do not meet those targets, they will be financially penalised. That is simply untrue. They are not performance targets, there is no link with funding, and I hope that he will withdraw those comments.

The hon. Gentleman also made some comments about the teaching of modern languages. The most significant change that we can make is the one that this Government are committed to: to ensure that by 2010 every child in every primary school in this country has access to learning a modern foreign language. The key change we are making is to introduce that commitment at primary school level.

The hon. Gentleman also talked about science subjects. After several years in which there was a decline in the number of applications to study the hard science subjects, over the past three years there has been a positive trend in the right direction. In particular, in terms of the applications announced a few weeks ago for next September there have been big increases—of above 10 per cent.—for chemistry, physics, maths and engineering. That is solid progress, and it should be welcomed.

The hon. Gentleman also made some very strange remarks about post-qualification applications and claimed that the Government had gone quiet on that issue. He cannot have been in the Chamber when I made a significant point during my opening speech about the importance of post-qualification applications and the fact that although the Government do not control university admissions, we are doing everything in our power to urge universities to move towards having a full system of PQA by 2012. The fact is that more than half of predicted grades are inaccurate, and in terms of both under-prediction and over-prediction—both of which are a cause for concern—students from the lowest socio-economic groups are the most adversely affected. However, it is for the benefit of people from all backgrounds that we need a fairer system of application and admission to university.

My hon. Friend the Member for Huddersfield (Mr. Sheerman) made a number of important points, but I think that he under-represented the progress that our universities are making in terms of community outreach and summer schools. Those efforts should be supported.

The hon. Member for Bristol, West (Stephen Williams) made a significant point about the importance of work-based higher education. In respect of the Leitch challenge, 70 per cent. of the 2020 work force are already in work today. We need to ensure that those who are already in work have real opportunities to access higher education. That will be the biggest area of expansion in the system in future.

The hon. Gentleman also talked about the burden of debt, and there is an important issue to get across on that: the postgraduate system of debt and repayment that we have established is debt like no other. It is not like any loan that people can get anywhere on the high street because there is no real rate of interest—people repay only when they are in work and earning more than £15,000, and if after 25 years they have not paid the debt off, it is cancelled. If people could get a loan like that in any building society or bank on the high street, we would not be able to move for people queuing up to get hold of it. We need to do much more to get across the benefits of the new system.

The hon. Gentleman also decried the fact that under the new system there has only been a small increase in the proportion of applications from students from lower socio-economic groups. I do not deny that we need to do more, but, before we introduced the new system, it was alleged that that if we introduced variable fees, applications would plummet, particularly from students from poorer backgrounds. That simply has not happened, and I would like some recognition to be given to that fact.

The hon. Member for Rugby and Kenilworth (Jeremy Wright) made some important points about mentoring, which is a key element of what we are seeking to do. Both he and my hon. Friend the Member for City of Durham talked about the 50 per cent. target, and my hon. Friend rightly said that that is about setting an ambition and an aspiration. I would hazard a guess that that 50 per cent. target probably has the greatest common currency of any public service agreement target among ordinary people in this country. I think that underlines our ambition for the expansion of higher education opportunities, both for the younger population and throughout people's working lives.

This has been an important debate with a lot of commitment shown. We are making progress, but we undoubtedly have to do more.

It being Six o'clock, the motion for the Adjournment of the House lapsed, without Question put.

PETITIONS

Television Reception

6 pm

Mr. Peter Bone (Wellingborough) (Con): I wish to present a public petition to the House of Commons, organised by a most excellent campaigner in my constituency, Mrs. Carol Childs. Normally, the Parliament channel would be able to beam my remarks to the petitioners, but as the House will learn, that will not be possible today. There are only 105 signatures on the petition, but those who have signed have lost their television signal. One day they had a television signal and the next day an industrial unit was built behind them and they lost it, although they still have to pay their licence fee.

The petition states:

To the House of Commons.

The Petition of residents of Rushden, Northamptonshire and surrounding areas

Declares that, due to the construction of large industrial units behind The Hedges, a road in Rushden, the television signal has been lost or severely impaired for many households. Given that

the households have to pay a TV License fee it is unacceptable that there is no or a very poor television signal.

The Petitioners therefore request that the House of Commons asks that the Secretary of State for Culture Media and Sport initiates an investigation into this matter with the aim to find a solution that will restore a quality television signal.

And the Petitioners remain.

To lie upon the Table.

Fire Appliances (Cheadle)

6.1 pm

Mr. William Cash (Stone) (Con): My first petition relates to the question of the fire station and engine in Cheadle in my constituency. It is supported by no fewer than 1,897 signatures and it states:

To the Honourable the Commons of the United Kingdom of Great Britain and Northern Ireland in Parliament assembled

The Humble petition of the residents and citizens of the town of Cheadle in Staffordshire

Sheweth that the withdrawal of Cheadle's second fire appliance exposes the residents of Cheadle to a greater risk and danger due to the lack of the two appliances which the town has enjoyed up until now.

Wherefore your Petitioners pray that your honourable House will urge the Government to re-establish two on-call fire appliances as a matter of urgency for the town of Cheadle in order to protect and re-establish the minimum level of fire prevention support for the residents of Cheadle in Staffordshire.

And your Petitioners, as in duty bound, will ever pray.

To lie upon the Table.

Post Office Closures

6.2 pm

Mr. William Cash (Stone) (Con): My second petition relates to the proposed or feared closure of post offices in the rural area of my constituency and is supported by more than 1,000 signatories. One is a lady aged 101 whose father was the village postmaster. It states:

To the Honourable the Commons of the United Kingdom of Great Britain and Northern Ireland in Parliament assembled

The Humble petition of the residents and citizens of the villages of Gnosall and Haughton.

Sheweth that the plans, if approved, for the closure of local post offices would severely damage the provision of local services to the local rural community and further erode the economy and services enjoyed over many years by local people

Wherefore your Petitioners pray that your honourable House will urge the Government to allow and encourage post offices to retain, maintain and strengthen those crucial services which they have always fulfilled in the past and allow them to continue.

And your Petitioners, as in duty bound, will ever pray.

John Prendergast, Springbrook, Audmore, Gnosall, Staffs.

To lie upon the Table.

Moneystone Quarry

6.4 pm

Mr. William Cash (Stone) (Con): My third petition relates to a very important issue surrounding Moneystone quarry. It is supported by almost 700 letters of objection to Staffordshire county council. It states:

To the Honourable the Commons of the United Kingdom of Great Britain and Northern Ireland in Parliament assembled

The Humble petition of the residents and citizens of the village of Whiston in Staffordshire

Sheweth that the plans, if approved, for an extension to Moneystone quarry will have a negative impact on the ecology, quality of infrastructure and quality of life in the area surrounding the quarry.

Wherefore your Petitioners pray that your honourable House will urge the Government to call in the planning application so that a full and proper planning inquiry can take place and thoroughly examine the application in a fair, democratic and accountable manner.

And your Petitioners, as in duty bound, will ever pray.

To lie upon the Table.

Noise Pollution

6.5 pm

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): I present this petition on behalf of the residents of Port Solent, which is in my constituency and adjacent to the M27. The motorway is heavily congested and due to be widened by means of climbing lanes. The residents of Port Solent are not opposed to the climbing lanes but they request that acoustic noise barriers be erected to combat noise pollution.

The petition has been signed by 544 residents of Port Solent, which is a mixed development of apartments and houses. The houses in the development are closest to the motorway and 435 of the signatures come from them, which demonstrates the strength of feeling. I pay tribute to Phil Dickinson, Paul Lemaistre and Sue Hewitson who have worked hard gathering signatures for the petition.

The petition

Declares that the very close proximity and raised nature of the M27, alongside residential housing at Port Solent, causes intolerable levels of noise pollution, beyond what would currently be allowable for planning permission of either motorway or housing.

The petitioners therefore request that the House of Commons urges the Department of Transport and the Highways Agency to construct acoustic barriers, alongside the motorway adjacent to this housing, to protect residents from the very detrimental levels of noise pollution.

And the petitioners remain etc.

To lie upon the Table.

Channel 4

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Roy.]*

6.7 pm

Keith Vaz (Leicester, East) (Lab): I am grateful for this opportunity to discuss the subject of Channel 4 and public service broadcasting. I am pleased that the Under-Secretary of State for Culture, Media and Sport, my hon. Friend the Member for St. Helens, South (Mr. Woodward), is in the Chamber for this debate, but sorry that I have had to take him from pressing duties elsewhere, at the launch of the new digital service.

The debate offers the House its first formal opportunity for a full and frank discussion about the offensive and—in my opinion and that of many others—racist material broadcast on Channel 4 two months ago. In January, Channel 4 began broadcasting the latest and fourth series of "Celebrity Big Brother". The channel's 24-hour, seven-day-a-week coverage of celebrities isolated in a house in Hertfordshire attracted millions of viewers who had tuned in to see a narrative of human interaction. However, that series revealed a much uglier side to so-called reality television. It began with bullying, derogatory cultural references and blatant racist behaviour against the Bollywood actor Shilpa Shetty from Jade Goody, Danielle Lloyd and Jo O'Meara—a trio of young female celebrities. Two of them have since apologised for their behaviour.

It is not necessary or productive to provide a full list of the incidents of abuse that took place inside the "Big Brother" house, but to have an understanding of the situation we should remember that over successive days and weeks Ms Shetty was called "Shilpa Poppadum", asked whether she lived in a "house or a shack", told to "go back to the slums" and repeatedly referred to as "the Indian". Those were the bits that were broadcast, although for the many hours of footage that were shown many more hours were not aired. One wonders how much of it was in a similar vein.

Given the 24-hour nature of the programme and its wall-to-wall coverage, it is not surprising that the public's reaction was so intense. The programme holds the record as most complained about in British television history. More than 40,000 complaints were received by the authorities. The Prime Minister, the Leader of the Opposition, Ministers and 91 Members of the House made it clear that they felt that the programme was doing a disservice to the multicultural society we have achieved today and was providing a major platform to the minority with such prejudiced sentiments. My right hon. Friend the Secretary of State for Culture, Media and Sport spoke for many when she said in a personal capacity that "Celebrity Big Brother" was nothing more than "racism masquerading as entertainment"—one of the most powerful and commendable statements made by anyone on this subject.

Of course, offence was caused not only to the British Asian community, but to our friends and allies in the sub-continent. Fortunately, the Chancellor of the Exchequer was leading a delegation to India at the time and could properly and immediately represent the rejection of the racism shown on "Big Brother". Otherwise, I fear that even greater damage would have been done to our standing abroad.

It is of credit to Britain that this series of "Big Brother" resulted in a final victory for Ms Shetty, who won herself many admirers when she became the first ever ethnic minority winner. The Minister himself spoke for millions when in the Chamber on 29 January he congratulated Ms Shetty on her victory after what he described as a "ghastly few weeks" on the programme.

Throughout this sorry state of affairs, Shilpa Shetty carried herself with dignity, calm and grace—a real ambassador for Asian women the world over. The millions who voted for her also deserve congratulations on their rejection of those who sought to demean and humiliate her. We should rightly pride ourselves on the steps that our country has taken in recent years to change our national culture into one that accepts differences and respects diversity.

The loser from the whole incident was the broadcaster Channel 4. Through ignorance or wilful neglect, it allowed these broadcasts to continue through to a very bitter end and then sought to justify that on the basis that its viewers had chosen Ms Shetty as the winner even though Channel 4 had no role in or influence on the final result. In so doing, it lost the support of its viewers and it lost a multi-million sponsorship from Carphone Warehouse and the advertising revenue of PepsiCo as those companies took the right decision to stop supporting it. It also lost the revenue from its premium rate phone lines as it was forced into donating the money to charity. Finally, it lost the trust of the nation, which had looked to Channel 4 as a responsible public service broadcaster and as a real champion of ethnic minority broadcasting—hence this debate.

The initial response of Channel 4 during the peak of public outrage was most disappointing, as it distanced itself from the outrage felt by many. On 18 January, Channel 4 chairman Luke Johnson went on the "Today" programme and provided Mr. Jim Naughtie with a succession of "no comments". As the interviewer aptly pointed out, it was a great irony on that day that it appeared that the only person in the country with nothing to say on this major news story was the chairman of the broadcaster responsible for it.

By lunchtime, when it was apparent that such stonewalling would not do, its chief executive, a tie-less Andy Duncan, appeared before the world's press in Oxford. His statement offered the opinion that what constituted racism was a "complex" area. It appears sadly from a successful career at Unilever that Mr. Duncan, the man who promoted the catchphrase "I can't believe it's not butter" also could not believe that it was racism. Mr. Duncan went on to say that it was "unquestionably a good thing" that the programme

"raised these issues and provoked such a debate".

Others believe that the role of "Big Brother" has a less grand purpose than creating a national debate on major issues. In fact, it was the very same Mr. Duncan who reportedly said 20 months before that "Big Brother" made no claim to provide "social or moral education" but was just a very important entertainment

programme for Channel 4. Rory Bremner could have turned up on 18 January and would have done much better.

It is perhaps not surprising that Channel 4 was so unprepared for the reaction. Remarkably for a major public institution, it is run by an all-white management board. Despite the channel's professed commitment to providing a service to all minorities, there is no way that any member of the board could have understood from personal experience what racial discrimination felt like. Perhaps that is why they found the issue so complex.

Overall, the response of Channel 4 was pathetic, ineffective and derisory. I met Mr. Duncan last week at my request. It was clear that he felt that his response and the general response of Channel 4 was in retrospect unsatisfactory. Mistakes were made, he said. He assured me that Channel 4's internal investigation would address the areas where improvements could, and I suggest should, be forthcoming. It is a sad fact that during the events of January the channel, which was originally set up with the express intention of catering for minority interests, responded so poorly. It has damaged its own hard-won reputation in the eyes of many who previously looked to it to represent their experiences. What pride it took last year when it chose to front its alternative Queen's speech with a woman in a niqab. Was that pride before the fall?

I hope that, at the conclusion of the investigation, Channel 4 will take a belated opportunity fully to condemn racism in all forms and fully to apologise to all offended, especially Ms Shetty. The regulator's inquiry is important—not least for the precedent that it will set in a digital age. "Big Brother" is a unique show and I have concerns about the regulatory framework, which does not have the capacity to cope with reality television programmes of this kind. Unlike a normal programme, which lasts a few hours or less, the 24/7 nature of reality programmes results in masses of footage, filmed by several cameras. In the case of "Big Brother", there would have been hundreds of hours of footage. Unfortunately, the complaints are not being assessed individually by the regulator. It has been pretty slow in responding to my requests for a meeting, although, oddly enough, it has agreed to meet me next week. The Minister will understand that, as channels proliferate on the digital spectrum, there is no effective mechanism that provides an efficient and effective oversight of the increasing number of reality shows that are broadcast over weeks or months.

It has been reported that, in an age of strong digital competition, the future of Channel 4 is uncertain. Its chief executive has projected a £100 million shortfall for the channel once digital switchover is complete. It is clear that that is expected to be made up in the form of a direct Government subsidy. The sum of £100 million would be only slightly more than the channel receives from the "Big Brother" franchise, which accounts for between 7 and 10 per cent. of its £800 million budget. It is clear that the management at 124 Horseferry road are attempting to avoid having to make a choice. They are trying to square the circle of broadcasting high-profit television franchises while demanding a subsidy on the basis that they are a public service broadcaster serving the public interest. It would have happened eventually, but "Big Brother" has shown that that will not be possible.

Many have misunderstood the debate as being one about editorial censorship. I must clarify that. This is a debate about how a channel that causes massive offence to the public in pursuit of advertising revenue can claim to be serving the public interest and deserving of public subsidy. Channel 4 now faces a clear choice between maintaining its distinctive and original identity and becoming just another outlet for shock television.

I hope that the Minister will join me and clearly state that, as far as he is concerned, racism is not a complex area involving subjective opinions. He has been involved in the great steps taken by the Government to promote the equality agenda and to encourage public institutions to modernise their attitudes. I call on him to ensure that all broadcasters can properly represent today's Britain. Perhaps he can even get Channel 4 to apologise.

I also ask the Minister to use his good offices so that the public can be assured that all the money raised by premium-rate phone lines and later pledged to charity is accounted for. Many members of the public pursued their involvement in voting for Shilpa Shetty only on the basis that Channel 4 would not directly profit from their votes. In the light of recent scandals affecting other game shows and TV competitions, of which the Minister is very aware, there are questions about how much the concerned charities should expect to receive from Channel 4 and by what deadline, and who will monitor the money earned for the charity and the processing of that amount. I would be grateful if the Minister could clarify that position.

Is the Minister satisfied that the powers of the regulator are strong enough to deal with reality television formats? Can he offer the House any assurance about how far a reality-series television station could go before Ofcom could intervene with force?

The issue of accountability is at the heart of this. Mr. Duncan explained the system of accountability in Channel 4. The chairman and non-executive members appear to be appointed by the regulator. Ofcom will be expected to regulate the broadcaster under the management of its chosen appointees. At the same time, the chief executive of Channel 4 is selected by the board of Ofcom-appointed non-executive directors. One can imagine that once the board selects Channel 4's chief executive, it will be loth to admit collective responsibility for selecting an individual who is not up to the job. Will the Minister clarify that point about accountability?

If this case were simple, one would obviously have expected a ministerial response, but it is complicated, and Ministers cannot intervene because they have appointed a regulator to do so. However, the Minister must accept that there is a duty in such a situation for the regulator to be able to intervene and, quite frankly, press the off button. What assurances can the Minister provide the House that his Department will consider again whether the powers of the regulator are effective enough when it comes to such broadcasts?

What are the Minister's thoughts about where the future of Channel 4 lies? We await the publication of

[Keith Vaz]

two reports on that subject. If either investigation reveals that Channel 4, either by act or omission, was in any way responsible for the broadcasting of racist material and failed to act appropriately, will the Minister join me in expecting either the chairman or the chief executive—or both—to offer their immediate resignation?

The past 10 years have seen a radical time of change and the adaptation of different approaches for those in the media. That will continue in forthcoming decades. The House is familiar with the continuous debate that we have on the role, responsibilities, functions and financing of the BBC. I hope that the Minister will use this opportunity at the Dispatch Box to begin a new national debate on the future of Channel 4.

6.22 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): I congratulate my right hon. Friend the Member for Leicester, East (Keith Vaz) on securing the debate. I certainly join him unequivocally in condemning all racism, wherever and whenever it takes place. We rightly should be totally intolerant of racism in this country. Why anyone would want to put themselves up for "Celebrity Big Brother" is somewhat beyond me, and I say that as a former editor of "That's Life!", which was a programme that understood the values of entertainment.

The truth is that however awful hon. Members might find this form of programming, the public could watch our own "Celebrity Big Brother" in this Chamber every day, yet, remarkably, few choose to do so. I do not know what our viewing figures are right now, but I suspect that they are in single figures, with hon. Members' relatives probably being the major players. However, "Big Brother" and its derivatives attract huge audiences and it is clear that the public enjoy them. Equally, "Celebrity Big Brother" enjoyed huge audiences.

I want to put on record, as I am sure that all hon. Members will continue to do, our admiration for Shilpa Shetty. She is a woman who, even if we did not know her as a celebrity before, in the course of enduring those weeks in the house earned huge respect from many people throughout the country, regardless of their ethnic backgrounds. Her resilience and dignity during what I have referred to as "ghastly" weeks, as my right hon. Friend said, were as remarkable as the apparent bullying and racism were distasteful, grotesque and highly offensive.

My right hon. Friend has a proud track record of ensuring and fighting for equality in this country. As I have already said, I share his feelings about the need to root out racism. However, when it comes to sharing some of his conclusions, I urge caution. I absolutely understand, as he does, why so many people found the programme so distasteful. It led to Ofcom receiving a record 45,000 complaints.

The Government's position on racism is unequivocal: we find it totally unacceptable. We have legislated to that effect, and Government policy reflects our view. We introduced a specific offence of racially aggravated harassment. In addition, under the Public Order Act 1986, there is an offence of using threatening, abusive or insulting words or behaviour with intent or likelihood of stirring up racial hatred. That offence covers inflammatory comments made in public or in the media, as well as the distribution of printed material. "Celebrity Big Brother" was unquestionably highly offensive, but the question is not whether it was offensive, but whether an offence was committed. I understand that Hertfordshire police have announced that no criminal charges will be brought in connection with "Celebrity Big Brother", and the Crown Prosecution Service has stated that what occurred was clearly offensive, but not criminal.

On editorial content, and on "Celebrity Big Brother" specifically, responsibility for what is broadcast on television and radio rests with the broadcasters and the organisations that regulate broadcasting, which in Channel 4's case is Ofcom. Ofcom is, of course, independent of Government. We believe that that is right, and that it should remain independent. It is a fundamental principle that the Government do not and should not intervene in matters of editorial or programme content, particularly when an investigation is in progress. We believe that it is right to let the regulator continue to conduct the inquiry.

Ofcom has been charged with the task of setting and assessing standards for the content of television and radio broadcasting. Its standards code, drawn up under the Communications Act 2003, aims to ensure that generally accepted standards are applied to the content of television and radio services. Its function is to provide the public with adequate protection from the inclusion in such services of harmful and/or offensive material. Of course, the legitimate question in this case is whether the public have been adequately protected. That is why Ofcom's inquiry is so important. Parliament has charged Ofcom directly with establishing procedures to handle and resolve complaints, so it seems premature to prejudge the inquiry's outcome, and the procedures by which it will achieve that outcome, while the inquiry is being conducted. After all, its procedures are not a reality TV show, and while we await the outcome, we should be careful about carrying out our own voting on those procedures.

My right hon. Friend raises the question of whether the regulator should have hit the "off" button. It has been suggested that a fundamental design fault must exist, as the big button was not hit when "Celebrity Big Brother" was on air. I suggest that we pause to make sure that what we are asking for is really what we want. We should ask whether the request truly falls in with the responsibility that Members have chosen to give Ofcom, and indeed whether it runs against the principle of providing a fair hearing, which should extend to Channel 4. Ofcom can, if appropriate, take action against a licensee while a series is on air. However, in line with the right to a fair trial and the provisions of the 2003 Act, it must give licensees an opportunity to make representations before any decision is reached on whether material is in breach of the standards code.

There were undoubtedly tens of thousands of complaints, and clearly many people were offended, but the number of complaints about a programme is

not, and should not, be a factor to be weighed in a set of scales. The fact that there has been a large number of complaints should not, prima facie, prove that a programme was guilty. We need an inquiry to be conducted.

The question was raised of whether each complaint should have been investigated. The chief executive of Ofcom wrote to my right hon. Friend on 26 February, and a copy of the letter has been placed in the Library. It explained that Ofcom decided not to reply to individual complaints, not because of the high volume of complaints, but because the regulator wanted to pursue a full investigation into them. Having said that, I do not think that Channel 4 or its chief executive, Andy Duncan, are complacent or remotely insensitive to what happened. At no point did Channel 4 condone what was happening, and I know that Andy Duncan has extremely strong views—as strong as those of my right hon. Friend and myself—about racism and the need to root it out from our society.

Keith Vaz: Will my hon. Friend give way?

Mr. Woodward: Yes, but my right hon. Friend should remember that I have only five minutes left to answer all his questions.

Keith Vaz: Briefly, has the regulator asked the Department for any additional resources to deal with the issue?

Mr. Woodward: As far as I am aware, the regulator has not asked us for additional resources, but I do not believe that that will be a problem. If it is, I invite the regulator to tell us. We cannot allow a lack of resources to prevent us from dealing with the issue, but I genuinely do not believe that that is the case. If it is, however, we would want to help.

In evidence heard by the Select Committee on Culture, Media and Sport in March 2007, Mr. Duncan acknowledged that there were lessons to be learned from the episode by Channel 4. Channel 4 has indicated that its own internal review of "Celebrity Big Brother" will include an examination of the channel's complaint handling, response times and communications. I share my right hon. Friend's interest in the review's conclusions, but I truly believe—and I honestly believe that this is part of the principle of natural justice—that it is only right that we should allow the channel to conduct that inquiry before we condemn it.

I therefore urge caution before we turn our attack on Channel 4. I put on record my belief that Channel 4 is an exemplary public broadcasting channel. In its work on equality issues, for example, it tackled gay issues head-on at a time when other programmes and channels found them a difficult area to tackle. In religion, its high-quality programming has looked at different religions and cultures at a time in the past few years when some found that too difficult to handle. "What Muslims Want" was a major study in multiculturalism. "Undercover Mosque" aired during the "Celebrity Big Brother" run, and it looked at the impact of hate-style preaching in this country. My right hon. Friend will accept that to caricature Channel 4 as a channel that deliberately chose to offer only shock television is a little unfair. Channel 4 has done a great deal to further understanding and tolerance in this country, and I believe that its chief executive believes firmly in that.

That does not mean that the result of the review by Channel 4 and of Ofcom's work will stop the House from wanting to debate the subject again. However, I urge my right hon. Friend to be cautious lest he hastily decide that Channel 4's chief executive is not up to the job or, indeed, that he has led the channel into the kind of broadcasting that does not reflect its inception in any shape or form. The review is extremely important, as, indeed, is Ofcom's investigation into "Celebrity Big Brother". The Government believe that Channel 4 has a role to play alongside the BBC, both now and in future, in the provision of public service broadcasting. It has a distinctive public service remit, a great tradition of innovative, quality programme making, as well as a wide remit to appeal to the tastes and interests of a culturally diverse society.

Channel 4 has made an important contribution to broadcasting in the United Kingdom in the past 25 years, and I am confident that it will continue to do so under its existing leadership in future. It is worth reminding ourselves that only last year, a cultural diversity network survey confirmed "Channel 4 News" as the news service that Britain's ethnic minorities thought covered their issues best. That news service, of course, is broadcast under the present Channel 4 leadership.

Although the debate has focused on allegations of racism and how they were handled, it also offers an insight into how bullying operates in our society. As a former deputy chairman of ChildLine, I saw the harm that bullying can do. It rears its revolting head by using the vehicles of racism, homophobia, religion and many others. In my own household we found that the "Celebrity Big Brother" to which my right hon. Friend referred indeed provoked a discussion about racism, and also about bullying.

The good thing is that so many people in this country complained about the programme. That demonstrates progress. I doubt that there would have been so many complaints a decade ago. We look to our broadcasters to ensure that such behaviour is not exploited as entertainment. My right hon. Friend the Secretary of State for Culture, Media and Sport, albeit in a private capacity, described the programme at the time as "racism masquerading as entertainment", and I think that many in the House knew exactly what she meant.

The programme was a reality TV show, but because it allowed us to see through the window we, the public, were educated about some of the attitudes of some people in our country, and we were all ashamed of what we saw. So now we look to the broadcaster for its review to ensure that such television does not become an entertainment practice by prosecuting values which most of us hoped had long since gone. Ofcom undoubtedly has a role to play in that, and we look to its inquiry to see how we can improve the handling of complaints about such programmes.

We should all look carefully at the lessons to be drawn. We should be cautious about expressing our own anger and focusing it, perhaps, on the leadership of Channel 4. The programme may have reflected something deeply distasteful, although regrettably not

[Mr. Woodward]

everybody finds it distasteful. The problem with bullying is that it can find any vehicle. Sometimes it is racism, sometimes it is homophobia, sometimes it is focused on women, sometimes it is focused on someone's size, but bullying is a part of our society and all of us have a duty to tackle it. I hope that that is a subject to which Channel 4 will direct its attention in the months to come.

I congratulate my right hon. Friend on the debate, which has raised some important issues. I promise him that I will meet him and discuss with him the outcome of the reviews, both by Channel 4 and by Ofcom. I commend him for having brought the debate to the House tonight. If in future he or other hon. Members want to raise the subject, I will be more than happy to discuss it.

The motion having been made after Six o'clock, and the debate having continued for half an hour, MR DEPUTY SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned at twenty-three minutes to Seven o'clock.

House of Commons

Monday 19 March 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

HOME DEPARTMENT

The Secretary of State was asked—

Criminal Justice System

1. **Mrs. Siân C. James** (Swansea, East) (Lab): What progress is being made on the review of the criminal justice system; and if he will make a statement. [127789]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): The review was published in July last year and set out a clear timetable for delivery. The majority of the things that we said we would do by December were completed on time, and we are making good progress towards meeting our April commitments. We will publish a further update shortly.

Mrs. James: I appreciate the Minister's response. For the purposes of the review, will he look at the effective work being undertaken against crime and antisocial behaviour in Blaen-y-Maes in my constituency and incorporate that good practice into the review? That represents good progress, not the "hug a hoodie" culture that the Opposition are talking about.

Mr. Sutcliffe: I fully understand what my hon. Friend is saying. I am pleased about the work that goes on in Wales and in her constituency, where she recently made a visit to see it. The work that is going on between the Welsh Assembly, local government and local communities in support of the police is to be commended. We are looking into what can be done in terms of antisocial behaviour orders and community sentencing to ensure that our communities feel a lot safer.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): When the Minister reviews the criminal justice system, will he be very chary about coming forward with any more substantive Bills? The Criminal Justice Act 2003 has proved singularly indigestible. Might I suggest that he spends more time in the Home Office in implementation and enforcement instead of on the process of legislation?

Mr. Sutcliffe: The right hon. and learned Gentleman is well known for his involvement in these issues, so we take into consideration what he says to us. He will know, however, that the 2003 Act was important in ensuring that protecting the public is our first priority. The Home Secretary has been reviewing all the actions that were taking place in the Home Office. We look at legislation in the context of how appropriate it is not only in defeating crime but in ensuring that the public are protected.

Mr. Bob Blizzard (Waveney) (Lab): May I urge my hon. Friend not to listen to the views recently expressed by Lord Woolf on sentencing for people convicted of murder? Most people in my constituency tell me that sentences are not long enough, and they do not find credible the idea that people should be let out even earlier. If we want the public to co-operate with the police and to play their part in tackling crime, they must feel that once people are convicted, they are properly punished.

Mr. Sutcliffe: I agree wholeheartedly with my hon. Friend, who is clear, as I am, that the public must be protected from people who need to serve the sentences for the crimes for which they are responsible and that the public would expect them to serve. This is a robust debate. It is important that we consider these issues in the context of ensuring that the public have confidence in the criminal justice system. They will not understand if they are not protected from people who commit heinous crimes and are not in prison for the period that they should be.

Mr. Nick Clegg (Sheffield, Hallam) (LD): The Minister referred to the importance of the public having confidence in the criminal justice system. The Lord Chancellor said this weekend that for that to happen, clarity in sentencing is required. I entirely agree. Does the Minister believe that there is a problem in trying to maintain public confidence in the criminal justice system given that, for instance, life sentences now average about 11 years in custody and that 53 so-called lifers who were sentenced in 2000 have already been released? Does not he think that it is time to review all this, to abandon some of the doublespeak that surrounds sentencing, and to apply life sentences only in cases where the courts believe that they should be applied and that is to the most serious offenders who should remain in prison for the rest of their lives?

Mr. Sutcliffe: It is important that the courts decide on sentences; that is why we have the Sentencing Guidelines Council, which is made up of the judiciary with Home Office representatives as observers. In the 2003 Act, we ensured that dangerous criminals—people who were a danger to society—had indeterminate sentences. We must ensure that that continues. I hope that the hon. Gentleman would share my view that it is important that the public can have confidence in knowing that dangerous criminals will be in prison. That was not the case before the 2003 Act.

Nick Herbert (Arundel and South Downs) (Con): Under the Government's vision of simple, speedy summary justice, the police issued 146,000 penalty notices for disorder last year, including to serial

shoplifters. The offenders do not receive a criminal record, the tickets involve no admission of guilt and only about half are paid before court action. How many of those so-called "offences brought to justice" are enforced? How can they possibly count as sanction detections when there is no real sanction?

Mr. Sutcliffe: The hon. Gentleman wants it both ways. He wants the police to have the flexibility to deal with situations on the ground in our communities but then argues about bureaucracy in the police service. He cannot have it both ways. We are pleased with the simple, speedy, fast and fair system that we are putting in place. Fixed penalties play their part in that.

Departmental Co-ordination

2. **Mr. David Gauke** (South-West Hertfordshire) (Con): What steps he plans to take to improve co-ordination between the different sections and services of his Department. [127790]

The Secretary of State for the Home Department (John Reid): Since we published three reform plans in July last year, I have taken several steps to ensure that joined-up services throughout the Department are improved. They include end-to-end processes for offender management, against which the Opposition voted, end-to-end improvement of the surveillance of asylum applications and, from next month, the establishment of the national policing improvement agency. The Department's reform programmes are also making several changes to structures, processes and ways of working that will improve co-ordination further.

Mr. Gauke: Given that the Home Secretary's predecessor essentially lost his job because of failures in co-ordination between the immigration and nationality directorate and the Prison Service—even now, I have heard of a case of a foreign prisoner who was released rather than deported because of co-ordination failures—does he believe that progress has been satisfactory and that it would be better served by having the two services in two separate Departments?

John Reid: The non sequitur in the question is that the failings to which the hon. Gentleman referred are a perfect illustration of why being in one Department is no guarantee of good co-ordination. The function of co-ordinating and improving co-ordination is essential, whether it is within a Department or between Departments.

The hon. Gentleman knows that we are improving the National Offender Management Service. We brought proposals for that before the House. We are improving policing by rolling out neighbourhood policing. We are also improving the immigration and nationality directorate—we publish plans and key indicators for that. We are reviewing counter-terrorism, among many other matters, as well as the Home Office plan. We are making progress on all those matters and we will report publicly on them. However, whatever configuration is used for those units, co-ordination in a Department and between Departments is essential.

Keith Vaz (Leicester, East) (Lab): On 22 June 2004, I raised in an Adjournment debate the case of my constituent James Bishop, who was killed by a Chinese national, Mr. Yin. Due to lack of co-ordination at IND, he was removed before being prosecuted fully for the offence. I appreciate that the Home Secretary will not have the answer today, but will he write to me to confirm that the promises made during that debate have been fulfilled and that the co-ordination of such cases has been improved?

John Reid: Yes, I undertake to write to my right hon. Friend about the case.

Mr. James Clappison (Hertsmere) (Con): Under the Government, the immigration and nationality directorate has presided over a substantial increase in net migration of up 185,000 in 2005—the last year for which we have figures. Is any other part of the Home Office co-ordinating that figure with the demands of migration on housing infrastructure and the implications for population density, or does it remain the case that the Government see "no obvious upper limit" to migration, to use the words of the Home Secretary's predecessor?

John Reid: The hon. Gentleman makes an important point, which is precisely the reason for the need to reconfigure and improve our services in the Home Office. Three of the main issues, among many others with which we deal—international migration, international crime and international terrorism—have grown exponentially in the past decade and a half. We therefore need to undertake improvements and consider reconfiguration to concentrate on managing migration, countering international terrorism and coping with international crime. As part of that, we proposed a migration advisory commission, which would examine independently—and offer independent advice on—a range of issues related to the optimum amount of immigration. That would mean consideration of wider issues than purely and narrowly defined economic matters.

Mr. Edward Garnier (Harborough) (Con): Why does the Home Secretary believe that turning one dysfunctional Department into two dysfunctional Departments will improve matters for the public as opposed to separating the Home Secretary from responsibility for the shameful state of our overcrowded prisons and the early release of dangerous offenders?

John Reid: I do not think that the Home Office has been dysfunctional in all its aspects. For instance, in the hon. and learned Gentleman's constituency, there are something like 257 more police officers than there were under the previous Conservative Government, as well as 155 police community support officers. If he looks at the crime statistics for Harborough, he will see that there has been a 5 per cent. fall in burglary and a 25 per cent. fall in the theft of motor vehicles. In terms of reducing crime and putting more police on the streets, the Home Office has been a damned sight more functional than ever it was under the Conservatives. Having said that, we are facing mass migration on a scale hitherto unprecedented globally, international terrorism at a level that was not even contemplated a decade ago, and the international crime associated with

both, and it is therefore right that we should consider the reconfiguration of our efforts to deal with them. When the facts change, we change our views and our structures. That is what sensible people do.

Mr. Garnier: I can assure the Home Secretary that there are not 247 police officers in the Harborough constituency—far from it. Does he not think that the public have a right to expect from Home Office Ministers some strategic political leadership and managerial competence on prisons, violent crime, drug crime, early release from custody of serious criminals, immigration and asylum, border controls, and getting rather more than one in 58 police officers on to the beat? Instead, over the past 10 years, we have had to put up with a flood of repealed or incompetent legislation, and incompetent, disjointed, headline-grabbing schemes that have had no substance or that have been cancelled or replaced within weeks. Instead of spending time in bars co-ordinating their diaries with lobbyists, should not Ministers be spending their time working for the public and dealing with the mess that they have made—

Mr. Speaker: Order.

John Reid: The hon. and learned Gentleman, who is infamous for stooping low, never surprises us by his capacity to go even lower. Is he complaining that we have a record number of police on our streets, or that we have seen a 35 per cent. reduction in the crime rate? Is he complaining that we have campaigned ceaselessly on a whole range of antisocial behaviours, or that we have put more resources than ever into fighting crime? Or will he admit that, on every single occasion, he and his colleagues have voted against the money, the resources and the energies involved? We do not need to take lectures from a party whose Government doubled crime, when we have cut it by a third.

Drug-related Crime

3. **Mr. David Burrowes** (Enfield, Southgate) (Con): What recent assessment he has made of the effectiveness of measures to combat drug-related crime. [127791]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker): The most recent published crime figures show that the strategy is working. Recorded acquisitive crime, to which drug-related crime makes a substantial contribution, has fallen by 20 per cent. since the onset of the drug interventions programme, which is now getting on average more than 3,000 drug misusing offenders into drug treatment each month. The Home Office is carrying out an ongoing research programme to look at the effectiveness of individual programme components.

Mr. Burrowes: Given that the Minister's own Department's report in 2005 on determining the effectiveness of drug treatment interventions concluded that

"there is strong evidence that the most effective interventions to reduce drug-related crime are therapeutic communities",

why are there so few residential rehabilitation centres, particularly for young people, and why are only 18 prisons offering intensive therapeutic programmes?

Mr. Coaker: We have made considerable resources available to the drugs sector to ensure that services are available, whatever the needs of the individuals concerned. We have introduced the drug interventions programme to ensure that people who commit a trigger offence in the DIP areas can be tested on arrest; those who commit such offences in other areas can be tested on charge. Others might come into the system through the health sector. GPs will then allocate them to services as appropriate. I cannot see the hon. Gentleman objecting to the significant increases in budgets; this year, we have invested £1.5 billion in drug-related services in this country. That is a huge increase, compared with the situation a few years ago.

Anne Snelgrove (South Swindon) (Lab): Does my hon. Friend agree that detection is important in combating drug-related crime? Will he join me in congratulating the Wiltshire constabulary, which has detected and shut down crack houses and cannabis farms in Swindon? Does he also agree that local, neighbourhood policing is extremely important for detecting low-level drug pushers and other young people who get involved in drug-related crime?

Mr. Coaker: Since the introduction of the drugs intervention programme more than 69,000 drug-misusing offenders have entered treatment, and many will be treated in Swindon and elsewhere in Wiltshire. The Government's drugs strategy has succeeded because it is about bringing people treatment not just through the criminal justice system, but through the health service and through self-referral. All that is now working, not only in Swindon but across the country.

Mr. Jeremy Hunt (South-West Surrey) (Con): Given the link between drug-related crime and drug-infested prisons, does it worry the Minister that at a prison that I visited, often the only penalty imposed on visitors discovered carrying drugs on their way to meet a prisoner was not to be allowed to make a contact visit to that prisoner? When will the Government get tough on drugs in prisons?

Mr. Coaker: The Government are already getting tough on drugs in prisons. The Offender Management Bill, which the Under-Secretary of State for the Home Department, my hon. Friend the Member for Bradford, South (Mr. Sutcliffe) has just steered through the House, contains a range of measures to deal with some of the issues that the hon. Gentleman has raised.

I have already given figures relating to the increase in investment in drug treatment outside prisons. Let me add that in 1996-97, £7.2 million was spent on drug treatment in prisons. In 2006-07, £77.3 million was spent on it—974 per cent. more. Of course, we must ensure that there is good management and that the system is made more effective, and we will do that.

Mrs. Madeleine Moon (Bridgend) (Lab): Operation Tarion, conducted throughout south Wales, has—along with a taskforce of police throughout Wales—

achieved the highest-ever cocaine haul in the area, resulting in many arrests, and police in Bridgend F division have also made a number of drug arrests recently. Successful policing can actually reduce the anxiety of people who observe the prevalence of drugs in their communities. How can we reassure the public when the police succeed in making such high-level arrests?

Mr. Coaker: At a strategic national and international level the Serious and Organised Crime Agency is responsible for the seizure of cocaine and other drugs, but we also have neighbourhood policing. The interaction of police at local level is extremely important. If we are to overcome local anxiety about drugs, the police must engage with local communities—as they do in the best neighbourhood models—and explain to them what they are doing. People across the country tell me that they do not worry when the police take action over dealers in the street; what worries them is dealers' being seen to act with impunity. When the police take action, as they have in my hon. Friend's constituency in south Wales and elsewhere, we should get behind them, because people want to see the dealers where they should be—in prison.

Mr. Humfrey Malins (Woking) (Con): In the courts where I sit, every class A drug addict defendant began his or her life on cannabis. Does the Minister accept that cannabis in its current form is much stronger than it used to be, and is deeply damaging to young and vulnerable people? If he does, will he send a message to the courts and the police to take cannabis much more seriously, and will he raise its classification from C to B to signal our worry about the problem?

Mr. Coaker: I know that the hon. Gentleman has a long-standing interest in this issue. I think the message we must send is that cannabis remains an illegal drug which causes immense harm to communities. We know that skunk causes a particular problem. Recognising that, the Government recently issued a series of television and other advertisements under the title "Brain Store" in an attempt to show young people, in particular, the link between cannabis and mental illness. There will be a continuing debate about drug classification, but I think the message we should send today is that cannabis remains a dangerous drug and is illegal.

Ms Sally Keeble (Northampton, North) (Lab): Will my hon. Friend join me in congratulating the Northamptonshire police on their effective programme of crack house closures, especially in the town centre, where they have dealt with a great many drug-related crime problems? Does he agree, however, that the programme would be much more effective if there were cross-party consensus, particularly involving the Liberal Democrat Opposition?

Mr. Coaker: The power to close crack houses was introduced by this Government. As my hon. Friend says, that was opposed by the Liberal Democrats. It is an important tool that the police have available to them to tackle drug-related crime.

The Government drugs strategy is simple. We want to see tough enforcement of the law. There has to be a real clampdown on people who deal in drugs in our communities. Alongside that we want to see education for our children and for others in society, and an expansion in and more effective use of treatment. As I say, we need to have not an either/or policy, but an all-inclusive policy.

Prisons (Drug Use)

4. **Mr. Michael Jack** (Fylde) (Con): What steps his Department is taking to reduce drug taking in prisons. [127792]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): To tackle drug use in custody, the National Offender Management Service has in place a comprehensive drug strategy. The strategy's three key aims are to reduce the amount of illicit drugs getting in by using a co-ordinated range of supply-reduction measures; to reduce the demand for drugs through delivery of effective drug treatment; and to strengthen through-care links with the community, helping to ensure timely continuity of care for drug users on release. While NOMS remains committed to doing more, the drug strategy is already making significant progress, with drug use—as measured by random mandatory drug testing—down from 24.4 per cent. in 1996-97 to 10.3 per cent. in 2004-05, a reduction of 58 per cent.

Mr. Jack: I thank the Minister for that encyclopaedic answer. I am sure that he will appreciate the seriousness with which Kirkham prison in my constituency takes fighting drug and alcohol addiction by prisoners. He will be aware of the use that it has made of the counselling, advice, referral, assessment and throughcare—or CARAT—programme. The integrated drug treatment service now beckons. Kirkham wishes to adopt that because it wants to do better in countering recidivism. When can Kirkham expect that particular facility to be made available to it?

Mr. Sutcliffe: I am most grateful to the right hon. Gentleman for his involvement in all aspects of Kirkham's work. It has a proud record in dealing with drug treatment. He will recognise the improvement that the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling (Mr. Coaker), talked about: the increase in the drug treatment budget of 974 per cent. The right hon. Gentleman made the point about the integrated drug treatment service, which is additional funding. It is going into up to 45 of our prisons. At the moment it is mainly concerned with the first 28 days of custody, and it is more likely to be rolled out in remand prisons because that is where the biggest problem is seen to be. I take his point that we need to look at prisoners who are on release—most of the prisoners in Kirkham are shortly to be released. We will do that through the National Offender Management Service. I do not charge him personally, but the Opposition voted against the Offender Management Bill. It is important that actions from that Bill are initiated to ensure that we deal with offenders. The release of offenders with drug and other problems is an important matter. We will look at the issue that he raised. Clearly, there is an issue about people coming out of prison with a drug habit.

Andrew Mackinlay (Thurrock) (Lab): My constituents would like to know from the Minister why £749,000 was paid in compensation to prisoners in an out-of-court settlement, plus costs, for the messing up of their detoxification programme. Either the Government should have resisted those claims, or we need to be told what went wrong. It is unacceptable that taxpayers' money should be squandered in that way.

Mr. Sutcliffe: It will come as no surprise to my hon. Friend that I have some sympathy with his argument, but he will have to ask the courts why they took the decision—*[Interruption.]* The courts were involved in what the outcome was likely to be in terms of the recommendations of the legal people. He will know that that matter relates to treatments in the 1990s. Those cases were reluctantly settled out of court because we had to minimise the cost to the taxpayer.

Dr. Vincent Cable (Twickenham) (LD): May I add to the Minister's three points the need to persuade young offenders in prison of the need to find alternative sources of employment that are at least as remunerative as drug dealing? What success has the Department had in ensuring that young people who leave offenders institutions have legally marketable skills?

Mr. Sutcliffe: Again, I am amazed that the hon. Gentleman raises that point and yet voted against the NOMS Bill, which enabled the voluntary sector which has expertise in reducing offending among young people. We are trying to reduce reoffending by using all the agencies available to us, whether from the public, private or voluntary sector. It is important that we get the message across to young people that reoffending leads to a life of crime. We must cut the reoffending rates and the NOMS Bill is a way to do that, so I look forward to it to receiving more support when it returns to this House.

Laura Moffatt (Crawley) (Lab): On a recent visit to Wandsworth prison I was very taken with the Rehabilitation for Addicted Prisoners trust—RAPt—programme. In assessing how well drug programmes work in prisons, will my hon. Friend take into account the support given by prison governors, because it seemed to me that the absolute support for that programme from the governor at Wandsworth—there was a dedicated unit and it was ensured that the programme had all that it needed—contributed greatly to its success?

Mr. Sutcliffe: Again, I am grateful to my hon. Friend, who was at the open day at HMP Wandsworth—along with, I understand, many other Members of Parliament, who were impressed by the work of RAPt. Its chief executive is Mike Trace, who used to be the deputy drugs tsar. It offers a 20-week programme and uses a 12-step approach. The exciting news is that 850 prisoners a year stopped using drugs as a result of their engagement with RAPt. We want to encourage such programmes, so we will look with great interest at how the RAPt programme can be rolled out nationally.

Miss Julie Kirkbride (Bromsgrove) (Con): The Minister will be aware that access to drugs in prison is a major problem. What assessment has he made of the Holloway scheme, whereby dogs with handlers are used to sniff out drugs among prisoners—and perhaps might even sniff out drugs being brought into prison by visitors? Does he intend to roll-out that scheme across the nation's prisons?

Mr. Sutcliffe: I am grateful to the hon. Lady for that question, because she is right to highlight that there are now many ingenious ways that drugs are brought into prisons. I am grateful for the work of the Prison Officers Association, prison officers in general and prison governors, who are doing their best to stop that inflow. Tennis balls have been used to get drugs into prison; the balls are bounced over walls. We must ensure that we keep the balance right between stopping the drugs coming into prisons and also allowing visits to take place. The use of sniffer dogs is an option, but we must also look at the ways that telephone calls are monitored and visitors are inspected, to make sure that those who act unscrupulously are found out.

Dr. Brian Iddon (Bolton, South-East) (Lab): May I refer my hon. Friend to an article written by prisoner Peter Wayne in the current edition of "Druglink"? He has been involved for 30 years in committing petty crime to fund his drug habit. In most of the prisons that he has been in, he has been detoxified—obviously without any result. His latest visit is to Wandsworth prison, which my hon. Friend the Member for Crawley (Laura Moffatt) mentioned. He has been admitted to a drug-free wing where he is involved in a harm reduction programme. Does my hon. Friend agree that harm reduction programmes are more successful in prisons than detoxification?

Mr. Sutcliffe: It is important to have a mixture of all the potential solutions. We know that up to 80 per cent. of offenders have some relationship with a drug problem at some stage in their time inside or outside prison, so we are dealing with a large problem. We have increased the investment in addressing it, but we would like to widen the opportunities to be successful. We have heard about the RAPt programme in Wandsworth, and we are looking at a range of measures that the voluntary sector can bring about. In an Adjournment debate in Westminster Hall last week, the hon. and learned Member for Harborough (Mr. Garnier) talked about the need for us all to unite to tackle drugs in prisons. There is an opportunity for us to have a sensible debate about what are the most effective ways to stop drugs being in prisons.

Victim and Witness Support

5. **Mr. Shahid Malik** (Dewsbury) (Lab): What steps he is taking to improve support for victims and witnesses; and if he will make a statement. [127793]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): The Government are firmly committed to rebalancing the criminal justice system in favour of victims and witnesses. We have introduced extensive reforms, including a victims' surcharge to divert money from offenders to victims, a significant increase in resources for Victim Support from £11.7 million in 1997 to £30 million now, 165 new witness care units to provide tailored support during trial, and a code of practice to give victims statutory rights for the first time.

Mr. Malik: My hon. Friend will be aware that according to the Foreign and Commonwealth Office there are some 250 victims of forced marriage a year. In addition, more than 12 million women and 2 million men suffer from domestic violence of one form or another. I know that the Minister will agree with me that one victim of forced marriage or domestic violence is one too many, but what steps are the Government taking to ensure a better co-ordinated response from social services to maximise support for victims and help eradicate those grotesque practices?

Mr. Sutcliffe: I am grateful to my hon. Friend for that question and for the work that he does in his constituency and throughout the country raising those issues. He will know that the Government's national plan for domestic violence covers forced marriages. We have screening in health and social care settings and training for professionals in those sectors and the criminal justice system, so that people are dealt with in a supportive fashion and their cases understood. Since 2005, we have set up 64 specialist domestic violence courts and on 5 March 2007 we announced £2 million for the multi-agency risk assessment conferences.

Mr. Peter Bone (Wellingborough) (Con): The Minister will be aware that the victims of human trafficking need a lot of care after they are found. They often need support in safe houses. With the exception of the POPPY project in London, which deals only with adults, we do not have enough of those houses. What is the Government's position on expanding programmes such as the POPPY project?

Mr. Sutcliffe: It is important that we try to use the full resources available to resettle victims. The hon. Gentleman will know that it is difficult to find accommodation when resettling prisoners, and the situation is similar for the victims of trafficking. It is important that we provide support in a range of areas, including sometimes medical support, and we are working with various Departments and the Local Government Association to see what further support can be offered.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): The Minister will know that there is still a long way to go, for example in cases of child abuse. The sad thing that one discovers, in Cheshire at any rate, is that it is only the commitment of one particular female police officer that provides support for very badly damaged families in nightmare situations. Will he look closely at the issue of co-ordinating support services, because families are still being very badly served?

Mr. Sutcliffe: I am grateful to my hon. Friend for her work in her constituency and beyond on these issues and for raising those important points. What is important is the education of the public and the agencies about those issues to ensure that people fully understand the implications and the impact on people's lives of what takes place. We are seeing a better level of training and the involvement of the police and those in criminal justice agencies, who are working with social services and health. We cannot be complacent, because we have to do more, and we are trying to do more.

Mr. Jim Devine (Livingston) (Lab): Have we sent guidance to local departments of public prosecution advising them how to keep up to date and inform the victims of crime and witnesses, so that they can be sure that they do not meet the perpetrators walking down the street? Is the guidance robust and is it being applied consistently throughout the UK?

Mr. Sutcliffe: There is national guidance on witness support. The Government have introduced witness support units, and victim care units are being piloted. We recognise the problems with supporting and keeping victims and witnesses informed. What tends to happen is that the act of crime takes place, the criminal justice system takes over and witnesses and victims are left behind in the process. We are working hard on that and I am especially pleased with the work that has been carried out with the Victim Support voluntary organisation, which is trying to bring together its organisation on a national basis to offer support for victims.

Knife Crime

6. **Mr. Andrew Mackay** (Bracknell) (Con): What recent assessment he has made of the effectiveness of measures to combat knife crime. [127794]

The Secretary of State for the Home Department (John Reid): I wish to begin by offering my personal condolences and, I am sure, those of the whole House to all the loved ones, relations and family of the recent victims of the tragic and awful knife crimes.

The Government fully recognise the seriousness of the issue of knife crime and have put in place a variety of measures, encompassing legislation, enforcement, education and prevention to address it. We will continue to work in partnership with the police and local communities to get those weapons off our streets.

Mr. Mackay: In supporting the Home Secretary's condolences, may I remind him that a particularly vicious crime was committed 18 months ago in my constituency? Two teenagers were stabbed to death in Finchampstead and the case is now before the Crown court. At the time and afterwards, with the backing of Ministers, I gave the victims' families assurances that action would be taken, but in light of the latest dreadful murders over the past few days, I think that they all have the right to feel that we have collectively let them down. What more can we do?

John Reid: The right hon. Gentleman is right: we need to take action before, as well as during and after, the awful headlines that we have seen. Perhaps I can reassure him and some of his constituents—if not about the terrible recurrence and instance of such awful crimes—about the fact that we have been taking action. Just a few weeks ago on 12 February, for instance, we doubled the maximum sentence for possession of a lethal weapon or knife in a public place without good reason. In a few weeks from now, on 6 April, we will implement the new offence of using someone to mind a weapon; if the weapon is a knife, the maximum sentence will be four years. We had already planned a few weeks after that to give school

staff powers to search pupils for weapons. Those are among the range of measures we have introduced.

In addition to the measures we have brought in over the past few months, I can announce to the House two more steps that I hope will assist in combating knife crime. First, I have authorised that, as from next month, data on serious violent offences involving the specific use of knives and sharp instruments will be separately collected so that we can provide a more detailed understanding of the prevalence of the problem than is currently available. Secondly, we will improve facilities to allow the public to play an even greater part in providing the authorities with information on knife and gun crime. I have today spoken with the chief executive of Crimestoppers to see what additional work can be undertaken to encourage the public to report offences, and will shortly have a meeting with the organisation on that subject.

Finally, I have spoken today to Assistant Commissioner Tim Godwin of the Metropolitan police about the specific events of the recent tragedies, and I urge anyone with information about the deaths of Kodjo Yenga or Adam Regis to contact the Metropolitan police. More generally of course, people can provide information about gun or knife crime through the Crimestoppers number, which is 0800 55511.

Mr. John Denham (Southampton, Itchen) (Lab): Last Thursday, two of my constituents, Susan Hale and Sarah Merritt, were found murdered—reportedly stabbed to death—in a flat in the Townhill Park area of Southampton. The man initially sought by the police has been arrested and now, like the victims' family and friends, we must wait for justice to take its course. However, reports of the incident highlight the fact that not all knife crime has young people as its victims or that they are necessarily the assailants. Can my right hon. Friend give the House an assurance that in the renewed focus on knife crime and knife violence in our society we will look carefully at all the circumstances in which knives are used in crimes of violence so that we have a full picture and can tackle every aspect of those dreadful crimes?

John Reid: I thank my right hon. Friend for his comments. I think that I can give him that assurance. We have more police than ever before, as well as more police community support officers. We will bring in more powers to sentence where it is appropriate, and for longer in particular circumstances. At the end of the day, neither the Government nor the authorities, nor more powers nor more police, can on their own tackle the problem. Unless we empower communities and engage the whole community as partners in the fight against knife and gun crime and other violent crime, and emphasise the role of parental and personal responsibility as well as the police and powers, we shall not achieve our aim of combating those crimes effectively. I agree that there is a need for particular information about a range of circumstances, and I hope that my announcement today about data collection on violent crimes where knives are involved is a step in the right direction.

Sir Patrick Cormack (South Staffordshire) (Con): Although I do not doubt for a moment the Home Secretary's commitment on this matter, may I ask him for an assurance that, by the time schools return from their Easter holidays, all inner-city schools will be adequately monitored to ensure that pupils do not go to school possessing these weapons? It is deeply disturbing that so many of the apparent perpetrators are of school age.

John Reid: As I have already said, I share the hon. Gentleman's concern and, as of May, we are giving school staff powers to search pupils for weapons. As I said, those powers and police presence alone will not solve the problem, but they are a necessary part of the solution. May I correct the telephone number that I provided a few moments ago? Crimestoppers is 0800 555 111.

Clive Efford (Eltham) (Lab): I join the Secretary of State in sending condolences to the families and others affected by these tragic incidents. Will he join me in urging people to redouble their efforts to engage with young people in the community in order to divert them from such crime? Does my right hon. Friend agree that, notwithstanding what the Government have already achieved through youth offending teams, for example, his Department should work with the Department for Communities and Local Government and others to provide further resources to help local communities to come together and tackle this crime? We need to work with young people to stop them getting involved in the first place.

John Reid: I agree entirely with my hon. Friend, which is one of the reasons why, before this recent terrible spate of deaths and attacks associated with knife crime, we had a round table meeting that brought together not just the Government and local authorities, but local, voluntary and charitable organisations. We need to go further and involve other Departments—it is a cross-departmental Government issue—particularly the Department for Education and Skills. It is no consolation to any of us to know that the incidence of knife crime, which is in the order of 6 to 7 per cent. of all violent crime, has remained relatively stable. That is a cold statistic, but it conceals within it some of the terrible tragedies that happen when these weapons are used. I am sure that the whole House wants to do everything possible—not just within the Government, but throughout the country in the communities and in local government—to make sure that we combat it.

Mr. Greg Hands (Hammersmith and Fulham) (Con): Kodjo Yenga was tragically murdered on Hammersmith grove in my constituency last week and I would like to put on record my sympathy for the family and my praise for Hammersmith and Fulham police for acting and getting on the scene extremely quickly. Hammersmith and Fulham police and the British Transport police have been very effective in recent months in monitoring and examining the prevalence of knives in Hammersmith centre; there have been a number of metal detector searches at Hammersmith bus station, and so on. The Home Secretary offers a solution of more data collection and more offences, but does he agree that it is time to look again at the regulations behind stop and search, particularly in London? The current practices of stopping and accounting for searches are simply not working. We need far greater prevalence of stop and search in areas such as Hammersmith centre.

John Reid: May I express, through the hon. Gentleman, our sympathy for the family of Kodjo Yenga, who was so tragically and awfully attacked, and say how sorry we are for what they are undergoing.

We look at everything that can contribute towards a solution. I have not pretended to be offering a solution today, because I do not think that it is within the power of the Government alone to do so. As I said, personal and parental responsibility as well as the local community must be involved. However, there is an obligation on Government to give a lead and provide the powers, the authorities and the assistance to enable the community—in partnership with us—to fight these terrible incidents. We will look at any means necessary to do that.

On the particular issue that the hon. Gentleman raised, we have to be careful to recognise that, in taking some steps, we may with the best of intentions alienate the very communities that we seek to engage in partnership. I do not say that that is an easy question to resolve. The point that he has put to me has been put to me by people from all different backgrounds in the community. In the meantime, however, I think I will concentrate on the measures that I have brought forward today.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): My right hon. Friend has had the chance to meet Hackney police and hear from their lips how crime has dropped by 16 per cent. in Hackney. There were nearly 3,000 fewer victims in the past year. However, the number of stabbings rose by a third in the same period and, as other Members have said, 25 per cent. of the victims of stabbing are aged between 15 and 20 years old. That is a big concern for those of us in Hackney with concerns about our young people.

My right hon. Friend has explained all the hard measures that are in place in terms of sentencing, but could he outline what plans the Home Office has to put money into communities to support parents and community groups who are keen to tackle this problem from the inside rather than at the end point when someone has committed a crime and created a victim?

John Reid: I agree entirely with my hon. Friend. I very much appreciated her assisting me to meet members of the safer neighbourhoods team—police, local councillors and many other local people—who are working in partnership and taking the matter into their own hands as well as their own heads so as to improve the local community. My hon. Friend is right to say that that cannot be done without local partnership and that is why, in answer to the specific question that she raised, I can tell her that, in the last couple of weeks alone, we have announced an additional £500,000 through the Connected fund to be made available to those in local communities who are fighting against the gangs who would use violence of any sort. I can also tell her that, in October, we will raise the age at which someone can purchase a knife from 16 to 18. I therefore hope that we are moving forward both in addressing the problem of young people using these weapons of violence and in assisting those in the community who are trying to combat that.

James Brokenshire (Hornchurch) (Con): I join the Home Secretary and other hon. Members in passing the House's condolences to the families of Adam Regis, Kodjo Yenga, Father Paul Bennett, Keith Platt and other victims of knife violence.

More than 230 knife-related violent crimes are reported every day. Youth Justice Board polling suggests that more than a quarter of all school pupils have carried a knife in the last year and nearly a third of all homicides now involve the use of a sharp instrument, yet Ministers emphasise the view that the terrible tragedies of the past few days are isolated incidents. Although I hear what the Home Secretary has said about the new measures to be brought forward, including those on the use of data and providing more qualitative assessments of the incidents and the information that is available, when will the Government recognise the full impact of the social and family breakdown and drug abuse that underline the causes of these appalling crimes? Is it not time that the Government focused more on the issues that will deliver more order on our streets rather than simply on delivering more laws and legislation?

John Reid: The hon. Gentleman should be careful of two things. The first is that in an attempt to understand the complex causes he does not fall into excusing it by referring to family backgrounds—

James Brokenshire *indicated dissent.*

John Reid: The hon. Gentleman shakes his head, but I am cautioning him. It is one thing to understand the complexity of causation and another thing to provide an alibi for it. There is no excuse for using knives or guns to inflict such terrible damage on anyone.

Secondly, the hon. Gentleman talks about the incidents not being isolated, but I have not in any way attempted to minimise the situation. I have said that it is no consolation even to know that the level of knife-associated violence is stable. However, we should not brand the large majority of young people as associated with this. They are the potential victims, not the perpetrators. No one is threatened as much as young people. Furthermore, it is not just young people or black people who are threatened; people of all ages are threatened when there is an acceptance of this situation.

I am the first to accept that this is a complex situation, but, if one looks at addressing the underlying causes—if they are deemed to be, in part, poverty, lack of education, family background, unemployment and deprivation—what the Government have done in every one of those fields stands far better comparison than anything the hon. Gentleman's Government ever did in the almost 20 years that they were in power.

Immigration and Nationality Directorate

7. **Kitty Ussher** (Burnley) (Lab): What progress is being made on the review of the immigration and nationality directorate; and if he will make a statement. [127795]

The Minister for Immigration, Citizenship and Nationality (Mr. Liam Byrne): Not only did we hit our target for 2006, removing a record number of illegal immigrants and failed asylum seekers, but we have now published proposals to back our immigration service with extra powers, extra resources, new identity technology, and concerted action not just across the Home Office, but across public services as a whole.

Kitty Ussher: I am grateful to my hon. Friend for that information. While we are on the subject of Home Office reorganisation, does he recall the evidence given by Sir Andrew Green, the chairman of Migrationwatch UK, to the Committee considering the UK Borders Bill, on which my hon. Friend and I both sit? On Tuesday last week, Sir Andrew Green said that a reorganisation to create a single border force, as proposed by the Opposition, is the "last thing" that should happen at this juncture—

Mr. Speaker: Order. Supplementaries should not be about the Opposition.

Damian Green (Ashford) (Con): The Minister's original response was unbelievably complacent. Will he confirm that, according to the director general of the immigration and nationality directorate, there are 1,300 foreign criminals who have served their sentence and whom the Department has failed to deport? They are either still in prison or in immigration removal centres. Two of those removal centres have recently been smashed up—one of them only last week—precisely because of the presence of hardened criminals. When are we going to see some practical results from the review instead of the non-stop stream of meaningless management-speak that has so far been the only outcome?

Mr. Byrne: It is not entirely clear what the hon. Gentleman proposes. I assume—in fact, this is the only conclusion that I can draw—that he thinks that we should let those people out while their cases are reviewed and while they drag their cases through the asylum and immigration tribunal. It is true that the measures that we propose in the UK Borders Bill will allow us to expedite their deportation and I look forward to the support of the Opposition. The real step backwards would be to cancel ID cards, as the hon. Gentleman proposes. They are precisely what Andrew Green spoke in favour of in the evidence given to the UK Borders Bill Committee. He added his voice to the voices of not only Dame Pauline Neville-Jones, but Sir Ian Blair, Lord Stevens and the right hon. and learned Member for Folkestone and Hythe (Mr. Howard). The hon. Gentleman is increasingly setting himself up as the Luddite of law enforcement.

Fiona Mactaggart (Slough) (Lab): In the review of the Department, will the Minister look at how long things take? Does he share my shock at the fact that he can be within his published deadlines and yet more than half of the applications decided take more than 70 working days? That is because of the long deadlines for uncharged applications and because 10 per cent. of charged applications can take more than 70 working days. Will he speed those figures up?

Mr. Byrne: I am grateful to my hon. Friend for that question. There are plans, which we set out in the IND review, for exactly the kind of acceleration that she is looking for. However, where detailed checks need to be made as part of someone's application, it is right for immigration officers to do those checks so that we can be clear that we are giving the right entitlements to the right people.

Mr. Nicholas Soames (Mid-Sussex) (Con): The hon. Gentleman sent me a helpful letter after I wrote to him about temporary admission. Does he agree that far too many people are not reporting back after they have been granted temporary admission and that, in fact, the rules relating to people who are granted temporary admission need to be tightened up considerably? Does he think that if there is any doubt at all in the minds of immigration officers, these people should be detained?

Mr. Byrne: I am grateful for the hon. Gentleman's contribution. As he knows, I tried to write as detailed and thorough a response to him as possible, and I apologise for the slight injection of a delay that resulted. It is important that we keep those who apply for leave in this country under the closest possible review. Part of that involves ensuring that we have the systems to count people in and count people out of the country. We said something else last July: when there are people seeking asylum in this country, we should ensure that they are subject to electronic monitoring, or, when necessary, tagging. I hope that we will be able to hit that target, as we promised, in April.

Stewart Hosie (Dundee, East) (SNP): The review of IND will inevitably concentrate on issues relating to the three important announcements made in the past 12 months on the points-based migration system and the creation of the shortage occupation lists and the migration advisory committee. Will the Minister either give us a brief outline of the situation regarding those three important matters, or tell the House that he will come back soon to make a fuller statement on them?

Mr. Byrne: I am grateful for that question. Last year we did indeed set out proposals for a migration advisory committee that would advise us on where in the economy migration would make sense and where it would not. I am delighted that the response to the consultation that we undertook showed that the proposal was overwhelmingly popular—this is another example of a popular Home Office measure. We will soon be able to bring forward the response to that consultation and the practical measures that will follow.

National Identity Card Scheme

8. **David Taylor** (North-West Leicestershire) (Lab/Co-op): When the network of enrolment centres required by the national identity card scheme will open. [127797]

The Parliamentary Under-Secretary of State for the Home Department (Joan Ryan): The Identity and Passport Service is opening 69 new local offices, starting later this year, to meet in person and interview first-time passport applicants. Interviews are intended to deter and detect fraudulent passport applications.

David Taylor: We are told that the seductively named enrolment centres are, inter alia, essential to meet International Civil Aviation Organisation biometric passport requirements, but surely they could be met without the need for imposed attendance by digitising

existing normal passport photographs. Is there not a risk that far from being the centrepiece of efforts to combat terrorism, illegal immigration, identity theft and benefit fraud, the centres could eventually help to create a hackable electronic leviathan containing 60 million detailed dossiers that could prove irresistible to international gangs of counterfeiters?

Joan Ryan: The majority of attempted frauds that are detected at present involve first-time adult applicants for passports. It is thus important that we take appropriate measures now to tackle that identity fraud. Although it might be a little inconvenient, asking people to travel something like 20 miles to a 20-minute interview to protect their identity is reasonable—it is certainly seen as reasonable in all our research.

My hon. Friend will know that as we move forward into 2009, we will, further to protect people's identities, have to introduce the fingerprint biometric on the passport to ensure that our passports do not become second-class documents. Having 69 locations at which people can easily enrol their biometrics and have their biographical interview will thus make a big difference to how straightforward people will find the process and will enable us to protect people's identities, which is seen as reasonable by the majority of people in this country.

Modernising Medical Careers

3.34 pm

Mr. Andrew Lansley (South Cambridgeshire) (Con) *(Urgent Question)*: To ask the Secretary of State for Health if she will make a statement on modernising medical careers.

The Secretary of State for Health (Ms Patricia Hewitt): In the written ministerial statements of 7 and 13 March, I set out the Department of Health's plan for an immediate review of the first round of the new national recruitment and selection process for doctors in postgraduate training. As part of the modernising medical careers reforms of postgraduate medical training, new specialty training programmes will be introduced in August 2007.

To support implementation, a new national recruitment and selection process was introduced earlier this year, facilitated by the online medical training application services. That process sets out national recruitment and selection criteria and documentation and standards, thus replacing the countless local application processes that had previously been in place. The new arrangements were developed with the help of the medical royal colleges, trainee doctors and others. We will continue to work with them to ensure that trainee doctors are properly supported and fairly treated, and that the NHS is able to train and recruit the best doctors for the future.

Doctors have been applying for their preferred specialty training programme since 22 January and interviews have already begun. A large number of posts will not be filled in the first round and we have stressed to those interviewing in round 1 that they should not appoint unless they are absolutely satisfied with the calibre of candidates. It is clear that there have been concerns about the selection process, and that the process as a whole has created a high degree of insecurity amongst applicants, and, indeed, more widely in the profession. We therefore commissioned an immediate review to establish what had gone well and what needed to be improved to create greater confidence in the process.

The review is independent. It is being led by Professor Neil Douglas, vice-president of the Academy of Medical Royal Colleges and president of the Royal College of Physicians of Edinburgh. Members of the review group include representatives of the royal colleges, the British Medical Association, the four United Kingdom health Departments and employers. The review group has considered a wide range of evidence and listened carefully to the concerns of the profession and NHS employers. As a result, the review group has agreed, and the Department is implementing, immediate action, but the group will also continue its work throughout March.

The review group decided that round 1 should continue, with a number of changes to strengthen implementation at every level. All eligible applicants for level 3 and 4 specialty training will be guaranteed an interview for their first or second choice of training post. All applicants at ST1—specialty training level 1—who have not been shortlisted for any interviews will have their applications reviewed and may be offered an interview in round 1. If not, they will be offered career guidance and support to enter round 2. All applicants for ST2 who have not been shortlisted for interview will be offered a face-to-face review with a trained medical adviser to determine whether they meet the shortlisting criteria. Those who meet the criteria may also be offered an interview in round 1. Those who are not selected for interview will be offered support to enter round 2.

As a result of those changes, agreed and asked for by the review group, we expect more than 5,000 more doctors to be interviewed in round 1. We will also publish on the MMC and MTAS websites details of competition ratios by specialty and entry level to help applicants to consider their options for the second round, together with further advice and information for candidates. In addition, further significant changes will be made to the application form and the scoring system to improve selection in the second round. The revised approach will be tested and agreed with the royal colleges, junior doctors, postgraduate deans and employers. I am very grateful to Professor Douglas and his colleagues for their continuing work on the review group. We will publish the group's final report once it is completed.

Mr. Lansley: Having dragged the Secretary of State here to make a statement, I am truly sorry that it fails to answer most of the key questions. Before I reach those questions, however, let me ask the right hon. Lady why neither she nor any other Labour Minister took the trouble on Saturday morning to join 12,000 junior doctors who were marching because of their concerns about the arrangements. My right hon. Friend the Leader of the Opposition and I went, and we listened. Had the Secretary of State come, she would know why the process has been such a shambles. Those junior doctors would have told her, from their personal experience, how years of training, clinical experience and academic achievement are being thrown away. They would have told her how they want real training, not a dumbed-down system in which they go down from 21,000 hours of training to only 6,000 hours. Why did the Secretary of State not just listen as junior doctors related their experiences?

Let me ask the Secretary of State these questions. First, how many applications have been made and how many training posts—real training posts—will actually be available in England? Secondly, will the review group that she talks about really be independent? Junior doctors need to know that they will have additional representatives on the review group. Indeed, will she appoint to the review group some of the consultants who have decided that they cannot proceed with the interview process as it is, so that they are represented on the review group, too? That would be advisable. Will she promise that the consultants who do the interviewing and shortlisting will be able to see the full application, not just parts of it, and that applicants can send a full CV to those who are doing the shortlisting?

The Department and the review group seem to be carrying on with an absurd scoring system. How can applicants' clinical experience, academic achievements and references be treated as so unimportant in decisions on appointments to training posts? Who

[Mr. Lansley]

designed this crass process of application by anecdote rather than by achievement? I have an example of the scoring system before me. Has the Secretary of State ever read one? How can she justify relevant academic and research experience being worth a maximum of nine points out of 45? A PhD is worth one point, but composing a 150-word answer to a question about how the applicant has coped with stress is worth up to four points. Why do the Government not want the best training posts to go to the best doctors?

If it is clear that the system cannot deliver a fair outcome to thousands of highly qualified doctors, who will be left without good training posts, will the Secretary of State abandon the online system and revert to a conventional application and interview process? If it is deemed necessary by the review group, will she sanction extra training posts by reclassifying staff or trust-grade posts? Will she explicitly repeat the assurance that her former Minister, Lord Warner, gave just three months ago, that

"Doctors in training in England should consequently be pretty confident about securing a training post."?

I have received hundreds of letters and e-mails from distressed and angry junior doctors, and 12,000 of them marched on Saturday. They are the future of our medical profession, and if we want a consultant-led specialist-delivered service in the future, we will need them. As it is, we risk losing them; we will lose some from the profession, and many others to Australia, Canada and elsewhere. Instead of sticking her head in the sand, will the Secretary of State promise doctors that modernising medical careers will be changed? Finally, will she just say sorry to them?

Ms Hewitt: The hon. Gentleman referred to modernising medical careers as being dumbed-down, but it is nothing of the kind. Modernising medical careers is the outcome of years of work by the medical royal colleges—*[Interruption.]* I realise that Opposition Members are not in the least bit interested in the views of the medical royal colleges, but they play an important part in the training of our future doctors. Modernising medical careers is the outcome of work by the medical royal colleges, postgraduate deans, the British Medical Association, junior doctors and other key partners, including NHS employers across the country.

If the hon. Gentleman really thinks, as he seems to, that the new system is a disaster compared to the old, perhaps he needs to listen to Dr. Simon Eccles, a consultant at Homerton University hospital, and a former chairman—*[Interruption.]*

Mr. Speaker: Order. I remind hon. Members that I agreed to a request from the Opposition Front-Bench spokesman for the Secretary of State to come to the Chamber and make a statement; she must be listened to.

Ms Hewitt: Thank you, Mr. Speaker. Dr. Simon Eccles, the former chairman of the BMA junior doctors committee—*[Interruption.]* I said that he was the former chairman; the hon. Member for South Cambridgeshire (Mr. Lansley) should listen. Dr. Eccles said:

"We mustn't forget how bad the old system was. I would be given four hundred and fifty CVs to shortlist for twelve places, so...my hospital would send out some four hundred and twenty rejection letters twice a year. Nobody protested and marched through the streets of Hackney because it only happened in a staggered process."

He described how consultants would decide who to shortlist by simply dividing the piles into two and tossing a coin. One was the lucky pile, and would make the shortlist; the other one did not. That was scarcely—*[Interruption.]* I am simply quoting a former chairman of the BMA junior doctors committee, referring to some of the reasons why the old system needed replacing.

Both the BMA and the royal colleges have representatives of their junior doctor members on the review group. It has always been the case under the new system that when applications are submitted, the full CV and portfolio can be, and generally are, attached. There was confusion about the interpretation of guidance from the independent Postgraduate Medical Education and Training Board—PMETB—but I am glad to say that that guidance has been clarified. On the issue of MTAS, let me quote the independent PMETB:

"The substance of the application was determined by UK Postgraduate Deans...A similar system has been operating successfully in the USA for over half a century."

The hon. Member for South Cambridgeshire, however, believes that we should go back to the old non-computerised system, under which junior doctors had to fill in a different application, with different information and using a different format, for every post around the country for which they wanted to apply. It was a completely absurd system.

On the question of numbers, there are just over 32,000 eligible applicants for the available places on training programmes—those figures apply to the UK as a whole—and the number of training posts is about 23,000. May I stress the fact that in many regions, as the postgraduate deans have confirmed, the system is working well, as it is for GP applicants? However, that is not the case everywhere, which is precisely why we set up the independent review group, why we brought in the Academy of Medical Royal Colleges and the BMA, and why every one of their recommendations has been accepted and is now being implemented. Finally, the hon. Gentleman is keen to ask us to spend even more money than we have already invested in the national health service, but he is not willing to vote for that extra investment. His party's economic policy would mean cuts of billions of pounds in the national health service in one year alone.

Dr. Ian Gibson (Norwich, North) (Lab): Will my right hon. Friend confirm that both the MMC and the MTAS schemes were quality assessed and assured by experts in the field, which is why they were introduced? There was a process to bring them into line with current thinking, both in Europe and in this country.

Ms Hewitt: My hon. Friend is right. A great deal of development work, quality assurance and so on went into the MTAS process and, more broadly, into modernising medical careers. There have been real problems this year, as I said in my statement, which is why we are working with the review group to sort them out and learn further lessons for round 2, and for next year.

Dr. John Pugh (Southport) (LD): Given the shambles, let me begin on a charitable note. The Government have clearly and openly acknowledged the shortcomings in the recruitment system, yet the BMA stated last year that the system was badly organised, did not draw out people's expertise and would not cope with demand. Was it those shortcomings that the Government had in mind, and do they regret not agreeing with the BMA and failing to act earlier? Do they agree with the Royal College of Physicians that the system was rushed? Do they agree with the royal colleges that CVs should be taken into account, and that previous achievement should not be neglected in application forms? Where else does that happen? Do they agree with Jo Hilborne, chair of the BMA training committee, that junior doctors do receive careers guidance early enough? Do they regret their failure to listen, having scored such an unnecessary own goal?

Turning to other matters, why did the website crash, and how often did it crash? Was that another IT systems failure or another example of lack of anticipation by the Government? Who is responsible for it, and were any warnings given by IT providers? Does it not bode ill for "Connecting for Health", if and when it is ever up and running? What assessment has been made of the likely destiny of unsuccessful applicants, even under the reformed system? Are 8,000 people to be rendered jobless in this country, and how would that affect future training programmes? How many people in total can expect hospital posts? Finally, on an issue of principle on which there is more than one perspective, do the Government agree with the royal colleges that it was a mistake to take statutory training responsibility away from them, and will that, as well as the fate of our young doctors, fall within the remit of Professor Douglas's review?

Ms Hewitt: On the last point, as I have already indicated, there has been widespread consultation and agreement about the need to introduce modernising medical careers. The problems that have arisen with implementation this year do not in any way undermine support for the principles and the organisation of MMC.

The hon. Gentleman speaks of introduction being rushed, but work on modernising medical careers and on its implementation has gone on since about 2003. That could not possibly be described as rushed. A great deal of work was done, especially in the second half of last year, to ensure that the systems were as robust as they could be, and that implementation was properly prepared for. What has happened is that, particularly in some parts of the country, and particularly for some specialties, there have been significantly more applications than was predicted. We certainly need, at an appropriate point, to learn the lessons from that for future years.

My understanding is that it is not true to say that the MTAS IT system crashed, although because of the volume of applications there were undoubtedly delays at various stages in accepting them. Although the hon. Member for Southport (Dr. Pugh) did not refer to it, I have heard others suggest that some candidates' applications were lost in the process—and I understand that that too is untrue.

The hon. Gentleman asked whether there would be 8,000 jobless doctors. There will be nothing of the kind. Of the 32,300 eligible applicants, the vast majority—over 29,000—are already working in the NHS, on foundation programmes, in other training places or in other medical posts in the NHS. Those doctors will continue to be needed, so the shroud-waving about unemployed doctors is absurd.

The hon. Gentleman and the hon. Member for South Cambridgeshire need to recognise that because of our Government's investment in the NHS, and because we are training more doctors—*[Interruption.]* The Opposition do not like to hear it, but because we are training more doctors than ever before, competition for consultant training places is greater than ever before. We need to ensure that those candidates, our future doctors, are given all the support they need as they go through an increasingly competitive and inevitably stressful process, and that is precisely what we are doing.

Mr. Frank Field (Birkenhead) (Lab): Will the Secretary of State allow me to emphasise how inadequate the previous system was? Did not she receive, as I did, complaints from women doctors and black doctors that they did not get a fair look-in for training opportunities, and that they felt that the old system was run as an old boy network? And can she give an undertaking to one junior doctor who e-mailed me: will a majority of the review panel be composed of people who did not set up the original scheme?

Ms Hewitt: My right hon. Friend makes extremely important points about the old system. There is no doubt that the old system depended a great deal more on who candidates knew, not what they knew. The result was a great deal of discrimination within the system, which could never be properly addressed or corrected because it was invisible. That is one of the many reasons why modernising medical careers is such an improvement on the old system. It is fair, it is transparent and it sets the same criteria, the same interviewing processes and so on, right across the country. That never happened in the completely devolved and shambolic system that was used previously. On the review group, it is essential that we have not only the representatives of the junior doctors, but the representatives of the medical royal colleges, as they are responsible both for the training and for the development of the specialist curricula for which the doctors are competing.

Mr. Malcolm Moss (North-East Cambridgeshire) (Con): Does the Minister not realise that the new scheme is likely to lead to serious managerial problems in many of our hospitals, which will lead to a diminution of care and an extended waiting list?

Ms Hewitt: No, I do not accept that. Hospitals will benefit from a much better, much more thorough training system that will get rid of the old system—in which, as a former chairman of the Academy of Medical Royal Colleges described it, senior house officers were a kind of lost tribe filling in time between properly structured and assessed training. There is no doubt at all that the improvements in training that will come with modernising medical careers will be good for doctors and good for patients.

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): The House accepts that the old system was unsatisfactory and that a lot of work has gone into the new system, but it has left junior doctors genuinely in uproar. Some of them contacted me this morning to ask me to put this to the Secretary of State: given that the implementation of the new system appears to be fatally flawed, is it right to continue to allocate jobs before the review gives its final report at the end of the month?

Ms Hewitt: Whether round 1 should be delayed or scrapped was one of the first issues that the review group considered at its first meeting, and it has come back to it since. The review group has been clear that round 1 should continue, because otherwise the interviews of thousands of junior doctors would be completely disrupted and hospitals could well find themselves in August without the junior doctors they need in place to continue operating. For that reason, the review group recommended, and we accepted, that round 1 should continue but with the immediate changes that it recommended, and we have made, to ensure that the system works properly, that it is fair to junior doctors, and that it enables the NHS to get the best doctors for all the places that it is seeking to fill.

Peter Bottomley (Worthing, West) (Con): Can the Secretary of State explain how going ahead with the first part of the stage 1 interviews and appointments can be fair if the other doctors who are now excluded but will be brought in later are being considered on a different basis? Will she take up the suggestion that she use the MTAS system to carry out a ballot of all the doctors in training to ask them what they think would be fair, and whether it would be better to stop and start again on an equal basis, or to continue on this unequal basis? Will she please get her people to talk to the directors of medical education and ask them to nominate the people who they know should have been interviewed but have not, just to show what has so clearly gone off course?

Ms Hewitt: In a sense, the hon. Gentleman's suggestions have already been considered by the review group, which has received evidence and listened to representations from a very wide range of people. For instance, 84 per cent. of the most junior of the junior doctors—the ST2 junior doctors who have completed the two-year foundation programme—have already been given a round 1 interview. The remainder are having their applications reassessed, and many will, as a result, also be given a round 1 interview. However, the review group has been very clear—and I support it in this—that the way to proceed is to make immediate changes so that round 1 operates better and more fairly, as it is already doing in other specialisms and in some parts of the country, and then, if necessary, to make further changes for round 2 so that lessons from round 1 are learned. As I stressed earlier, we have made it clear to those making the appointments that they should not appoint from round 1 unless they are absolutely satisfied with the calibre of candidates—although several of the postgraduate teams who are already involved in those round 1 interviews say that they are delighted with the calibre of candidates, and where they are considering making appointments, they are finding it even easier to do so than in the past.

Ms Diana R. Johnson (Kingston upon Hull, North) (Lab): I am concerned about the impact that the bad publicity about this scheme could have on the new medical schools, particularly the Hull York medical school. What reassurance can my right hon. Friend offer me?

Ms Hewitt: There was enormous public and student welcome for the creation of the new medical schools and the additional medical places that we have been able to create as a result of the investment that we have made. It is important that we restore confidence, where that has been damaged, in the whole process of recruitment for consultant training, and that is exactly what we are doing with the help of the review group. When we publish its final report, we will be able to see what additional changes are needed to ensure that next year's process works without the difficulties that we have encountered in this first year.

Martin Horwood (Cheltenham) (LD): We are still waiting for two things: first, an apology from the Secretary of State and, secondly, an unambiguous answer to the question that the hon. Member for Norwich, North (Dr. Gibson) asked about quality assurance, which is one of the safeguards available to anyone who introduces new systems, however much they are needed. Will she give an unambiguous answer? Have the final MMC and MTAS systems been subject to formal quality assurance—yes or no?

Ms Hewitt: My understanding is yes.

Sir Patrick Cormack (South Staffordshire) (Con): Will the Secretary of State put herself in the position of one of those extremely anxious junior doctors? Where does she think that she would be today if the Prime Minister had not been able to take into account her previous achievements before he appointed her?

Ms Hewitt: It is precisely because I put myself in the position of a junior doctor, who had worked incredibly hard and found himself or herself without the interview for which they had longed or for the specialty to which they were committed, that I was so determined to sort out the matter. That is why the minute that the scale of the problem became clear, we sat down with the academy, colleagues from the medical royal colleges and the BMA and asked them to lead an independent review process. We are now making the changes that will ensure that junior doctors can have genuine confidence in the process, which is a great deal better than the old system of medical training, that they will be treated fairly and, above all, that the NHS can appoint the best people for the large number of jobs that are now available.

Sir Nicholas Winterton (Macclesfield) (Con): Mr. Goodare of Poynton in my constituency is currently a senior house officer in anaesthetics. He and his mother have contacted me, and both were in London on Saturday for the march and demonstration. What assurance can the Secretary of State give my constituent, who is a highly trained and motivated young man, that he will have a job next year? She has admitted that there has been a problem. The simple

thing for her to do is apologise and give an assurance that people who are so worried and can help the health service have a job.

Ms Hewitt: As the hon. Gentleman knows, more doctors and other professionals are employed in the NHS now than ever before. However, the NHS has never been able to guarantee employment, especially not in the specialty or place of an individual's choice to every individual who comes through medical training. We have increased the number of medical trainees to such an extent that competition is even greater. Given the hon. Gentleman's description of his constituent, I am sure that he will have not only a fair hearing in the training and assessment system that is being improved, but every chance of success.

Mr. Stewart Jackson (Peterborough) (Con): I am sorry that the Secretary of State did not give my hon. Friend the Member for North-East Cambridgeshire (Mr. Moss) a more comprehensive reply. Like me, he will have received at the weekend an e-mail from a senior clinician at Peterborough and Stamford Hospitals NHS Foundation Trust. It made the point that, as of July, only two out of 22 anaesthetists—senior house officers—will be available. That will have a massive impact on clinical care, especially on epidurals for pregnant women and other issues related to pregnancy. When will the Secretary of State apologise for that likely state of affairs, admit that the Department got it wrong and move on?

Ms Hewitt: It is a matter for each hospital to ensure that it employs the right number of people with the right specialist skills to offer a safe service to pregnant women or any other patient. I am sure that the hospital to which the hon. Gentleman refers and every other hospital will continue to do that.

Mr. Andrew Mackay (Bracknell) (Con): Earlier, the Secretary of State failed—inadvertently, I am sure—to answer a question. May I therefore be helpful and ask it again? How can we have any faith in a system that awards one point for a PhD yet four points for dealing with stress?

Ms Hewitt: As I said when I cited the independent Postgraduate Medical Education and Training Board, the scoring system and the whole process for applications was developed by the postgraduate deans, working with the Department and other partners. It is not up to Ministers to determine the number of points that should be awarded for different aspects of what is inevitably a complex system. The review group will be able to consider that as it examines other aspects of the system. If it wants to recommend changes, we will, of course, take that seriously.

Mr. Crispin Blunt (Reigate) (Con): The Secretary of State began her review when the scale of the problem became known to her, but the scale of the problem was pretty clear on 13 October to the junior doctors committee representative from the BMA who, in my presence, made quite clear to junior doctors at East Surrey hospital the scale of the disaster that was about to happen and made it clear that the BMA's junior doctors' representatives were begging the Department of Health to postpone this process. The parliamentary questions that I have tabled on this matter have resulted in answers of the most stunning complacency. I have now been told of a further issue that will arise out of this virtual nationalisation of junior doctors beginning their new jobs. Apparently, between 1 and 3 August, almost every junior doctor and registrar will be involved in induction training in hospitals up and down the country, leaving only consultants available to provide doctor cover. Is the Secretary of State aware of this potential problem, and is she going to do anything to avert it before it happens?

Ms Hewitt: I remind the hon. Gentleman that in the summer of last year—and, if I remember correctly, in 2005 as well—we were told that we were about to have thousands of unemployed doctors all over the country. Of course, that was not the case, any more than it will be this year. We are looking at what will happen in August, but the immediate priority is to ensure that we sort out the changes that need to be made for round 1 and round 2 to ensure that this first year—which was bound to be a transitional year—of appointments to the new consultant training system continues in a way that will be fair to everyone and that restores the confidence of junior doctors.

Tony Baldry (Banbury) (Con): Horton general hospital in Banbury is possibly going to lose 24/7 paediatric cover and, as a consequence, consultant-led obstetrics because, we are told, there are insufficient junior paediatricians to go round. What this saga seems to demonstrate is that there are more qualified junior doctors than there are posts. Will the Secretary of State give the people of my constituency an assurance that any paediatricians who want training posts at the end of this exercise can go to Horton general hospital, where, for the past 75 years or so, we have had consultant-led obstetrics and, ever since Barbara Castle initiated a public inquiry, consultant-led 24/7 paediatric cover?

Ms Hewitt: It is entirely a matter for the hospital and for the NHS in each region to decide how many training places should be made available and in what specialties. I would never seek to dictate that from the Department of Health. How and where services are most safely and appropriately provided is also a matter on which decisions need to be made locally by the local NHS, in full consultation with the public.

Mr. Mark Harper (Forest of Dean) (Con): I, too, was contacted today by a junior house doctor, who specifically wanted me to ask the Secretary of State whether she was aware that, under the new system, a surgeon will have only about 25 per cent. of the number of training hours that they currently receive. Would the Secretary of State be happy to be operated on by such a surgeon?

Ms Hewitt: On that, and on other relevant matters, it is more relevant to listen to the views of the Royal College of Surgeons, which has been closely involved throughout the development of the modernising medical careers programme. The programme is designed to replace a rather disorganised old system with one that focuses clearly on the competences and

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the level of ability that doctors need as they progress through their specialty training towards becoming a consultant.

Mr. Andrew Tyrie (Chichester) (Con): It is not only junior doctors who are missing out—first-class hospitals such as St. Richard's cannot get the best doctors to train. My constituents will therefore not get the treatment they would otherwise be able to obtain. This is an absolute shambles. Cannot the Secretary of State see the scale of it? Will she now, as numerous people have asked, just say sorry?

Ms Hewitt: The hon. Gentleman should have listened to the review group. We published a further statement from it last Friday, which I have just repeated in my statement. The changes that we have already agreed for round 1 mean that junior doctors who did not get an interview, or did not get an interview for their first or second choice of specialty, will now have their applications reviewed, in some cases through a face-to-face interview. Where appropriate—depending, of course, on whether they meet the selection criteria—they will then be added to the interview process. In addition to the very fine young junior doctors who have already been given interviews in round 1, including 84 per cent. of the second-year foundation training programme graduates, more doctors—we estimate that there will be more than 5,000—will be given round 1 training interviews. That will not only ensure fairness to them, but will enable the NHS to choose from the best candidates for all jobs.

Greg Clark (Tunbridge Wells) (Con): Apart from the misery that is being caused to thousands of junior doctors and their families, this is another NHS information technology project failure. Can the Secretary of State tell us how much the MTAS system has cost to date, and will she consider inviting the National Audit Office to inform her and the House whether it has been value for money?

Ms Hewitt: I do not know how much the MTAS system has cost, but I am happy to write to the hon. Gentleman about it, and I will certainly consider his suggestion about the NAO.

Mr. Tobias Ellwood (Bournemouth, East) (Con): I am astonished to hear the Secretary of State continuing to defend the system when she should be apologising for it. I met about 20 junior doctors from Bournemouth hospital at the weekend. They said that the online system was a joke, that proper training was being jeopardised, and that come 1 August thousands of able doctors would be made redundant. Is the Secretary of State willing to meet those doctors so that she can hear their views directly, and does she agree that of all the cock-ups that the Government have caused in the NHS, this has to take the biscuit?

Ms Hewitt: I am glad to say that I have the opportunity to meet junior doctors and other NHS staff all the time, and will continue to do so.

As soon as it became clear that the new system was not working properly, I sat down with the royal colleges and the BMA and established an independent review group. We are acting on its recommendations, and I think that that is the right way in which to proceed.

Mr. John Leech (Manchester, Withington) (LD): Will the Secretary of State give us any idea of how many doctors will be out of a job after August, and has she made any assessment of the work load that will be placed on those who will be left in the system?

Ms Hewitt: I do not think that the hon. Gentleman has been following the discussion. He assumes that thousands of doctors will be out of work, but the applicants—more than 29,000—who are currently working in the NHS will continue to be needed in the service, whether they have moved on to run-through training programmes or are working in staff and other NHS jobs. Those jobs will continue to be needed, because those doctors are at the heart of the NHS.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): One question that has been asked repeatedly this afternoon remains unanswered. I will repeat it, for the sake of good order, and I hope that the Secretary of State will answer it. Will she say sorry?

Ms Hewitt: As I have said, the system was not working as well as it should have been, and as soon as that became clear—and because of the distress being caused to so many junior doctors—we established an independent review group. We have already made changes in the system, which have been communicated to the junior doctors both directly and through the websites. Further changes are now being made, and will continue to be made.

I only hope that the hon. Gentleman and other Members, while complaining—perfectly reasonably—about problems, will acknowledge that we are sorting those problems out. I also hope that they will, just occasionally, give credit for the real progress that has been made.

Orders of the Day

Consumers, Estate Agents and Redress Bill *[Lords]*

[Relevant documents: The Second Report from the Joint Committee on Human Rights of Session 2006-07, Legislative Scrutiny: First Progress Report, HC 263, and the letter from the Secretary of State for Trade and Industry to the Chairman of the Committee, dated 12th March 2007.]

Order for Second Reading read.

4.14 pm

The Minister for Trade (Mr. Ian McCartney): I beg to move, That the Bill be now read a Second time.

I have been involved in consumer affairs in the House for more than 20 years, and I feel passionate about the issues. I am proud that under the present Government the country is seeing the biggest overhaul of consumer protection for the past 20 years. The Bill is part of that story. We want to empower consumers—to give them a strong voice and access to redress when things go wrong. We also want to ensure that rogue businesses have nowhere to hide. The Bill embodies the Government's commitment to a fair deal for consumers, and that is why I am delighted to present the Bill to the House today.

The Government have an impressive track record in competition and consumer policy, but we are not complacent. Our goal is to have the best competition and consumer regime in the world by 2008.

Sticking up for consumers does not mean bashing legitimate business. Indeed, we have a responsibility to businesses to get rid of the rogues. Honest, well run businesses should not be undercut by competitors who rip off consumers. Often, the reputations of many responsible firms are tarnished by the actions of the irresponsible few.

Government have a key role to play. Consumers need to have, first, the right information to spot a good deal; secondly, the knowledge to tell when they are being ripped off; and thirdly, we need to give enforcers the power to catch the rip-off merchants. Those are the principles driving the Bill.

Before I speak about the Bill in detail, I want to explain how it fits with other changes that the Government are making to empower consumers. The Consumer Credit Act 2006, which received Royal Assent last March, greatly improves consumer rights and redress in relation to borrowing money. The Act also introduces major changes to the licensing of consumer credit businesses, and new powers to drive dishonest traders out of the market.

The unfair commercial practices directive is another powerful tool. It is designed to tackle the rogue traders and unfair business practices that target the most vulnerable people in society and damage the reputation of honest firms by association. Once implemented, that directive will ban 31 types of unfair commercial practices outright, including high-pressure or unreasonably persistent selling methods. It will tackle unfair sales ploys such as prize draw scams, including phone-in prize draw scams; bogus closing down sales; sellers who refuse to leave a customer's home until a contract is signed; and traders who prey on elderly people's fears about personal security to sell them burglar alarms. The directive also introduces a catch-all "duty" not to trade unfairly. Currently, a practice would be examined against prescriptive legislation, which unfair traders can try to avoid. The general duty will be able to catch all unfair practices that might affect consumers.

Miss Anne Begg (Aberdeen, South) (Lab): I wonder whether the catch-all provision would cover the practice that a number of disabled people experience where there is an advert for an electronic buggy or bed with a phone number. When they phone up asking for a brochure, one arrives that has no prices. If they ask what the price is, they are not told. Instead, a salesman calls and what happens thereafter is pressured sales. Will that kind of sales technique be outlawed under those provisions?

Mr. McCartney: I can confirm that that is the case. As I get into my speech, hon. Members will see that the Bill covers issues relating to solicited or unsolicited sales. That is important. I think that there is all-party support in that respect.

Together with this Bill, those measures form a comprehensive package that will empower consumers more than ever before. As I said, I have been involved in consumer affairs for over 20 years. The Bill is an effective refurbishment of measures introduced over that period.

The Bill represents an important step forward in consumer protection. It contains a range of important provisions that will create a new, stronger, more coherent consumer advocacy body to represent consumers across all markets; introduce availability of redress for consumers in the energy, postal services and estate agency sectors; and improve regulation of estate agents and doorstep selling.

The Bill has already benefited from full and thorough debate in another place. Some valuable changes have been made to it as a result. I shall outline some of those changes as I describe in more detail the content of the Bill itself.

Peter Luff (Mid-Worcestershire) (Con): Will the Minister clarify one issue of detail on the name of the new consumer advocacy body that is created by the Bill? The Bill describes it throughout as the National Consumer Council. The phrase "consumer voice" has been used extensively by Ministers. Will he clarify whether that phrase is still in current usage?

Mr. McCartney: It will be the National Consumer Council. As I get into my speech, the hon. Gentleman will see what the process is. If he wants to intervene on me again, he may by all means do so.

I apologise. I just lost the plot there—*[Interruption.]* I thought that that would get a chuckle. I lost my place in my speech.

As well as creating a new, stronger and more coherent advocacy body, we will introduce the availability of redress schemes and improve the regulation of estate agents and doorstep selling. The Bill has already benefited from having been debated in

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another place, and further issues might arise in Committee. The Bill was dealt with in another place in a non-controversial and non-partisan way, and I will give serious consideration to suggestions offered in that spirit for improving the Bill—but, obviously, I will not give serious consideration to matters raised simply for partisan reasons.

The consumer voice provisions form the largest part of the Bill. They will bring together the existing National Consumer Council, Energywatch and Postwatch to form a strong and powerful consumer advocate: the new National Consumer Council. The Bill also allows for the Consumer Council for Water to be brought inside the new National Consumer Council tent in the future, after public consultation.

Some critics of those proposals have raised concerns about loss of expertise and loss of independence. Some have even suggested that the Government are creating this new body in order to silence criticism of Government action, on post offices in particular. Let me say now that our objective in bringing these bodies together is to create not a mouse too meek to challenge us, but a lion who will, I hope, roar on behalf of consumers. We do not want to weaken consumer representation, but to strengthen it. We do not want to lose valued expertise, but to build on it and make sure that all sectors benefit from it. A strong rope is made from intertwining different strands together. That is why we will create the new National Consumer Council.

Markets for essential services such as energy, post and water have been liberalised one by one over a period of time. As a result, we now have several sectoral consumer bodies, as well as the National Consumer Council. The National Consumer Council, Energywatch and Postwatch have provided a valuable service to consumers until now, but there are key issues to be addressed. Consumer representation is fragmented. Consumers are confused about where to go for help. Lessons are not being shared between sectors. Resources and information can be shared more effectively.

It is now time for change. The new National Consumer Council will be a strong and independent advocate for the consumer. It will speak with expertise and authority in discussions with companies, with Government and in Europe. It will be able to look across sectors, and to give advice on the basis of expert and informed analysis, and it will draw on all its skills and expertise to tackle the biggest problems in the areas of most concern.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): The Minister talks about the new body being an advocate for consumers. Does he mean that it will be so in a general sense by advocating the needs of consumers, or does he envisage it taking up specific issues? I know that changes have been made in the Lords in respect of some energy consumer issues, but there is still concern that vulnerable people might not get their cases dealt with quickly unless someone acts as their advocate.

Mr. McCartney: I assure the hon. Gentleman that its role will be both general and particular, and that it will have a role specifically to tackle issues to do with vulnerable consumers, in terms of dealing with their initial problems and complaints and in assisting them through the process—all the way through, if necessary—of getting redress for their personal circumstances. The hon. Gentleman can rest assured that the proposed legislation will do that.

Consumers will know when to turn for help and who they can turn to for help. Consumer Direct will act as a first port of call, dealing with simple complaints and inquiries, or referring consumers on to redress schemes if the company in question fails to resolve the problem. The hon. Gentleman's point is well made in that regard. Even at the stage of the first port of call with the company, the most vulnerable consumers will be assisted. When they make contact with Consumer Direct, they will not simply be told, "Well, go away and see what you can do, and then come back to us if the situation has not been resolved." We will provide an end-to-end service.

Let me be clear: we have big ambitions for the new National Consumer Council that I am confident this House will share. Our challenge is to take the best of the current organisations—their knowledge, their independence, their ability to act quickly—and to build that into something even better: a champion fighter that is able to protect consumers and that is admired for its expertise, trusted for its advice and feared by those who would rip off consumers.

I should at this stage report that we had an informative and thorough debate in another place. As a result of listening to concerns raised, the Government laid a number of amendments. In particular, there were concerns about the position of the Scottish and Welsh Consumer Councils. It has always been our intention that those bodies should undertake the same key functions as the new National Consumer Council. We laid a number of amendments in another place to clarify the role of the Scottish and Welsh Consumer Councils, and to ensure that they are provided with the power to exercise the same key functions within their relevant territories, except for a very few instances where it is necessary for the new National Consumer Council to maintain a co-ordinating role.

The Bill also extends the availability of redress for consumers in the energy and postal sectors. Energywatch and Postwatch currently labour under a significant burden of complaints. However, they can seek to resolve these complaints only through persuasion. They have no powers to enforce resolution and cannot provide for redress or compensation.

James Duddridge (Rochford and Southend, East) (Con): The Minister says that he has great hopes for the National Consumer Council. Will it be structured in such a way that other industries can be incorporated at a later stage and is that his intention?

Mr. McCartney: That is a fair question. I have already indicated in consultation that the next sector that I would like to see join is water. We do intend to build on this start over time, but if changes are to be made, they will have to be made by consultation. That is critical.

Part 2 of the Bill will, for the first time, give consumers guaranteed access to redress schemes that

have the teeth to enforce their awards. The Bill will enable Ministers to require suppliers or service providers in the energy and postal services sectors to belong to redress schemes. That will give consumers not only confidence that their complaint will be resolved but access to compensation and redress where that is warranted.

The redress provisions in the Bill have been strengthened by changes resulting from discussion in the other place. Gas transporters and electricity distributors have been brought within the scope of the redress schemes. We have also made it absolutely clear that the new national consumer council can investigate complaints relating to threatened disconnection of gas or electricity supplies as well as actual disconnection. That also relates to the point made by the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith) about vulnerable consumers. Furthermore, the new national consumer council can investigate complaints from consumers who use prepayment meters, where disconnection arises as a result of a failure in the prepayment system. Those changes provide yet further protection for consumers, especially the most vulnerable consumers in our society.

Peter Luff: As I understand it, the energy sector already has a redress scheme, and the energy supply ombudsman already exists. However, there is no such ombudsman for the postal sector, which is a major concern for consumer bodies and businesses. When will there be a postal services ombudsman?

Mr. McCartney: I will come back to that point, but the hon. Gentleman may rest assured that for the first time ever each of the sectors in the Bill will have comprehensive redress schemes, which will be consistent with each other. That is the whole purpose of the Bill, as I was trying to get across, and I hope that that reassures the hon. Gentleman.

Estate agents play a crucial role in the home buying and selling process. For most consumers, buying a home is the most critical and the most expensive purchase that they ever make. I speak from personal experience when I say that it can be shattering to the nerves on occasion. It is vital that the estate agency market works well and that consumers are protected against unfair practices. Consumers need to be confident that estate agents will deal honestly with them; and many estate agents are rightly angry that their reputation is tarnished by a small and unscrupulous minority.

The Office of Fair Trading recognised those issues in its study of the estate agency market published in March 2004. The OFT found that the market was generally competitive. However, it also found that a significant number of consumers were not happy with the service that they received. Some consumers simply received poor service with estate agents turning up late for appointments, for example, or not returning keys on time. But other complaints were more serious, such as failure to pass on offers to sellers or failure to declare a personal interest in a property. The OFT therefore made a number of recommendations to put that right.

The Government accepted the OFT's recommendations in July 2004. In fact, in the area of redress, the Government went even further than the OFT and promised to make membership of a redress scheme mandatory for all UK estate agents. We fulfilled that promise in part by amending the Housing Act 2004. As a result, complaints against estate agents relating to home information packs in England and Wales will now be addressed through redress schemes.

The order requiring estate agents to belong to a redress scheme for the purposes of HIPs was laid on 1 March, and estate agents have until 1 June to sign up to an approved scheme. But this Bill goes further. It will fulfil our promise that a private individual with a complaint against an estate agent should have access to redress. Estate agents could face costly pay-outs and possible loss of livelihood if they do not abide by the law and generally accepted voluntary codes of conduct in the industry. I am confident that we will see higher standards as a result. Our intention is that this should come into force in April 2008.

At the same time as providing redress for consumers the Bill also tightens the current negative licensing regime. First, the Bill will improve the audit trail for transactions by requiring estate agents to make and keep records, including records of offer letters, for six years. Secondly, it will give the OFT and local authority trading standards officers powers to go into premises and inspect records in a wide range of circumstances. That will enable them to investigate not just criminal offences but all breaches of the law and of undertakings given to enforcers. Finally, the Bill will expand the circumstances in which the OFT can consider the fitness of an estate agent to practise, and if necessary it can take regulatory action against them.

At present the OFT can ban an estate agent only when they have been convicted of specified criminal offences. The Bill will allow the OFT to ban an estate agent when there is sufficient evidence that an offence has been committed, even if there is no conviction. That will ensure that the OFT can consider the fitness of estate agents, for example, where another regulator has taken enforcement action against them but they have not been taken to court. Furthermore, the OFT will also be able to ban an estate agent when an enforcement order or a statutory undertaking under the Enterprise Act 2002 has been breached.

Those changes are needed to bring the Estate Agents Act 1979 into line with modern enforcement practice. The Government wholeheartedly support the efforts of the National Association of Estate Agents and the Royal Institution of Chartered Surveyors to raise standards through training. Any good estate agent should have knowledge of the legislation governing estate agents, just as any professional should be aware of the legal obligations relevant to their industry. However, the OFT found that in the majority of cases where it took action against an estate agent the root cause was lack of integrity or honesty—not lack of knowledge of the law.

What the Bill does is more sophisticated than positive licensing: the estate agents provisions will mean that a consumer dealing with an estate agent anywhere in the UK knows that there is somewhere they can go to seek redress. Any estate agent who does not belong to a redress scheme will now face being

[Mr. McCartney]

fined and banned as a result. More evidence and audit trails will make it easier for enforcers to deal with rogue agents and remove them from the marketplace. At the same time, other measures strengthen the current regime and give enforcers the powers they need to take action against rogue agents. Ultimately, that approach will serve consumers better.

Finally on this issue, I shall comment on the concerns raised about the fact that letting agents and others are not included in the Bill. Lettings and new build are important sectors of the property market, and the Government are committed to ensuring that consumers are not disadvantaged in those areas. However, the Bill implements the recommendations made in the OFT report on the estate agency market. The report did not look at lettings agents, property developers or any other property professionals, so we do not yet have a clear evidence base for extending the redress provisions to those sectors.

Secondly, the Bill amends the Estate Agents Act 1979, which has a specific definition of estate agency work. Changing the definition would require a lengthy and careful examination of the consequences for the whole Act. However, the Government are committed to looking at the whole property market and, on the basis of proper research and evidence, to consider what more needs to be done. At my prompting, as Minister with responsibilities for consumers, the Government will conduct a review of the property sector, including looking at redress for lettings and new build. Ministers will consider carefully the conclusions of that work and decide the next steps that should be taken. I hope that is seen as a positive response to the comments made in another place.

Part 4 contains provisions relating to doorstep selling that will give consumers the right to change their mind, whether they asked for the sales visit or not. This part of the Bill has a long history, going back to 2002 when Citizens Advice submitted its report, "Door to Door", to the OFT as a super-complaint. The OFT subsequently made a number of recommendations for improving consumer protection in that area. As part of the Government's response to the OFT report, published last September, we decided to introduce primary legislation to enable us to make regulations, so that consumers who ask salespeople into their home will also have cooling-off rights for doorstep sales; at present, they apply only when a salesperson turns up uninvited.

Breaking down the distinction between solicited and unsolicited visits will make the law simpler and clearer for the consumer, business and enforcement agencies alike. Businesses will be able to work with one contract for both solicited and unsolicited visits, reducing ongoing costs in the production of contracts and training of sales staff. The simpler rules will ensure that businesses will not generally need to spend time establishing whether their visit is solicited or unsolicited. The provisions are particularly important for vulnerable consumers who—having invited a salesperson into their home—can feel pressured into buying something they do not want or need. Together with the unfair commercial practices directive, the measure sends a clear message that businesses that lack integrity and feed on fear will not be tolerated.

The Government are committed to a robust and effective consumer and competition regime—one that is fair to consumers as well as to business. First, the Bill creates a new National Consumer Council—a powerful advocate for consumers. Secondly, it gives consumers the rights to redress that they deserve. Thirdly, it demonstrates our commitment to getting rid of rogue estate agents. Fourthly, for the first time, it tackles effectively rogue doorstep sales persons. I look forward to hearing the contributions of right hon. and hon. Members to the debate on this important Bill. I commend it to the House.

4.35 pm

Alan Duncan (Rutland and Melton) (Con): I thank the Minister for talking us through the main points of the Bill, which Conservative Members broadly welcome. As he said, it is important for consumers, it merges key consumer bodies and it makes a serious attempt to give consumers greater rights when buying or selling their house.

I pay tribute at the outset to the work done in the other place by my noble Friend Baroness Wilcox and others whose efforts have already significantly improved the Bill. We firmly believe in consumer choice and in the accessibility of information to enable people to exercise that choice. That is best achieved through a spirit of shared responsibility with the Government, businesses and consumers all working together. That, of course, is not always the reality and when businesses fall short of their responsibilities, it is important that consumers have the means available to obtain timely and efficient redress. It is on the basis of those principles that we approach the Bill today.

We support much of what the Bill does, but have several specific concerns, some of which the Minister referred to earlier. One of its principal features is the amalgamation of Energywatch, Postwatch and, in time, the Consumer Council for Water within a new statutory national consumer council. The Government argue that it is designed to strengthen and streamline consumer representation. However, the Government's record has given rise to concern that the implementation of those changes may mean that consumers are, in fact, disadvantaged by these proposals.

There is, for example, increasing disquiet about how and when the Consumer Council for Water will be merged into the new regime. The next water industry price review, which will fix limits for water companies' charging systems, is due to be completed in 2009. The period leading up to that date will therefore be a busy one for the Consumer Council for Water, yet it is just the period in which the Government want to begin abolishing it.

Mr. McCartney: I thank the hon. Gentleman for giving way and apologise if I misrepresent what he has said. I recognise the point that he makes, as I have already met representatives of that body and suggested that I would be happy to bring forward the review if it would help in dealing with the other matters that the hon. Gentleman mentioned. I am now waiting for a response.

Alan Duncan: That is not in the Bill at the moment, but I welcome and appreciate the Minister's constructive response. If it is amended in Committee along the lines that he described, that would make for good progress and we would be happy to follow that line with him.

Mr. McCartney: I thank the hon. Gentleman for having this helpful conversation. I do not need to amend the Bill in respect of consultation, because it does not have to be done through primary legislation.

Alan Duncan: The last couple of minutes seem to have been more effective than the entire proceedings of Public Bill Committees, so we are making progress. I am grateful to the Minister. I do not know whether I am going to achieve quite as much with my next point, but I am going to try.

The timing of the abolition of Postwatch is also unfortunate, to say the least. At just the time that the Government are making deep cuts in the post office network, they are planning to mire the postal consumer watchdog in a transition process, too. Surely there is a danger of giving less focus to consumers at just the time that they most need the representation that Postwatch can offer.

Robert Key (Salisbury) (Con): I have tried diligently to make use of Postwatch, whose motives are tremendous, but for several years it has been completely overwhelmed and unable to respond within a reasonable time scale. Actually, the best watchdogs are consumers themselves: the people in receipt of the letters—or not, as the case may be.

Alan Duncan: I am grateful to my hon. Friend and hope that the Minister will have heard what he said. It appears that he has and wishes to say something more.

Mr. McCartney: I have to respond to my next-door neighbour in London. Extensive work has been done in co-ordinating with the body concerned. It is engaged at the very highest level—at every level—on a fortnightly basis with the planning and implementation process. Perhaps it should spend more time on that rather than sending out reports to MPs about fears that are absolutely groundless.

Alan Duncan: I think many may disagree with what the Minister says about groundless fears. There are serious concerns about the entire future of the Post Office. Postwatch and successor bodies will be responsible for elements of consumer representation and we want to make sure that the mechanisms for that are of the highest possible quality.

Mr. Jim Cunningham (Coventry, South) (Lab): I am sure that the hon. Gentleman will agree with me and the Minister that Postwatch was not effective and that we should have a stronger body to regulate the post.

Alan Duncan: Let me just ask the House whether bigger means stronger. Conservative Members are concerned about the skills and experience that have been built up in Postwatch and Energywatch. Those bodies know the detailed issues in their sectors and have experienced people working for them. Perhaps the Minister will now have to concentrate on how he will ensure that those valuable skills are transferred intact to the new body. For example, will the new body retain separate sectoral specialists? Can he assure the House that it will carry at least the same weight and reputation as the existing sectoral bodies that have worked hard to get name recognition?

Peter Luff: We are in the fortunate position that the Minister replying to the debate is responsible for post offices, so I would like to reinforce my hon. Friend's point. Postwatch has learned from the problems of the urban reinvention programme and has become a sufficiently more effective body. It has a big contribution to make to the current round of post office closures planned by the Government, so it is a great shame that it will be abolished at this precise moment.

Alan Duncan: I am grateful to my hon. Friend. To many, there is a suspicion, on which they need reassurance, that the decision to create the new body was motivated not by a desire to improve consumer representation but simply as a drive to cut costs. My hon. Friend asked the Minister earlier about the name of the new body. I did not quite understand the answer; it came out as a bit of a jumble and appeared to us all as a bit of a Prescottism. I am confused, so perhaps the Minister can clarify what its name will be.

Mr. McCartney: I am not going to apologise for my accent. From my perspective, the answer was clear—it will be the new national consumer council and I said that more than once in my speech and in response to the hon. Member for Mid-Worcestershire (Peter Luff).

Alan Duncan: That does clarify the matter, so I am grateful to the Minister. However, in the course of his earlier answer, he used, perhaps by accident, the word "voice". However, we now know what the answer is, and that is fine.

Our second area of specific concern is the lack of provision relating to internal complaint handling procedures. We differ from the Government over how best to ensure that complaints are dealt with quickly and effectively. Redress schemes are at the heart of the Bill, yet they are the last resort of the unhappy consumer. The first port of call is, and should be, the company from which the goods and services were purchased. Effective complaints procedures at this stage would have the effect of ensuring that more complaints were resolved at their outset. It would reduce the burden on the new NCC and make for better satisfied consumers too. Good internal complaints procedures are the best way to protect and empower consumers, and yet there is precious little about that in the Bill.

Existing redress schemes vary greatly from granting immediate access to insisting on a three-month wait before the consumer can invoke the services of the ombudsman. Three months is a long time to wait for a consumer and that creates an opportunity for supplier companies to avoid resolving complaints quickly, knowing that the process for the consumer may simply turn out to be too long and drawn out for them to bother pursuing things further. Conservative Members

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believe that companies should have in place effective internal complaints procedures to deal with consumers quickly and efficiently. The best way to make that happen is to insist that internal complaints procedures that reflect best practice are a fundamental requirement for the membership of any approved redress scheme for which the Bill provides.

This is not re-inventing the wheel—a similar model already successfully works in the financial services sector. The Financial Services Authority requires that membership of the Financial Ombudsmen Service is dependent on an organisation having an appropriate and effective internal complaint-handling function. We hope that a similar system can be replicated. I am glad to see the Minister nodding. That is good news, if that is what is going to happen.

Initially, the Government made only a small concession towards this approach when the issue was raised in the other place. The phrase that they introduced into clause 49 was a tad vague. They required regulators only to

"have regard to...such principles as...the...generally accepted principles of best practice".

Of course, that is welcome, but, to my mind, it does not really go far enough. Effective internal complaint handling is central to the aims of the Bill. It should be a prerequisite of redress scheme membership and that should be included in the Bill. Redress schemes are being provided to catch the worst failings of their member companies, but it must be preferable for the redress schemes to be proactive about preventing failures in the first place.

Our third area of disquiet concerns the independence of the new national consumer council. The Government have said that they want the new NCC to be independent and for the relationship between the NCC and the Government to be transparent and accountable. That is a proper aim, but I fear that the text of the Bill reveals a rather different approach. Clauses 17 to 19 concern reports and advice that the NCC may produce on consumer matters. In each of the circumstances described in the Bill, there is discretion as to whether the reports are made publicly available. When the NCC itself determines that the report shall be produced, it has the discretion to publish. However, when the Government ask the NCC to report on specific matters, it is the Secretary of State who chooses whether the public ever get to see what the NCC has to say. This is a serious matter of public accountability and of transparency for the consumer. The NCC will receive public funding, but the reports that it provides to the Government are not necessarily—so it seems—to be made available to the taxpayers who fund them.

We believe that all reports produced by the NCC should automatically be made available to the public. That need not raise a cost issue, as has been claimed, because the documents could simply be made available on the NCC's website. A Minister in another place, arguing against that suggestion, claimed that not all such reports would be "of interest to consumers". However, I fail to see how reports from a public body set up to look after consumers' interests would not be of interest and relevant to consumers. Work that one out, Madam Deputy Speaker. I cannot and I do not know who can.

It seems that the Government wish to use the NCC for their own purposes, or at least that could be the perception. The fact that the NCC will not have the right to publish its own reports goes to the heart of the question whether the relationship between the Government and the NCC is sufficiently transparent. On this side of the House, we believe that it is essential that all such reports are published to ensure that the NCC is genuinely independent. For years, the NCC has been funded by the Government but has been unhindered in choosing for itself the focus of the work it undertakes and then reporting on that as it wished. I hope that the Secretary of State will agree that this is a better way to continue in the interests of empowered consumers.

Our fourth, and perhaps most serious, area of concern relates to estate agents. For the vast majority of people, buying a house is the single largest financial commitment they ever make. It is therefore right that the Government have sought to tackle the problem of rogue estate agents. We welcome the steps taken in the Bill to ensure that estate agents are members of an approved redress scheme and to give more powers to the Office of Fair Trading to take action, where appropriate, against estate agents. We are concerned, however, that in both those regards, the provisions do not cover all house sales. The Minister referred to this matter a moment ago, but we will have to explore it further in Committee. The Government cannot hide behind the supposed complications that follow amending an existing piece of legislation. It seems a grave omission that new homes sold directly by the developer and houses bought and sold off-plan are not covered. After all, that still involves the purchase of a house. It seems illogical that the Government should take a positive step regarding estate agents and yet not extend the same provisions to cover all house sales.

I am also worried that the penalties set for estate agents will be too low. For example, the penalty for not joining a redress scheme will be only £1,000—I think that the amount was raised from £500 to £1,000 in another place. However, given that the average fee charged by estate agents is approximately three times that—£3,000—the penalty does not seem an adequate deterrent. We thus intend to table amendments in Committee that would raise the penalties for that and other rogue practices up to even £10,000.

The third flaw in this part of the Bill, and the probably single biggest omission in the Bill, is the lack of any reference to the lettings and residential property management markets. There has been rapid growth in that sector over recent years. Indeed, since the Estate Agents Act 1979 was passed, the proportion of the housing stock that is let has increased by a third. Letting not only accounts for a significant proportion of the housing market, but provides a sizeable chunk of the work undertaken by businesses that would call themselves estate agents. That alone should be reason enough for lettings and residential property management work to be included in the definition of estate agency. However, if we add in the fact that consumers in the lettings market are likely to be less able than others to

afford professional advice and advocacy, it becomes all the more important that protection should be afforded to them.

In another place, the Government argued that fully updating the 1979 Act so that it would to cover lettings and residential property management would be too complex. Despite what the Minister for Trade said in his speech, we still find that totally and utterly unconvincing. The Government further argued that the Office of Fair Trading report on the estate agency market did not cover lettings—the Minister referred to that today. That was, of course, the Government's omission, and I hope they will not in this House rely on that same omission as a justification for disadvantaging a whole group of consumers.

The redress scheme model that is at the heart of the Bill is a simple enough idea and it is a good one. Conservative Members see no reason at all why the Government could not extend the areas of work covered by redress schemes to include lettings and residential property management. That would be a step in the right direction, but we would urge the Government to go further. They could, and should, use the Bill to update the 1979 Act so that it would cover lettings and, more generally, to make it better reflect a property market that has changed a great deal in the past 28 years. The House might not get an opportunity to examine estate agency again for another 28 years, so surely this is the right time to act.

Although the Bill is somewhat flimsy, it is not a bad Bill, and there are aims in it that are to be commended, especially the provision of a basic redress scheme for home buyers. Our concerns are about the strength and independence of the new national consumer council and the regulation of estate agents in all their activities. In Committee, we will table amendments to ensure that the NCC is free to publish its reports, to increase the penalties for rogue estate agents, and to extend protection to all house purchases, including those bought off-plan, and the lettings market. In the spirit of what we have seen this afternoon, I hope that the Government will work constructively with us on those issues so that we can make a little more of this well-intentioned Bill. As it stands, the Government risk missing a golden opportunity to modernise the 1979 Act and to bring better protection to home buyers and tenants. The Bill should also give more power, protection and representation to consumers, especially those in vulnerable groups, so my colleagues and I look forward to working with the Government to achieve that.

4.53 pm

Mr. Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): I hope that the hon. Member for Rutland and Melton (Alan Duncan) will forgive me if I do not follow up in detail everything that he said. I was slightly surprised, given his Scottish surname, that he seemed to have great difficulty understanding something that we understood perfectly: the accent of my right hon. Friend the Minister for Trade, who showed wisdom and good judgment as he made his speech. In case my right hon. Friend gets a wee bit worried, I have some questions to ask before I finish my speech.

The main thrust of both the Bill and my right hon. Friend's speech to outline the Government's objectives is extremely welcome. As my right hon. Friend pointed out, some parts of the Bill do not apply to Scotland—for example, we deal differently with estate agents and some would say we had the wisdom not to privatise water—so I hope that I shall be forgiven for dealing only with those parts of the Bill that I genuinely believe are important to my constituents.

I welcome the fact that the Bill is designed to streamline consumer advocacy. As my remarks will demonstrate, I want to see more consumer advocacy. I also welcome the creation of a body working on behalf of consumers that will have the teeth to stand up to suppliers across the industries covered by the Bill and, indeed, to Governments when it takes the view that that is necessary. However, it seems to me vital to ensure that the responsibilities now carried out by organisations such as Postwatch and Energywatch are not lost along the way—an important point made by the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith).

In particular, I shall deal—*[Interruption.]*—not with telecommunications, which seem to be playing a part in our debate, but with the energy industry. The House will understand the reasons why. My constituents have strong views on what has been happening—or not happening—recently to gas and electricity prices. My Lanarkshire colleagues and I have been pursuing these matters since last June, because we are genuinely concerned. Wholesale prices have been falling, but the consumer is not getting the benefit. Some changes have occurred in recent weeks, but they do not go far enough. My interest in the Bill is centred mainly on whether, given the problems in the energy sector in particular, consumers have the protection that I believe they are entitled to expect and that this House might be expected to endorse. I worry that customers are not being given a fair deal in energy and, to be honest, I am looking for further assurances that the Bill leaves room for customers to be made more aware of advocacy than they seem to be today.

I am particularly concerned about two areas: first, the system for dealing with complaints when they are made and as quickly as possible after they are made; and, secondly, the collation of information on the standards of companies' responses to complaints. My understanding—if it is wrong, I am sure that the Minister for Consumer Affairs and Competition Policy, my hon. Friend the Member for Poplar and Canning Town (Jim Fitzpatrick), will correct me— is that responsibility for handling complaints, which are currently dealt with fairly comprehensively by Energywatch, will be split between the new NCC, an expanded Consumer Direct helpline and a new focus on suppliers dealing with complaints effectively themselves. I welcome the greater efficiency that that will bring, but I believe that loopholes remain that need to be tightened up; the debate today and in Committee will give us the opportunity to do that. Later, I shall return to the concept of suppliers regulating their complaints system themselves, but my main worry is that certain types of complaint will fall between the posts of Consumer Direct and the new council.

We Members of Parliament all receive representations; we seek to deal with them ourselves, if we can, and then we try to get the help that we think ought to be provided by the bodies that we are

[Mr. Tom Clarke]

discussing today. Although many people outside the House support the Government's objectives, as I do, they, like me, have questions. As I think hon. Members are aware, Help the Aged gave an example of a particular case to which we can all relate. An elderly lady found that she had a very large bill; clearly, there had been a mistake, and it was not her fault. She contacted Energywatch, which was able to help. As I understand it, under the new system, no one could offer that help immediately, as Energywatch was able to do. The lady was so worried that she was prepared to pay and deal with the problems later, but she would probably have had even greater problems if she had tried to get a solution on her own. That is the kind of issue that the Minister for Consumer Affairs and Competition Policy will want to take on board; I know that he is as committed to consumers as all other hon. Members involved in the debate are.

The Bill's huge benefit is that it makes more provision for the new NCC to deal with vulnerable consumers. That is a comprehensive description of many people who have genuine problems, including people with disabilities. People who, for various reasons, are unable to express themselves may find themselves with problems, and they are entitled to the help that society wants to provide.

On a positive note, I welcome the provisions on disconnections. The cases of which I have been made aware have been, without exception, absolutely repugnant, and I am glad that there is a drive by the Government to make sure that the problem is reduced considerably, if not removed altogether. It is important that Consumer Direct staff have the necessary training to identify and deal tactfully with vulnerable customers, as existing organisations clearly do. That is a key area, and the expertise built up by staff and existing organisations must not simply be lost along the way.

Peter Luff: The right hon. Gentleman makes an important point. He discussed the issue of overcharging by a supplier; he is correct that, in the list in clause 13, there is no provision that the new NCC can apply to deal with overcharging, and I am surprised by that. Furthermore, the clause deals exclusively with electricity and gas, but some of the most worrying cases in my constituency have involved overcharging for water. There is no provision at all in the Bill that covers the special issues relating to water supply. He puts his finger on an important point, and I hope that the Minister will address his concerns in detail when he winds up.

Mr. Clarke: I welcome that intervention. Later, I hope to discuss Ofgem, because there are many lessons to be learned. I will give my reasons for saying that at the appropriate time. The hon. Gentleman undoubtedly has a point, and when we had a debate on the same issue in Westminster Hall a few weeks ago, that point was rightly raised several times.

I am concerned that the new NCC will not have sufficient resources to deal with all the cases involving vulnerable consumers that emerge, and I would like reassurance on that point. Will the new NCC have the capability to help all those who genuinely fall into that category? Some estimate that people in that category account for about 21,000 cases a year.

Sir Robert Smith: The right hon. Gentleman made an important point about vulnerable customers and disconnection. The clause on disconnection requires the new body to take up the consumer's case and advocate on their behalf. The clauses on vulnerable consumers enable it to do so, but do not necessarily require it to do so. If it does not have the resources, it may set a high threshold for the vulnerable customers whom it agrees to help.

Mr. Clarke: The hon. Gentleman is on to something but, as I hope to explain, I do not believe that it is enough to introduce legislation to enable public bodies to do things. They must show that they are willing to show their teeth, and I shall go on to discuss Ofgem, because I am not persuaded that that has always been the case. As citizens advice bureaux have pointed out, there should be a duty with regard to vulnerable customers, just as there is in terms of disconnections. Voluntary organisations and Help the Aged have argued for the need not just for empowerment but for clarity in legislation so that people, especially consumers, know what they are entitled to expect.

It is expected that the shortfall will be reduced or eliminated by suppliers providing better standards of complaint handling, but we are giving a great deal of weight to suppliers' opinions and their commitment or otherwise. I am enormously worried that those standards have been left entirely to the regulator's discretion, so we must monitor that and see how effectively the regulator uses—or does not use—its powers. Ofgem has made its views abundantly clear to me personally—that is not to mention all the debates that we have had, the correspondence and so on—in a meeting about energy prices, in which it said that it regarded its role as one in which it was fully committed to the free market, so it was reluctant to intervene. I do not regard that as acting in consumers' defence—people expect more than that.

Mr. Jim Cunningham: I am inclined to agree with my right hon. Friend. What is the logic of having regulators who say that they cannot do anything and leave it to the free market? Why are we paying them?

Mr. Clarke: My hon. Friend, who is Member of Parliament for Coventry, South and comes from the fine town of Coatbridge—moreover, he was in the same class at school as me—makes a particularly logical point, which I welcome.

Ofgem's remit is a serious matter, and I know that the House agrees. In the past, wholesale prices have fallen and again and again, consumers expected to benefit from reductions in retail prices, but that simply did not happen. Ofgem and similar bodies should be subject to a remit that includes the social effect—perhaps we should deal with that in later debates. I am not sure that they take that view themselves, but how can they deliver to the consumer, if they do not bear social effects in mind? We cannot ignore those effects in our constituencies, as people come to our surgeries who are unable to meet their bills. We cannot ignore them, when we know that people with prepayment meters are asked to pay far more than the average consumer and,

indeed, ourselves. We cannot ignore those back payments, but, seemingly, the people whom we believe to be responsible say that they are powerless to deal with the problem. Lest it be thought that I am being unfair, Mr. Alistair Buchan, who was very courteous when I met him, told the House of Lords Select Committee on Regulators in February that consumer representation was Ofgem's "Achilles heel". I agree that that appears to be the case. If it is, we must try to put it right, and the Bill is a wonderful vehicle with which to do that.

I mentioned energy prices. Ofgem issued a statement on Hogmanay—my hon. Friend the Member for Coventry, South will explain to those who are perhaps not in tune that that is 31 December—that if, after a very lengthy period, the power companies failed to pass on to consumers the reduction in wholesale prices, they might be accused of having "jam on their fingers". I think the situation called for something much stronger than a statement about "Jam on their fingers". There was no problem in terms of the power companies' responsibility to their shareholders or to present or past executives, but where, where, where was the commitment to the consumer? No answer was given to that on Hogmanay or on new year's day. Consistent with the excellent objectives of the Bill, we need to clarify that.

Peter Luff: I shall be slightly less helpful to the right hon. Gentleman this time. It is important to record that many of us feel that Ofgem does a very good job in regulating the energy sector. It understands the problems of energy companies that bought forward in the market and therefore cannot reduce prices as wholesale prices fall. I am totally confident that Ofgem has a firm grip of the situation and as those wholesale prices fall, it will ensure that prices to consumers also come down, as they are now doing.

Mr. Clarke: The hon. Gentleman is entitled to his opinion. He has put it on record and I am sure his constituents will form their view of what he said, just as my constituents will form their view on what I have said.

Given all that I have said and the fact that we have not reached agreement that the standards of complaint procedure should be written into the Bill—I think there is still the possibility of persuasion on that—I have little hope, unlike the hon. Gentleman, that that can be dealt with voluntarily.

Peter Luff: It is happening.

Mr. Clarke: I am not persuaded of that.

Peter Luff: Of course it is happening.

Mr. Clarke: If so, why do the Opposition believe there is a need for the Bill? As my right hon. Friend the Minister said, the Labour party was elected on a mandate to seek to protect consumers and that we would not be party to rip-offs, nor will we be. Despite the questions that I have put, which I hope are seen in a positive light, I am delighted that the Government accept their responsibilities. On that, I say very well done indeed.

If the Bill is to be effective, there must be a duty, rather than a power. We must publicly set out the standards that we expect where we think that that applies. If we do not do so now, I fear that the provision in the Bill for the Secretary of State to intervene will be used far sooner than expected. Then, perhaps, the proof of the pudding will be in the eating.

Without Energywatch to push and probe, I fear that standards of complaint procedure will rapidly deteriorate. Alistair Buchan intimated as much to me when I met him—that there would be a void which Ofgem can and should fill. The question is whether that would be enough. We must make sure that in the Bill Ofgem is compelled, not invited, to do so.

Another gap in the new arrangements involves the collating of evidence surrounding complaints. Energywatch has done a fine job of using its own experience and data to identify trends and solve problems. As we all acknowledge, it has made progress on disconnections, billing and so on, which would not have been identified as problems without that outside pressure. The new NCC will have the far greater power to identify problems across sectors, and I welcome that, but it will be hampered in its efforts if the data are not available to it in the first place. I spent months, as have colleagues in Lanarkshire and elsewhere, attempting to get assorted figures concerning the energy sector from companies, and indeed from Ofgem, and I can assure the House that it was no easy job. Our colleagues in Committee will therefore have to give a great deal of thought to that.

The NCC will be aided by provisions in the Bill on demanding such data. I welcome those provisions, which are absolutely essential. However, the information on a lot of relevant material is not recorded, and we must consider that as well. The Bill must include provision to demand that suppliers keep better records of customers' complaints, and Ofgem must ensure that they are reliable and completely transparent. That is why I have made the plea to it, and regarding it, about the kind of accountability that I thought we had all taken as agreed. Some issues affected by the Bill go beyond being resolved by competition or regulation, and we must explicitly set them out now; otherwise, they will fall by the wayside, to the extreme detriment of consumers.

All that said, the Bill represents tremendous progress. The debate in another place was extremely well informed, and I have every reason to believe that the same will apply as the Bill makes its way through this House and that we can improve on its excellent objectives. If we do that, the House will be responding to the needs, the rights and, in many cases, the cries of consumers. That is our responsibility today and the reason why I am extremely pleased to say that I shall be supporting the Bill.

5.17 pm

Susan Kramer (Richmond Park) (LD): Let me start by picking up what the Minister said at the beginning of his speech about the unfair commercial practices directive and how it will work with the Bill to create a stronger framework for consumers and consumer protection. He then did something that can be fatal, and provided a list of examples of items that he

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thought would be covered by the directive. One was missing, and I would like to put it on the record. The Irish Government have interpreted aspects of the directive as an opportunity to tackle the practice of companies charging extra to people who pay by some mechanism other than direct debit, even though those people are typically the most vulnerable—for example, those who do not have bank accounts that allow them to use direct debit, or who are trying to keep very close control of their finances. I hope that the Government will take the opportunity that the directive provides, along with the Bill, and working with the new national consumer council, to take on that issue and add it to the Minister's list.

Let me join the Minister and the hon. Member for Rutland and Melton (Alan Duncan) in congratulating the other place on its work on the Bill. I should like to mention Lord Razzall, Baroness Miller of Chilthorne Domer and Lord Lee of Trafford, who spoke for the Liberal Democrats. The Earl of Caithness, for the Conservatives, produced some interesting amendments, the most important of which, unfortunately, was not passed, but should be revisited by this House.

We all have a common goal: the better protection of consumers and better regulation of estate agencies. Much of the purpose of the Bill is to seek economies and efficiencies in delivering that protection and regulation. It is absolutely key, however, that protections are not diluted in the restructuring of the consumer watchdog agencies, and that protections for estate agencies are adequate to the task rather than directed by resource availability. Much of that work will be taken up in Committee, but let me use this opportunity to raise a few framework questions.

First, let me deal with consumer protection. We all understand that a new national consumer council will initially replace the current National Consumer Council, Postwatch and Energywatch, and that the Bill also provides for abolishing the Consumer Council for Water and the transfer of its functions.

I am not making a partisan comment when I say that, despite earlier ambitions to include rail, air, telecoms and even financial services, the body with which we are presented is much narrower than the original concept. It appears that the new body largely comprises elements associated with the Department of Trade and Industry, with water possibly joining later. The goal of one seamless structure to deal with all consumer protection remains way ahead of us. We will need to examine it in future.

Given that we do not have a single overarching body, it becomes relevant to ask questions about the individual pieces that have been identified as forming part of the new national consumer council. The Minister for Trade knows that the Consumer Council for Water was set up only in October 2005, and that its work during the last drought was driven by its ability to have a regional focus in England itself as well as throughout the UK. The new NCC structure does not necessarily accommodate that. As the hon. Member for Rutland and Melton outlined, a price review is due in 2009 and there will be consultation on the water franchise directive in December 2008.

The Minister for Trade suggested—and the hon. Member for Rutland and Melton appeared to agree with him—that a review to accelerate the inclusion of the water body might be a way round the various aspects of the timetable. If such agreement has been building between Labour and Conservative Front Benchers, I disagree with them. Surely the best resolution to the problem is delay, so as to include the Consumer Council for Water in 2011 rather than accelerating the process, given the important role that it has to play. It should engage in responding to the water franchise directive immediately, not after 2008.

Mr. McCartney: There is no collusion between Front Benchers on the matter. I gave the House a genuine insight into a meeting that I held to try to discuss the way forward. The hon. Lady's speech is a typical Liberal Democrat response. She starts by criticising us for not including all the regulators in the Bill, but less than 30 seconds later, she criticises us for including one.

Susan Kramer: I feel strongly that delay is the best mechanism for ensuring that water is protected for the consumer. The hon. Member for Rutland and Melton appeared to be enthusiastic about the Minister's proposal.

On timing, Postwatch comes immediately to mind. The Secretary of State for Trade and Industry will shortly provide the results of the consultation on the compulsory closure of 2,500 Post Office branches. I understand that in the other place, the Government gave assurances that the Bill provides for the new NCC to investigate any matters relating to the number and location of public post offices. However, the Bill uses the word "may" and avoids "shall". The notion of going through a minimum of 2,500 Post Office branch closures with a consumer body that only "may" consider the matter, and is not required to do so, is discouraging. I hope that in Committee the Government will reconsider the idea of using the word "shall" instead of "may".

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): I am sure that the hon. Lady has examined the Bill. My right hon. Friend the Minister for Trade points out to me that clause 16, entitled "Investigations relating to public post offices", states that "the Council may investigate". It therefore has a role.

Susan Kramer: I repeat that the use of the word "may" is the cause of our concern, and the Minister has just confirmed that I have read the clause correctly. It is extremely important that there be representation on this issue, and I ask the Government to look at the matter again.

Alan Duncan: Perhaps I am on the Minister's side on this question. When the clause says "may", it means "has the power to"; therefore the council can investigate. This is not a question of the council investigating if the Minister lets it; it will be empowered to do so.

Susan Kramer: I repeat that I am concerned. It would be extremely helpful if the Minister could give me an assurance that this will not simply be a question of the council having the power to investigate.

Mr. McCartney: The reason why clause 16 is in the Bill is to give absolute certainty, because in the past, these have been grace and favour arrangements involving the Post Office. The Bill sets out the provisions with absolutely clarity for the first time, and I give the hon. Lady that assurance. That is the whole purpose of clause 16.

Susan Kramer: I thank the Minister. We are now moving forward. In the House of Lords we were unable to obtain that assurance, so I am pleased to have heard that from him today.

The Minister will also be aware that there are resources contingent on providing that scope and level of review. A devolved structure has worked for Postwatch in carrying out such a review. We have no guarantee as to how the different regions of England will find a way of being adequately represented and heard, because post office branches are a local issue. Dealing with what happens in one community, compared with another, requires a great deal of local sensitivity. It would be helpful for our constituents up and down the country if they understood how the new body will deal with that set of issues.

The turmoil among staff should not be underestimated. When a major process of sweeping post office closures on this scale is under way, it is not always clear whether the minds of the staff will always be on the task in hand, of protecting consumers. They might instead be thinking about their future, about where their office may be, or about whether to stay with the organisation or look for another job. That is a serious set of concerns, and it is an argument for a delay in bringing Postwatch into the new body.

There is also the potential for loss of expertise. We have no assurance that the people who have built up the necessary expertise in this area will not decide, perhaps even for a simple reason such as the location of their new headquarters, to move on in their careers. This is not the time for that kind of change.

Mr. McCartney: There are issues of implementation, but that is all that they are. They are not issues of principle. Surely the Liberal Democrats are not saying that they want us to remove this measure from the Bill, as that would disbar the people who use postal services in their millions from having redress if mistakes are made. That is a ludicrous position to take. It is one thing to say that we need to ensure that the implementation of the provisions is effective and that there is proper consultation—which there is; these people are part of the fortnightly and monthly meetings on the implementation strategy, as of right—but it is quite another thing to say that we should not include the measures in the Bill, leaving the users of postal services with no redress until such time as another Bill is introduced. The Liberal Democrats are adopting a nonsensical position.

Susan Kramer: Again, I disagree with the Minister. Access to redress does not appear to be contingent on introducing all the watchdogs in phase 1. There are mechanisms to deal with this issue. I must stress that implementation matters, as the Government must surely have learned across a wide variety of public services. Yes, the policy needs to be correct, as do the strategy and the framework, but as far as the consumer is concerned, implementation is everything.

We are talking about 2,500 post office closures, but those are just the compulsory closures. We have not yet discussed the number of voluntary closures that might take place, particularly as Government business shifts away from the Post Office, making it less attractive for quite a number of postmistresses and postmasters to continue in their business. Presumably, they will be replaced by some kind of outreach service, and there will be sets of issues around all of that. The timing is particularly awful.

Peter Luff: I want to come to the hon. Lady's aid—partly, at least, as she seems to be being attacked from both sides of the House. If the Government were to declare now where the headquarters of the new organisation is to be—and if it were to be in London—that would give some certainty to the many Postwatch staff who are concerned about the disruption that might be caused to their personal lives, so that their expertise might be retained by the new organisation. That expertise could then be used to advise on the post office closure programme if the Government decided to proceed with rapid implementation.

Susan Kramer: I agree that the turmoil and uncertainty will make everything worse. I have been part of organisations that have undergone drastic change—I must confess that that was in the banking sector—and I know that it is unwise to underestimate the impact of such changes on both morale and performance.

Let me now raise the issue of Energywatch, which was discussed so articulately by the right hon. Member for Coatbridge, Chryston and—I hate this long constituency name! Perhaps Coatbridge will do.

Mr. Tom Clarke: My constituency is Coatbridge, Chryston and Bellshill. May I add that I should have referred earlier to Mr. Buchanan rather than to Mr. Buchan?

Susan Kramer: I thank the right hon. Gentleman. He spoke of the issues surrounding the abolition of Energywatch. In principle we can envisage its becoming part of the new body, but there are questions to be asked about timing and implementation. I agree with the right hon. Gentleman that there has been strong evidence of "sticky fingers" as energy suppliers have seen wholesale prices decline, and have delayed lowering their prices to the domestic consumer asymmetrically in terms of the point at which they raised them when wholesale prices rose.

There are questions to be asked about smart metering, and about the effectiveness of consumer switching at a time of volatile pricing. We need to discuss the key role that Energywatch has played in promoting energy efficiency and dealing with issues of sustainability at a time when we are all concerned about climate change. We need to be certain that those activities and strengths will not be lost. The Government must appreciate what a difficult period we are experiencing when introducing changes such as this.

Like the rest of my party, I strongly support the redress structures that the Bill foresees. I also support

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the ombudsman system, which builds on the previous energy ombudsman system. However, the scope of redress is left largely to the discretion of the Secretary of State. There is little in the Bill about the operation of the system, and we have a number of questions to ask about issues such as the principle of multiple competitive ombudsmen. We have all observed on examination boards the preference of providers to seek the friendliest arbiter. Multiple ombudsmen pose the risk of a race to the bottom, and a race to be the most sympathetic.

What concerns me most about the transferring of watchdog bodies to the new national consumer council is the potential loss—indeed, the recognised loss—of the advocacy provided by the current system. Postwatch has had difficulty in the past—although recently it has got its act together and become something of an effective advocate—but I do not think anyone would argue that Energywatch is anything other than an effective advocate. The new council will not pursue individual investigations except in relation to a narrowly defined group of the most vulnerable people. We would like a much clearer definition of "vulnerable"—a definition of those included in that group, and preferably an expansion of the definition.

The Minister said that he wished the new body to be the lion that would roar, not the mouse that would squeak. That, too, prompts a series of concerns. As the Minister implied, for most people Consumer Direct will act simply as a traffic light system. People will telephone it, and will be given a number on which to contact, for instance, the complaints office of their energy supplier. They will pursue the matter for three months, and if they do not get anywhere they can hope for a deadlock letter from the supplier. They will then have an opportunity to fill up many forms and consult the ombudsman. The industry is undoubtedly attracted to that structure, because it hopes that many consumers will abandon the process out of frustration.

Energywatch has been diligent in pursuing the issues of the individual consumer. If we look at its record, we will see that it recovered £6.7 million in compensation and bill reductions for domestic consumers in 2005 and 2006. The average award for a domestic consumer with a billing complaint—that accounts for two thirds of complaints—was £168. That is serious money. It had in-depth contact with over 220,000 consumers, and 62,000 complaints merited detailed investigation with the energy companies because they could not be easily resolved. It reduced disconnections of vulnerable customers from 26,000 four years ago to 3,000 today, which is remarkable.

I have personal experience of many of the difficulties of dealing with the utilities. As you will know, Madam Deputy Speaker, I am quite recently widowed. I have had to change the name on many of my utility accounts. I have also moved. When I mention those factors to the energy suppliers, and we meet them when they are out lobbying, they immediately turn very pale and the standard response is, "Oh, my God." Trying to deal with the customer service arm of many of those utilities is dire. If I had not been working on this speech over the weekend, I would have been trying to compare quite a number of bills; I think that I am being sent them for the wrong property. Over and over again, I have talked to one consumer after another—and this is a difficult and complex process.

I note, for example, that, in late 2005 British Gas migrated millions of its customers to a new account and billing system. There were significant problems, and Energywatch received over 6,000 complaints in just six months. To this day, customers are still having the same problems with British Gas, including not being able to get through to the call centre. British Gas has said that it will not reach "business as usual" until mid-2007. However, it was kind enough to provide a briefing on the Bill. It is delighted with the new structure because it

"believes that the existing measures that energy suppliers have in place to manage complaints are sufficient".

There is complacency among suppliers and pleasure in getting the new structure, because they believe that it will finally get that nuisance called Energywatch off their backs.

I understand the importance of having a code of conduct as part of becoming a member of a redress scheme, which would require energy suppliers and any other providers to have a proper complaints resolution scheme in place. All that will be important, and I hope that it can be strengthened in Committee, but I make the following point to the Minister: the new national consumer council should have the powers, and if necessary be assured that it could get the resources, to step back into the advocacy role if the new scheme does not provide the level of service and the resolution that customers have finally begun to achieve after many years of not being able to get their complaints appropriately dealt with. It seems that that is a relatively risky new step. We are taking a chance that the providers, the energy suppliers and others will step up to the level of service that they have been prodded into by groups such as Energywatch and Postwatch. There should be a plan B for dealing with the situation if that is not accomplished.

I am also concerned about businesses. I know that the Minister in the other place gave an assurance that the definition of customers includes businesses. Obviously, in the past the various watchdog bodies have had a specific specialised focus on small businesses. The Minister will be aware that the Federation of Small Businesses is concerned that that same focus may not be shared by the new NCC. Indeed, there is a lack of clarity about the focus of the new NCC, what its culture will be, how intensively it will chase down different issues, and how it will manage its priorities. There is little discussion about that, other than our being told "Trust me" that those who are in charge—Lord Whitty and others—are people of integrity and will do a good job. That is not an adequate answer.

Could we at least get some clarity on the funding of the NCC? Historically, the energy supply industry has provided the funding for the energy watchdog, and the Post Office for Postwatch. That money is now to be merged into the new NCC, and the Department of Trade and Industry has arranged for the funds to be provided to the NCC itself. However, it is unclear whether that will continue to be the arrangement over the long term, particularly if the NCC decides to focus

much of its energies outside the traditional sectors. We must have some clarity about that.

In terms of the publishing of reports, consumer confidence will be essential. Information must be made available to the public. That is the case not only because the taxpayer will largely have paid for the reports, but because the idea that an issue that affects consumers should be kept away from consumers, and that reports that might reveal areas of concern should not be fully disclosed, is completely unacceptable in this day and age. The public disclosure of all reports is essential.

I now turn to measures to do with estate agents, which account for a major proportion of the Bill. We welcome the proposals to require estate agents to join a redress scheme and to keep the necessary records, and many of the other innovations that the Bill would introduce. The proposals are not particularly radical, but they represent an improvement on the situation in the past. However, I wish to raise again the concern about the idea of multiple ombudsman schemes; there is a fear that the industry will tend to head for the body that will give it the easiest time, and there could be a race to the bottom.

Mr. Mark Prisk (Hertford and Stortford) (Con): Does the hon. Lady not agree that what matters is the standards that must be applied to such schemes, and that if there is a common set of standards, whether there are two or three redress or ombudsman schemes is, frankly, neither here nor there?

Susan Kramer: I hope that a multiple scheme system would operate like that, but I am concerned. Because the schemes will make their money from the number of customers they attract, when so much is a matter of interpretation and so many issues are subjective there will be a great temptation to weaken schemes, rather than to strengthen them.

The Minister has spoken about one of our most fundamental concerns—the fact that the Bill does not cover the lettings industry, which is worth £12 billion. Although he implied that that would be dealt with in a sort of phase 2, I ask that some work be done now so that at least the principle of including lettings is added to the Bill. Delay in such an area would be unfair to consumers. The hon. Member for Rutland and Melton made the point that people who rent are more likely than those who buy to be vulnerable and to have difficulties in taking on the system; that underscores the importance of getting action on lettings.

Shelter conducted an interesting case study that showed that some people were charged as much as £300 in fees for the simplest lettings processes, which is completely out of kilter with the amount of work involved. The Bill would give no opportunity for redress in such circumstances. I do not understand, either, why the definition of what is an estate agent or what is estate agency work cannot be adapted to include developers who sell their own properties, whether they sell them off-plan or after they have been built. That is a huge loophole.

As was mentioned often by those who spoke on behalf of my party in the other place, it is completely unacceptable to have a maximum penalty of only £1,000 for operating outside the scheme. We recognise that that has been increased from £500, but we will continue to seek an upward adjustment. The average estate agency commission on a single sale is more than £3,000; that should be the minimum fine for a first offence, rising to a far higher sum if there are future offences. We have suggested the sum of £10,000, which, interestingly, I also heard being suggested today.

The redress scheme does not include any capacity to monitor what is going on in the industry. That will continue to be the responsibility of consumers at large, Which? or the BBC. That raises in my mind questions about the Government's approach to having negative licensing, rather than positive as well as negative licensing. The fact that almost anyone can set up as an estate agent without a single qualification for the job is to me, and I believe, to most consumers—both purchasers and sellers—completely unacceptable.

Consumer dissatisfaction with estate agents is high. The Office of Fair Trading report, having first said that nine out of 10 people buying or selling a home used an estate agent, goes on to say that around a quarter of them were dissatisfied—a high level of dissatisfaction. However, few of those people made a formal complaint to the OFT. That is a difficult and challenging process and people do not have the time to do it. They want to get the business over and done with. The industry does not have many fans. It has done its own research and found that only one person in 10 thought that one could usually trust an estate agent.

In 2005 the voluntary ombudsman scheme, to which only two thirds of agents belong, received a whopping 6,000 complaints. Anyone who saw BBC1's "Whistleblower" programme in March 2006 will have heard about a whole culture of dirty tricks. For most people a house purchase is the largest investment they will ever make. For many it is their retirement nest egg, and a purchase that they will make very few times in their lives. Many people make a purchase in a new part of the country, in an area that they do not know and where they have few points of reference. In such circumstances no one would dream of using an unqualified solicitor and expecting them to provide the necessary paperwork for a house purchase. However, we do expect people to employ a possibly unqualified estate agent, and that seems unacceptable to me.

A redress scheme is all well and good, but surely it would be better to prevent the problem with proper training and qualifications for estate agents. Indeed, the National Association of Estate Agents and Which?—two different sides of the coin—both support that approach. We would not need to invent the qualifications as there is an NVQ level 3, introduced three years ago, which would be an adequate qualification. I mentioned the Earl of Caithness at the beginning of my speech, but his small attempt to amend section 22 of the Estate Agents Act 1979, which sets out standards of competence for estate agents, was defeated.

I lived for many years in the US, where every estate agent has to be licensed. It is not a barrier to competition, but having bought and sold houses in both countries, I can say that the level of service available in the US, where I had a qualified and licensed agent, was a world away from the quality of service in the UK. I hear similar reports from almost

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everybody to whom I talk. Therefore, I ask the Government to reconsider that issue.

I hope that, as they have suggested, the Government have an open mind on many of the potential improvements that could be made to the Bill. We all want quality protection for consumers. None of us wants to waste money, but bad practice is costly to the consumer, the economy and the taxpayer. Let us not make a false economy. I hope that in the next phases of the Bill's passage we can add many provisions that will strengthen consumer protection and make it more effective.

5.48 pm

Dr. Desmond Turner (Brighton, Kemptown) (Lab): I shall be brief. I welcome the Bill. It will greatly strengthen consumer protection and make it more transparent and accessible to the public, which is devoutly to be welcomed. However, an opportunity is being missed. This Bill is a useful legislative vehicle of a kind, as the hon. Member for Rutland and Melton (Alan Duncan) pointed out, that does not come along very often—perhaps every 25 or 30 years. It would be wise to make the most of it.

I am in a curious position today. I little thought when I entered Parliament that I would end up speaking with the backing of estate agents—not an element of society with whom I normally associate—but the National Association of Estate Agents will, I think, endorse my brief remarks on the regulation, or licensing, of estate agents, in particular of letting agents.

The buy-to-let and private rental sectors have mushroomed in recent years and are particularly prevalent in my constituency. For that reason, I am glad that the Government's new national tenancy deposit scheme is starting up, as it will be important. It will, for instance, save thousands of my constituents from being—literally—robbed of their deposits by unscrupulous letting agents. Money is being withheld for no genuine reason. Of course, as the hon. Member for Richmond Park (Susan Kramer) pointed out, that is not the only way in which unscrupulous letting agents fleece vulnerable tenants. By definition, people in the private rented sector are more vulnerable; they cannot obtain mortgages and do not have the income to get on to the property ladder, so they are at the mercy of letting agents who have all sorts of ways of charging wholly unreasonable fees. In fact some of the activities I have come across can only be described as scandalous.

I know that my right hon. Friend the Minister for Trade has for the moment set his face against positive licensing, but will he reconsider that position during the passage of the Bill through the House? It seems to me that although the redress schemes are welcome and necessary and should be used, far fewer people would have to resort to them if estate agents were licensed. There would then be a reasonable expectation of minimum standards of professional competence and integrity, and a code of conduct would inhibit cowboy elements. There would thus be fewer transgressions that caused members of the public to have recourse to the redress scheme.

James Duddridge: Given that in most surveys estate agents and MPs are lumped together at the bottom of the league table as the most disreputable people, and that from the evidence in the national newspapers further regulation and codes of conduct have not seemed to do any good in politics, why does he think they will do any good in estate agency?

Dr. Turner: I have to take exception to the hon. Gentleman's latter point. I accept his point about the popularity of politicians and estate agents, although I think we just about shade estate agents—at least I hope so; I should be bitterly disappointed to think that we were classed at exactly the same level. I disagree with the hon. Gentleman that sensible regulation cannot work. Good, reasonably light-touch regulation—it does not need to have knobs on—could be overseen by a body such as the NAEA itself. An annual licence fee will not make a big hole in the enormous turnover of estate agents, given that the sale of just one property can produce a fee of £3,000. If licensing promotes justice for tenants and property buyers it is well worth doing.

My right hon. Friend the Minister said that he was unwilling to move to regulate letting agents because of the lack of an adequate evidence base. Will he consider incorporating in the Bill enabling clauses to provide that in one year, or a maximum of two years, there should be such an evidence base? The Government would then be able to act rapidly and implement a scheme of regulation without having to wait another 20 years for a slot in the Queen's Speech. That is the main wish—not gripe—I want to put to my right hon. Friend. I ask him to consider it seriously, as it could make an enormous improvement and make a good, well-intentioned Bill even better.

5.55 pm

Peter Luff (Mid-Worcestershire) (Con): It is not my intention to spend much time discussing the parts of the Bill that deal with estate agents. However, the exchange between my hon. Friend the Member for Rochford and Southend, East (James Duddridge) and the hon. Member for Brighton, Kemptown (Dr. Turner) prompts me to bring forward some remarks I had intended to make later in my speech.

I am indebted to the Committee on Standards in Public Life, which has enabled me to draw some definitive conclusions about the relative popularity of estate agents and Members of Parliament. I have good news for the hon. Gentleman: we do indeed shade estate agents. The survey states:

> "These cards show different types of people. Please put them on this board to show which you would generally trust to tell the truth and which you wouldn't."

The answers showed that family doctors scored 93 per cent.; "your local MP" scored 48 per cent.; MPs in general scored 29 per cent.; estate agents scored 24 per cent. and journalists on newspapers such as *The Sun*, *The Mirror* or the *Daily Star* scored 9 per cent. But where are Ministers? Their score is 23 per cent.—1 per cent. lower than the estate agents they aspire to regulate in the Bill. Perhaps we should have a Bill to deal with Ministers—not in this Government, but Governments in general—rather than the Bill we are considering. There is a certain irony in the ranking.

Mr. McCartney *rose—*

Peter Luff: I give way with pleasure to the Minister, whom I hugely like and respect.

Mr. McCartney: In that case I take it that the hon. Gentleman's last remark was an apology.

Peter Luff: Yes, that is right. An apology on behalf of us all for the political class who seem to have lost the trust of the general public.

My hon. Friend the Member for Rutland and Melton (Alan Duncan) and other Members dealt comprehensively with estate agent issues, so I want to talk about other aspects of the Bill. It is my intention to be non-partisan, as my hon. Friend was. However, the more I listen to the debate the more anxious I become about aspects of the Bill. I think we have now clarified that the DTI website is out of date and illiterate. It noted that the Bill

"completed it's passage through the House of Lords".

That apostrophe is a grievous error. It stated that the Bill would be given its Second Reading in the House of Commons and then referred—in large letters—to "Consumer Voice". However, it is quite clear that the name "Consumer Voice" has been dropped by Ministers and the body will now be called the national consumer council. I admit that is not a big point, but it is important. I would have liked a new name for the new body, if it is to have a new role. A bit of rebranding would help to give people the idea that the new body had a slightly different and more ambitious purpose. I regret the fact that we are sticking with the old name.

Perhaps I should declare an interest on behalf of all of us. I think the Bill's philosophy is right; it has the right objective, but as so often in politics it is a question of how we reach it. I have a big reservation about the abolition, in effect, of the consumer complaint function of Energywatch in particular, but also of Postwatch. We could experience a big increase in our constituency casework for a considerable period of time, because all the problems currently referred to Energywatch and Postwatch will comes to MPs instead. The House should be warned: this is a Bill to increase the postbags of Members of Parliament. Of course, that is not to say that the objective of the proposals is not honourable—it probably is.

I think that the Minister and most Members would agree that the ultimate safeguard for the consumer is a competitive market. In a truly competitive market, the consumer can say, "I don't like the service you have offered me, so I will go to someone else instead." That is the real protection: the discipline on the provider of a service or goods that if he does not perform he loses the consumer's business. In that context, Ofcom's decision to abandon price regulation in the telecommunications sector is interesting. Competition in the sector is now so intense that price regulation effectively becomes otiose. If we try to shift our mobile phone operators these days, the deals that we can negotiate with our current operator or prospective new ones are legion. That is clearly right.

As I understand it, the new structure that the Bill is designed to bring to consumer redress issues is based on the empowerment of the consumer. The consumer should do more of his or her complaining, assisted by the Consumer Direct service. The proposed national consumer council will look more at the general overarching themes of consumer protection and consumer advocacy and will have a greater advocacy role. Where things cannot be reconciled by a direct complaint with the provider through whatever alternative resolution process is available, there is an ombudsman to deal with those hardest cases. I have no problem with that in principle, but the question is whether the various markets dealt with in the Bill are ready for this new philosophical approach.

I know that sceptical comments have been made about the Bill's purpose. Is it a cost-saving measure? Well, it should save some costs, but I will give the Government the benefit of the doubt, as I do not think that that is the leading motive. I am concerned, however, about change for change's sake, and I shall return to that a little later. Change can often be very confusing for the people served by the organisations whose functions are being changed. The basic idea of removing the state-funded intermediary and putting more power into consumers' hands—with advice from state-funded bodies such as Consumer Direct—is a sound one.

Let us reflect on some of the particular issues. I was interested to read the National Consumer Council's briefing, which endorses that basic approach. It states:

"The present combination of complaints handling and policy advocacy has necessitated that resources are channelled into resolving complaints which has left advocacy under funded and less effective than it might be".

I think it has a point there and that the new structure in the Bill stands a real chance of improving matters. I will return to some of the NCC's specific concerns about energy regulation a little later.

I share the concerns of the hon. Member for Richmond Park (Susan Kramer), who was worried about the completeness of the package offered in the Bill. It aspires to establish a more all-embracing consumer body, yet the two specific functions being rolled into it are—as she rightly said, and perhaps coincidentally, perhaps not—the Department of Trade and Industry functions of postal services and energy, rather than the issues of huge concern to consumers, such as the rail sector, financial services, telecommunications and water, even though the latter is included in the Bill.

Let us examine clause 24, particularly subsections (1) and (9), which deal with the provision of information to the council. Subsection (1) states:

"The Council may, by notice, require a person within subsection (3) to supply it with such information as is specified or described in the notice within such reasonable period as is so specified."

Subsection (9) states that a "designated regulator" means

"the Gas and Electricity Markets Authority... the Postal Services Commission... the Water Services Regulation Authority... or other person prescribed by the Secretary of State by order".

I would have thought that some of the biggest issues brought to the proposed national consumer council are likely to be about rail fares, which are a matter of great controversy. I would like the Bill to give the National Consumer Council the confidence that it can expect the information to which it has a right to come from

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whatever body is responsible in the new railway environment—the Department for Transport, the train-operating companies or whatever. It would be good to see such a provision fleshed out in Committee to ensure that issues of concern to consumers are fully addressed by the new national consumer council.

I happen to think that there is a case for change in the system of regulation as well as consumer protection. It is an interesting question—though I am not advocating it at present—to ask whether the postal regulator, Postcomm, should merge with the communications regulator, Ofcom. When a company is looking into what medium it wants to use to promote its services, it considers a range of options, including direct mail marketing, internet and television advertising, printed media advertising and across the whole spectrum.

More than 90 per cent. of our post in the UK is now business post; only about 7 per cent. is stamped, with letters passing to and from individuals. There is a case for change, but we have to be very careful when we change something, because people get used to systems. They think they know how it works and suddenly the system is abandoned. As far as I can recall, Postcomm was set up only in the Postal Services Act 2000, so it is quite a new organisation. It had a bit of a bumpy start and many would say that it did not do a very good job to begin with, but it has now become very effective. Yet precisely at the moment it becomes effective, it is all change again. I shall deal in more detail later with the impact of the round of post office closures.

I worry about change. I have been in the House for 15 years, during which time I have seen the health service change, change, change and change again in a great circle. It has come back roughly to where it began when I joined the House 15 years ago, with the same system of structures back in place. It is all very well for the experts who are part of the health sector, as they are able to understand the details, but for the poor individual constituent—never mind the Member of Parliament trying to keep up with it all—it poses a real challenge. I am nervous about changing the structure of regulation, as it might actually disempower rather than empower consumers, as they may have a lesser understanding—at least in the interim—of the systems put in place allegedly to protect them.

We have an enormous array of watchdogs and ombudsmen, and the Bill does only a very limited amount of tidying up. We have the parliamentary ombudsman, various sector-specific ombudsmen, the Office of Fair Trading, the Financial Services Authority, Consumer Direct, the trading standards departments of our county councils and unitary authorities—the list goes on and on. The Bill will provide some greater coherence to the system, but not a great deal more. I am worried that in many ways we are not doing enough to rationalise the system. Much will depend on the effectiveness of Consumer Direct.

I would like to deal with two specific issues in greater detail—energy and postal services. The Select Committee on Trade and Industry produced its third report of this Session on 6 March and it included some words of warning on Postwatch in the light of the Bill. It said:

> "We understand that the likely timescale for the integration of Postwatch within this new single organisation is around mid-2008. Given the organisation's role in the consultation process it would be unfortunate if this major reorganisation were to occur in the middle of the restructuring programme"—

the restructuring of post offices. It offers a recommendation for the Secretary of State, stating:

> "We welcome the fact that the Secretary of State is 'reflecting upon' the likely timetable for the moving of Postwatch's functions into the proposed single consumer body, and urge him to reflect quickly in order to prevent unnecessary uncertainty within Postwatch"—

a point also made by the hon. Member for Richmond Park and by my hon. Friend the Member for Rutland and Melton.

I am very apprehensive indeed about the timing. The National Consumer Council's answer is to make more rapid progress with the merger of the bodies to create the certainty. That may be another way forward, but I am clear that the uncertainty that is inevitably being suffered by experienced individuals in Postwatch is not good when we face a very important round of post office closures with very significant consequences for deprived communities—urban and rural alike—over the next 18 or so months. I would like to hear more in the Minister's reply about the Government's view of the impact on Postwatch of the changes in the Bill.

I repeat what I said in an earlier intervention—that I do not think Postwatch handled the urban reinvention programme terribly well and that I do not think that Post Office Counters handled the programme terribly well either. The lessons have been learned and we now have an organisation that can genuinely help achieve the right balance in the closures, yet it is suddenly thrown into the maximum possible degree of uncertainty at precisely the time when its expertise is most needed. I am considerably concerned about that.

There is also the question of reliance on an ombudsman service for aggrieved consumers and I intervened on the Minister for Trade in his opening remarks to make a point about it. We already have an energy ombudsman in place, up and running alongside the telecommunications ombudsman, run by the same company. I spoke to a charming gentleman in the corporate affairs department today. I apologise publicly for mistaking his accent as a Yorkshire one when it was a Lancashire one—a pretty serious crime—but I was impressed by what he told me about the working of the telecommunications and energy services regulator. As far as I am aware, there is still no postal services regulator in place, so it seems worrying that we are talking about abolishing the Postwatch function and putting more responsibility back on the mail companies to provide redress for consumers. There is no ultimate redress, so a move on the timing of the establishment of a postal services ombudsman would be welcome.

Clause 12, which deals with the complaints of vulnerable consumers, relates to both the postal services and energy services aspects of the Bill. It is an important issue. The new national consumers council is empowered to act in the interests of vulnerable customers and defines what they are. The clause gives the new council the ultimate jurisdiction over what constitutes vulnerability. As far as I can recall, it is a test of the reasonableness of expecting the individual

to take forward the complaint him or herself. On the face of it, that seems a reasonable provision, but who will decide whether the NCC has made the right judgment? If it is not particularly long on resources, as I expect it will not be—like the Minister and the Chancellor of the Exchequer, I am in favour of the efficient operation of public services—I fear that there will be real pressure to giving the benefit of the doubt always to not taking forward the complaint. We will need to know how we can challenge the NCC's decision not to take forward a complaint on behalf of a vulnerable consumer.

I briefly mentioned the question of location in an earlier intervention, so I will not labour that point. However, I repeat my view that if the people working for the various bodies affected by the Bill can have an early indication of where the new headquarters will be, they will be able to make a much more informed judgment about the impact on their personal lives and we will be much more likely to maximise our access to their services.

The Government have strongly emphasised the need to create a

"stronger, cross-sectoral consumer advocacy body to address consumer issues that frequently arise across sectors of the economy."

However, they also talk about the need to make sure that they have access to expertise. It will be good to hear exactly how that expertise will be protected within the new reformed system and, if it is going to be protected so robustly, what was the point of destroying the old bodies that offered that expertise in the first place? I am not saying that it is wrong to do so; I am just saying that the idea needs to be tested a little more thoroughly than it has been so far.

I repeat the point I made earlier about Postwatch having improved significantly. The review carried out in March 2006 by PricewaterhouseCoopers said that the body had been effective in being assertive in challenging the Royal Mail Group, as a monopolistic supplier, which it is. The Royal Mail has some interesting ideas on the stocks at present—for example, zonal pricing for business users of mail—that raise fundamental questions about the universal service obligation and so on. Competition is now beginning to develop in the postal services sector, with the Government playing their part in taking business away from the Royal Mail Group. For example, the Department for Work and Pensions has taken its business and put it with a competitor to the Royal Mail Group. There are now big issues in the postal market, and I am not saying that that is wrong. Competition is a good thing. However, it seems a little worrying to be doing away with Postwatch and risking losing its expertise at precisely this moment.

I think that Members will have received a brief from WWAV Rapp Collins, which claims—I have no reason to dispute its claim—that it is

"Europe's largest direct marketing services provider and creates marketing campaigns using all media including direct mail".

It boasts that its clients include

"the NSPCC, WWF, Cancer Research UK, Guide Dogs for the Blind, Unicef, Plan UK and the Blue Cross."

WWAV Rapp Collins has big concerns about the proposal for zonal pricing. It says:

"Fundamentally, there has never been a greater need for an organisation with the expertise and authority of PostWatch. It will be to the severe detriment of all users of mail if it disappears into a watered down umbrella organisation."

This is a difficult and challenging time to be abolishing Postwatch.

Sir Robert Smith: The hon. Gentleman makes an important point about the impact of zonal pricing. Although he is right that most of the Royal Mail's customers will now be businesses, the recipients of those businesses' services are the individual constituents who live in our communities. They need to be able to receive that mail as well.

Peter Luff: The hon. Gentleman's intervention speaks for itself. I obviously agree with him. I think that 93 per cent. of all postal services are now provided for businesses and only 7 per cent. for others. He is right. The post ends up going through the post boxes of ordinary people who want a decent service and it is important that that service is protected properly and effectively. I am sure that the Minister will try to reassure me on that when he replies.

On Energywatch, the NCC rightly says:

"Energy is a lifeline service for consumers; if a problem cannot be quickly rectified the consequences can be very serious.

An essential part of the policy objective behind the Bill is to give companies more responsibility for handling complaints."

It then makes an important and interesting point when it adds:

"Unless the regulators see complaint handling as central to their role, this overall strategy will fail. Part of the failure of regulation in these sectors is that regulators have not viewed complaints-handling as a priority. If this is to be remedied, regulators should have an obligation to exercise this role."

The NCC worryingly concludes:

"There is a risk that Consumer Direct, the new NCC and the ombudsman scheme will be overrun with higher-than-expected complaint volumes if this issue is not addressed."

I said earlier that I support the Bill's objective. It is sound intellectually, but there is the awkward problem of the interregnum and the changeover period—getting from a very desirable A to the even more desirable B of effectively dealing with complaints. I place the remarks in the context of a concern I have. I said earlier that the most effective protection that the consumer can have is competition and the ability to choose which company or organisation supplies them with services. I actually think that the energy market is becoming less competitive, and that concerns me. We are seeing increasing vertical integration in the hands of a small number of foreign owners in the energy sector. The good work being done by the European Commission to open the European energy market—I welcome it unreservedly, even though it is a little belated—may mean that it starts to cast a rather sceptical eye over the British energy market. It is much more integrated than it used to be, with adverse consequences for competition.

There is an independent energy supplier in my constituency and it has provided me with chapter-and-verse explanations of how it finds it difficult to get into the market. It has real concerns about the way in which Ofgem regulates the market. It points out that the failure of the big energy companies to bring in smart

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metering is a failure of competition in the marketplace. The consumer would be empowered if he or she had smart meters in their home to see exactly what is happening to their energy consumption. If the market were truly competitive, the energy supply companies would be falling over themselves to provide us with that information and so offer us a better service, but they are not doing that. They are actually looking to the Government for handouts to introduce the scheme. It should not be like that. An empowered consumer should have a smart meter. The absence of smart metering is an indication of the declining competitiveness of the energy market.

The NCC will face important challenges in dealing with regulation and dealing with complaints from consumers. As we migrate from the current system, in which Energywatch has a big role, to a different system in which the companies will expect to have a bigger role and the ombudsman takes on the difficult cases, there is a risk that consumers' real concerns could become stranded. The Bill deals with issues relating to disconnection, and rightly so, but many customers face problems with large bills—a point helpfully made by the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke). I am not convinced that the proposed system will mean in the short term that their problems can be addressed.

The three-month delay is the crucial point. It takes a lot of bloody-mindedness to pursue an energy company for three months before one goes to the ombudsman. I have had a run-in with BT over the past few days, and it has driven me to distraction. It takes a lot of bloody-mindedness, and sometimes vulnerable people who need help will not necessarily have the skills and the determination to pursue an issue for three months and then take it to the ombudsman. I am genuinely concerned about that point.

One specific concern I have about the new national consumer council is that I understand that it will not have access to information on the nature of the complaints and issues raised with Consumer Direct. That may well curtail its ability to hold organisations, such as energy suppliers and other big organisations, fully to account on their consumer practices.

I raised the question of "Quis custodiet ipsos custodies?" Who is guarding the guards? What happens if we are unhappy with the NCC? However, there is one organisation that has not featured much in the debate—the Office of Fair Trading, which is an important part of the consumer protection framework. I am experiencing declining confidence in some of the bodies that are out there to help me represent the interests of my constituents. I think, for example, of the parliamentary ombudsman. I do not know what has happened there, but I sense that the organisation is perhaps overrun with complaints because of the maladministration of things such as tax credits. Heavens knows, there are enough such complaints. Perhaps there might be a loss of will to take on the complaints of constituents following the debacle over pensions when the Government eventually dismissed—although the decision has since been overturned by the courts—the ombudsman's findings.

There are also concerns about the way in which the Office of Fair Trading works. I noticed a recent report headlined "Over-active OFT is going OTT in its hunt for scalps", and I note that the banking sector has expressed its concern about its regulation. *The Sunday Telegraph* reports:

> "Bank lending is regulated by the Financial Services Authority (FSA), the Office of Fair Trading (OFT) the Banking Ombudsman, the Banking Codes Standards Board and also the courts via individual credit agreements. The BBA"—

the British Bankers Association—

> "believes the overlaps leave banks unsure which rules to follow."

Last year, the OFT announced that it would drop between five and 10 of its current investigations under new criteria designed to reduce its work load. That followed criticism from the National Audit Office about the slow speed of investigations, the way cases are selected and a perceived lack of transparency. Against the backdrop, too, of the consumer concerns that are addressed in the Bill, I thought that the House and the Minister might like to know that the Trade and Industry Committee has decided to launch an inquiry into the OFT to see how effectively it is doing its job. It is a chance for the critics to put up or shut up and for the OFT to prove its case.

James Duddridge: I am sure that that inquiry will be gratefully received. Can my hon. Friend give me an indication of the time scale for evidence being given to that inquiry?

Peter Luff: We have not issued the press release yet, but it will go out very shortly and my announcement in the House may put some pressure on the Committee to make sure that it does. My guess is that we will look for evidence some time towards the end of April, with hearings probably in early May. We regard this area as an important part of consumer protection that has not received enough scrutiny recently. I hope that the House will welcome our decision to conduct the inquiry.

I have spoken for quite long enough. This is an important Bill and I welcome the spirit of what it tries to do. My caveats and cautions are genuinely intended in the spirit of helpfulness. The House should embrace quite warmly the philosophy underlying the Bill, but there are important questions relating to the transition to the new environment and I hope that the Minister will be able to address those when he replies to the debate later.

6.21 pm

Laura Moffatt (Crawley) (Lab): Thank you, Mr. Deputy Speaker, for calling me to speak in this important debate. I hope to make a short contribution to what is widely seen as an excellent Bill that addresses many of the issues that face consumers. After several decades, this is our opportunity to do that. I know that the general public very much welcome what is happening.

I shall concentrate on part 3, which amends the Estate Agents Act 1979. Members have said many times that buying a house is probably the most mystifying and expensive thing that most people will do. It is probably up on the Richter scale with getting divorced as the most stressful experience in most people's lives. *[Interruption.]* I suspect that it probably

leads to many divorces. In taking a particular interest in this part of the Bill, I have involved local estate agents from my constituency. Rather than just using estate agents as whipping boys, I felt that it was right and proper to use the expertise of established estate agents in my constituency who have worked in the field for many years. I hasten to add that I have not received many complaints about estate agents, but I have heard from other Members about people who have been used and abused by estate agents. Particularly in areas where prices are high and housing is sought after, it is incredibly important that estate agents do the job that they should do.

That is why I invited a whole series of estate agents to come to the House of Commons. I thank them publicly for their work and for the time that they spent examining the Bill and looking at ways in which to make sure that it does the job that we expect it to do. I suspect that we were comfortable in each other's company because we all wallow around at the bottom of people's expectations of how people like us respond to the public. What I found most interesting about the estate agents was that they probably wanted the Bill to go further, because they are good estate agents and they want to drive out the rogue estate agents who give them a bad reputation.

At times—I had to take on board what the estate agents were saying—the public can behave quite badly as well. In fact, one estate agent said, "Wouldn't it be a good idea if we all had criminal records checks?" He went to a house to measure up and do a valuation and when school-end time came, the mother said, "Do you mind just looking after those two while I skip to the school to collect my children?" She left the estate agent in the house with two small children. He was fairly shocked by that behaviour. At times, the public need help when it comes to how to behave towards people they invite into their homes.

I am deeply grateful to the Minister for Trade, who is steering the Bill through Parliament, for his help, advice and letters. He has responded to the queries that we had throughout our consultation process and clarified that all aspects of the work that estate agents do will be part of the Bill. That has been widely accepted and it makes people feel that this is a really good scheme.

Having an accredited scheme is vital. The quality of the scheme is the most important issue. Members have said that we should perhaps increase the fines for estate agents, but compulsory professional indemnity insurance is a far more important issue. The heart of the Bill is redress. If somebody has been dealt a serious blow by a disreputable estate agent, they should get redress for that. It should not just be a fine, with money going into a black hole. People need to have a real sense that they are going to get some help if they have received bad treatment from an estate agent.

The recording of transactions is vital. Anybody who has worked in the public sector, as I have in nursing, knows that recording a process is crucial when it comes to examining that process later to ensure that all has been done properly. I hope that estate agents will respond properly to that aspect of the Bill.

Quality is essential. To jump to the defence of the DTI website, I thought that the published letters from the estate agent ombudsman and the response letters from the DTI were incredibly helpful in understanding that getting the schemes right is the first and foremost way in which we can get the Bill into the shape that will mean that it will do the job that we expect it to do. I was impressed to see that those who are interested in getting into a redress scheme are responding to all the issues raised by the DTI. It gives us some confidence to know that that work is going on, and going on in public.

I want to clarify a couple of points. I know that the schemes are being examined, but could the Under-Secretary tell me how close we are to making sure that there are some decent schemes available and when he hopes to make an announcement about them?

Mr. Prisk: The hon. Lady said that the estate agents whom she had consulted were keen to widen the scope of the Bill's amendments to the 1979 Act. Will she clarify whether she believes—as I think that the hon. Member for Brighton, Kemptown (Dr. Turner) felt—that that should include lettings?

Laura Moffatt: I thank the hon. Gentleman for that intervention. We did not discuss lettings. I was referring to the fact that the estate agents were worried that they were being invited into people's homes without having a criminal records check to protect them in those circumstances. The discussion was not related to lettings. I thank him for allowing me to clarify that.

To conclude, the quality of the redress schemes is going to be the most important aspect of this part of the Bill. I know that there is a lot of work going on and I thank the estate agents in my constituency who were good enough to help me to understand the Bill and to ensure that we get the very best outcome. Good estate agents are sick and tired of the reputation that poor and rogue estate agents give to their profession. The good ones are responsible. They want to do a decent job and to make sure that people have a good experience when buying or selling a house. I know that the Bill will contribute to that enormously.

6.29 pm

James Duddridge (Rochford and Southend, East) (Con): We have heard passionate speeches from hon. Members on both sides of the House about the consumer, consumer rights and a consumer voice, even if that terminology is being dropped. Although Ministers and Members in general are quite low in the league table of public opinion, with estate agents slightly above them, the debate will go some small way towards encouraging us up the league table—hopefully faster than estate agents.

In the private sector, I once had the privilege of working with a civil service permanent secretary, who said, "If you've got a problem, don't try to reorganise it—sort it out." While I am broadly supportive of the Bill, I am worried that the Government are trying to reorganise. I am especially worried about Postwatch and postal services. Postal services are a big issue in my constituency. My hon. Friend the Member for Mid-Worcestershire (Peter Luff) talked about a possible growth in Members' postbags, but my postbag is quite large already, perhaps in no small part because of the survey of sub-post offices that I carried out. The survey showed that 86 per cent. were worried about the removal of the Post Office card account, while more

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than 71 per cent. said that they would lose staff. Several hon. Members mentioned that 2,500 post offices are likely to close, and the hon. Member for Richmond Park (Susan Kramer) said that it is likely that there will be an additional series of voluntary closures. There will thus be a massive change in the postal arena at a time of massive regulatory change.

The Minister for Trade said that working across sectors would be beneficial, but I am deeply concerned that we will see the loss of a single voice for, and a single expert on, energy, water and postal services. There has been talk of removing the chief inspector of prisons, which was blocked only because of a debate in the other place. I am worried that we are removing strong and passionate voices for the sectors that I cited.

Not all voices need to come from the Government. People do not go to watchdogs such as Postwatch; they are much more likely to go to the television programme "Watchdog", or Which? I have noticed that correspondence that I receive on which Which? or "Watchdog" have been copied in is more likely to receive a fast response than a letter copied to one of the official Government regulators, so such bodies carry more weight in many ways.

Let me turn to estate agents. We have debated whether the Bill should be extended to letting agents. From reading the popular papers, I am conscious that there is, especially at the upper end of the marketplace, an increasing grey market involving properties that never get to estate agents and private dealers I hope that the Minister will go into more detail in Committee about whether the Bill would cover that market. We also need to consider estate agency or. the internet, especially when the transaction is not necessarily financial. Organisations such as gumtree.com offer free publicity to properties for sale. Would such organisations by captured by the Bill?

I commend the Government for extending legislation on door-to-door selling and cooling-off periods to circumstances in which appointments have been made. Elderly members of my family have been duped into buying a vacuum cleaner for more than £1,000, although it probably would have cost £40. The sale took place by appointment in response to a newspaper advertisement. People who are vulnerable, lonely and on their own are being taken advantage of.

I was horrified when the hon. Member for Brighton, Kemptown (Dr. Turner), who is no longer in the Chamber, said something along the lines of, "This is a useful vehicle for legislation that we need to take advantage of." I would prefer the remit of the legislation to be set out clearly in the Bill. I will want to probe Ministers in Committee to get more clarity. If there is an expansion of the remit beyond water, be that to financial services or another sector, we will need to understand how organisations will be able to interact with this place to ensure that we have a strong voice, rather than extra regulation that is a burden on those who are already doing a good job.

My hon. Friend the Member for Rutland and Melton (Alan Duncan) talked about the publication of reports. I am flabbergasted that reports might not be published. Why on earth would the Government not consider publishing all reports on the website? Such reports will be paid for by the general public. It will be for the general public to decide whether they are of any relevance, not an organisation or, heaven forbid, Ministers. In Committee, or when the Under-Secretary replies, I hope that we will hear a commitment that all reports will be published on the website.

6.35 pm

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I am pleased to follow the hon. Member for Rochford and Southend, East (James Duddridge). Perhaps the reason why the Government do not want all reports to be published is because they might find that a number of them would not be too helpful to their attempts to tackle some issues. They might thus not want the wide dissemination of advice that they receive.

Given that energy has featured extensively in the debate, I should declare my interest in the oil and gas industry, which is in the Register of Members' Interests. My interest relates mainly to the upstream and supply side of the industry, but that obviously has an effect on the energy consumer in the end.

I have two concerns that have arisen from our debate. Hon. Members on both sides of the House have expressed the view that the general principle of bringing together seamlessly the consumer voice and the consumer council and getting consumer advice out across sectors is attractive. When there is all-party agreement on the direction in which the Government are going, it must be frustrating for them to find that there is much concern and criticism about the details of the Bill. However, when there is agreement on a general direction, the purpose of a debate must be to flush out remaining concerns so that we can build on the position. I hope that the Government are still willing to build, given that they adopted a sensible approach in the House of Lords by taking on board issues that were raised.

I want to reinforce the concern that has been expressed about Postwatch. The Government have said that Postwatch has a role to play in the programme of post office closures that they are bringing about. I suppose that there is a chance that, when the Government respond to the consultation, they might decide to go for fewer closures, but, at the moment, they are minded to make 2,500 funded closures. However, as my hon. Friend the Member for Richmond Park (Susan Kramer) said, that is only the number of funded closures, rather than a limit on the number of closures. If the Post Office believes that it can deliver a service along the guidelines suggested by the Government with even fewer post offices, there will be no limit on the number of unfunded closures. The role of Postwatch is thus vital.

As the hon. Member for Mid-Worcestershire (Peter Luff) said, the way in which the expertise of Postwatch will be kept will be determined by how the Government handle the merger of the bodies. Alternatively, the merger of Postwatch could be delayed until after this round of closures so that the body could, with its expertise and skills, have an input into the process. People have been worried about Postwatch's role, but the body has built up expertise. People's worries about taking individual constituency casework to Postwatch

might be due to the fact that there is little ability to get redress from Royal Mail on concerns about mail delivery. That is one of the areas in which the regulator will need to ensure that redress schemes are effective and can actually deliver something. Royal Mail is moving in the direction of giving more redress for failures on the delivery side of its operations. An advocate for consumers can go only as far as is determined by the legal obligation on a supplier.

Postwatch's expertise needs to be protected during the closure programme because it is vital that we understand the impact of that programme. As many hon. Members have said, constituents have raised real concerns with us about the loss of services from their post offices. When it comes to rural closures, the consumer voice will need to be put even more strongly. There is a great danger of the Post Office producing a simple model that assumes that the closure of post office A will result in a customer simply going to the next-door post office—post office B. However, the geography of rural communities is such that people might well go to a post office in a larger settlement, which would mean that post office B would not pick up the extra custom. A lot of scrutiny will be needed when the closure programme comes forward and Postwatch has the expertise and skills to play a part in that.

I pay tribute to the role that Energywatch has played over the years in flagging up genuine failures in the market that have resulted in consumers not getting a good deal. The hon. Member for Mid-Worcestershire talked about the importance of markets delivering good-quality consumer products. The energy markets are new, so they are finding their feet and evolving, and new skills are needed to understand how they work. When I have taken cases to Energywatch, suppliers have tended to act faster than they would have had they been dealing directly with the consumer. That is partly because of the role played by Energywatch in building up a pattern: suppliers noticed that if they did not deal well with emerging problems that Energywatch brought to their attention, they risked Energywatch taking the matter further through the media and taking it up with Ofgem.

My hon. Friend the Member for Richmond Park and the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) both expressed concern about prices not decreasing as fast as they rose. The hon. Member for Mid-Worcestershire made the point that suppliers had bought forward in the market and that, in a sense, consumers had some protection on the way up, but there would now be some delay on the way down. However, in the absence of monitoring, there is a danger that laziness will creep in with respect to passing on the full benefits of the market to the consumer. The consumer advocacy that Energywatch has taken up is therefore extremely important.

Clause 13 makes it clear that the new NCC will have to take up advocacy on behalf of people with disconnection problems, but, as has been pointed out, clause 12 might need to be beefed up. How are consumers who are in need and have difficulties but are not getting help from the NCC to be dealt with if there is a conflict arising from clause 12 between the availability of advocacy and the aspirations of the consumer who needs advocacy? Disconnection is not the only major problem relating to energy supply. Massive bills and the confusion that has crept in over the years about how billing is handled and its quality mean that a person who has to wait three months for their problem to be solved before they go to the ombudsman for redress is under considerable stress. Energywatch has shown how the process can be accelerated; we do not want to lose that expertise.

It is extremely important that, during the passage of the Bill, the Government reassure us that the skills of Energywatch will not be lost, that individual advocacy will be strengthened and that the consumer will not lose out. Although markets generally deliver benefits for consumers, in complex areas, consumers—especially the more vulnerable—need detailed support and advice. I hope to hear that Ministers are willing to be flexible on that issue.

6.42 pm

Mr. Brian Binley (Northampton, South) (Con): I recognise that the Bill is non-contentious, as the debate proves, so I shall keep my remarks as brief as possible. However, I have a duty to my constituents who have raised certain matters with me, and I wish to relay some of their concerns to the Ministers, even though several have been discussed in some depth already.

Like many hon. Members who have spoken during the debate, I welcome the general thrust of the Bill. I understand the Government's wish to cut bureaucracy and cost, and my guess is that we will hear more about that drive in a couple of days' time. Equally, I understand and welcome the Government's wish to strengthen consumer representation. However, I would not want the former to detract from the latter. It seems to me that there is a real need to enhance consumer representation, as the Government believe the Bill will, but I am not sure that that can be done cheaply. In fact, one of the weaknesses of the Bill as it stands is that sufficient effort might not be put into ensuring that consumer representation is as effective and as efficient as it could be.

There is a need to ensure that rogue companies are properly dealt with while not placing too much additional regulation on good companies, particularly in the field of estate agency. I know from my constituents that there are serious problems with certain practices in estate agency, and they would want me to mention those problems to Ministers. I had hoped to spend a little time so doing, but suffice it to say that although there is a need to instil greater responsibility in estate agents, there is an equal need to acknowledge that additional regulation might not be the way to proceed in relation to the great majority of estate agents, who act responsibly. I would therefore like an assurance from the Minister that further discussions will be undertaken with the professional bodies, which are willing to help the Government to achieve their objective.

On redress for individual citizens, Help the Aged believes that it is essential that either Consumer Direct or the new national consumer council is given a mandate and resources to handle disputes for consumers who are vulnerable or who have a complex case. The Bill clearly provides the opportunity for consumers to go to the ombudsman, but only after the company in question has had three months to settle the problems. In my

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experience, however, when one mentions the word "ombudsman", people sometimes become frightened: they feel that going to the ombudsman is a pretty heavy judicial process, and they have been warned not to get involved with the law because it is an expensive business. I realise that that is not necessarily true in relation to the ombudsman, but the general feeling pertains. We have to be careful about thinking that ombudsmen can solve all our problems. It seems to me that there is an opportunity to talk with the businesses involved—with the other side, so to speak—and to come up with a disputes conciliation body that can deal with such cases in a less official and less legal way than ombudsmen might do.

I wish to discuss how the Bill may affect businesses, with particular reference to mail volumes and to Energywatch. As we have heard, businesses account for 86 per cent. of mail volumes. Energywatch responded to 20,928 inquiries and handled 8,162 complaints from business customers last year—2005-06—so businesses account for a large part of its work. The DTI is considering consulting small businesses to see whether they should be covered by the ombudsman scheme. I hope that they will be, because small businesses in particular find dealing with disputes and complaints expensive; it takes focus away from the running of the business; and small businesses do not have the support that larger companies have. I hope that the Minister will consider not only how to involve small businesses in the scheme, but how great a cost burden that would impose on them and how to alleviate that burden. We already place many burdens on small businesses out of proportion to the cost to UK plc; I do not want those burdens to be added to dramatically, even though I want small businesses to be included in the scope of the Bill.

I shall not talk about post offices, although there is a problem in that respect. I shall simply conclude my remarks by referring to letting agencies. I do not know whether the Ministers share my experience, but I know from my own surgeries that there are a lot of complaints about letting and I have to deal with many difficult problems. I fear that if activities relating to letting are not included in the regulation of estate agents, we shall be missing out a large chunk of their business. Judging by the nods I see from Ministers, I am hopeful that they will respond favourably on that matter.

6.50 pm

Mr. Mark Prisk (Hertford and Stortford) (Con): Today's debate is best described as short but surprisingly insightful; in that respect, it reminds me of the Minister for Trade. We have heard a number of contributions from Members on both sides of the House. The right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) not only tested our ability to name his constituency but highlighted some of his concerns about the way in which the jigsaw will be put together. The hon. Member for Richmond Park (Susan Kramer) spoke of a common purpose. I confess that I was a little confused to hear her first suggest that more organisations should be involved in the Bill, and then ask why Postwatch and Energywatch were included. However, she went on to reiterate our concerns about the need to modernise the Estate Agents Act 1979.

The hon. Member for Brighton, Kemptown (Dr. Turner), who is sadly not in the Chamber at the moment—*[Interruption.]* I beg his pardon for having missed him; he has moved from left to right, which is always a welcome direction. He highlighted the need for the Minister to reconsider the issue of positive licensing, and he rightly discussed whether residential lettings should come within the scope of the legislation. We then heard an excellent and comprehensive contribution from my hon. Friend the Member for Mid-Worcestershire (Peter Luff), who is of course the Chairman of the Select Committee on Trade and Industry. He put us all in our place, perhaps teasingly, by reminding us just how much we are trusted by the public—about as much as estate agents and journalists. He stressed that the debate should be about practice, not principle, and he raised a number of particularly good points about the remit, and the cost and quality of services, including railway services. I hope that the Under-Secretary of State for Trade and Industry, the hon. Member for Poplar and Canning Town (Jim Fitzpatrick) will respond to those points.

We then heard a contribution from the hon. Member for Crawley (Laura Moffatt), who has consulted her local estate agents; I noticed that they would like the Government to go further in part 3. An excellent, albeit concise, contribution was made by my hon. Friend the Member for Rochford and Southend, East (James Duddridge). He rightly concentrated not on mechanisms, but on the point of view of individual consumers, and the effect that complaints and difficulties of the kind that we have discussed often have on them, particularly those in vulnerable communities. The hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith)—there have been a range of interesting Scottish constituency names tonight—rightly highlighted the current post office closures. He also mentioned the confusion in the energy market about billing, and about whether the market is operating effectively.

Last but by no means least, we heard the excellent contribution by my hon. Friend the Member for Northampton, South (Mr. Binley). He raised several important points on behalf of his constituents, but he also raised concerns on behalf of small businesses, and he was absolutely right to do so. If I may say so without embarrassing him, he has experience in that field, and speaks with a passion on the subject, and I always find it enlightening to listen to his contribution. I am grateful to him and other right hon. and hon. Members for their contributions.

At the beginning of the debate, my hon. Friend the Member for Rutland and Melton (Alan Duncan) confirmed that although we have reservations about the Bill, we endorse the Government's aims and many of the measures in the legislation. As the Minister of State mentioned, pressure sales tactics are still catching people out. As a result, it is becoming increasingly clear that people need the same rights in respect of cancelling contracts that result from solicited sales visits as those that they have in relation to unsolicited visits. The current distinction is being exploited by the unscrupulous. Although I always begin from the

principle of caveat emptor—buyer beware—in this instance, the evidence justifies a change in the law.

We have significant reservations about certain aspects of the Bill and about how the legislation will work in practice. As the debate has shown, there are concerns about the planned merger of watchdogs, the future handling of complaints, and how transparent and effective the new regime may prove to be in practice. There is a strong sense that the Bill is a missed opportunity, to use the words of the hon. Member for Brighton, Kemptown, especially in relation to the regulation of estate agents. I shall address that point further in due course.

As hon. Members have said, the first part of the Bill seeks to merge Energywatch, Postwatch and, in time, the Consumer Council for Water, into a new statutory national consumer council. The Minister of State told us at the beginning of the debate that the Government's purpose is to streamline and strengthen consumer advocacy—a perfectly reasonable aim—but the Government have yet to prove that the new arrangement will strengthen the voice of the consumer. It could well do so, if the merger is implemented effectively and efficiently, but sadly the Government have a pretty dreadful record on merging public bodies. For example, on health care, in my county alone, the Government have merged and remerged strategic health authorities three times in five years, wasting tens of millions of pounds.

As my hon. Friend the Member for Rochford and Southend, East said, sometimes we have to fix the problem, not simply rearrange the deckchairs. Given that, and given the points raised by my hon. Friend the Member for Mid-Worcestershire, the Under-Secretary needs to show us, both here and in Committee, that sector-specific skills and experience in postal, energy and water services will not be lost in any merger, or during any transition. In particular, in view of the cuts that the Government are forcing on to the post office network, we will seek a cast-iron guarantee that the abolition of Postwatch will not mean a diminution of public representation at this crucial time. As the Under-Secretary is directly and personally responsible for Royal Mail, his reply to that point needs to be clear and unequivocal.

Prior to this debate, serious concern was expressed by the water industry about the inclusion of the Consumer Council for Water in the new organisation, a move that many think premature. Indeed, several Members have echoed that concern today, not least because of the impending price review for water companies. We are encouraged to hear that the Minister of State recognises the problem and is considering constructive proposals for adjusting the merger timetable. We are happy to engage in open and positive debate on whether that should be achieved by bringing forward the price review, or by pushing the merger back, and we approach the subject with an open mind. There has certainly been no collusion, contrary to what the hon. Member for Richmond Park might assume. The reality is that we try to take a positive approach and to have an open mind on the subject.

On part 2 of the Bill, which concerns redress schemes, I should first say that we were pleased that the Government accepted amendments from Conservative peers in the other place. The amendments have improved the legislation; for example, complaints by gas consumers will now be investigated prior to any disconnection of supply, and not afterwards, as is the case at present. That change will resolve a long-standing grievance of many consumers. We want that constructive approach to the Bill to continue in the Commons.

My hon. Friend the Member for Rutland and Melton pointed out that there is a clear need to improve companies' internal complaints handling. As he said, the Government's wish to improve redress schemes should be matched by good internal complaints procedures. World-class businesses already ensure that, because they recognise the benefit for them and their customers. In the other place, the Government were willing to make only a small concession on that point, in clause 49; yet as we have heard today, there is a good case for effective complaint handling to be a pre-requisite of redress scheme membership. I hope that the Under-Secretary is prepared to reconsider the issue, both in his reply and in Committee.

Today's debate highlighted an important concern about the relationship between the National Consumer Council and Whitehall. The existing council has, to date, enjoyed an arm's length relationship with the Government, and that has enabled it to develop a reputation for objectivity and a certain independent authority. That detached position is vital if consumer representation is to remain effective within Whitehall. The arrangement set out in the Bill may reduce that independence. Members on both sides of the House raised questions about the new financial arrangements and the lack of transparency in the NCC's proposed research and advocacy functions. If a new, larger council is to retain its objectivity, it is essential that it remain, and is seen to remain, detached from undue ministerial influence. I therefore urge the Under-Secretary to address that issue directly in his reply, and to set out clearly the nature of the proposed relationship, particularly between the Secretary of State and the new council.

In his opening speech, the Minister of State spoke about the need to crack down on rogue estate agents. Sadly—and this does not bring me any comfort— the truth is that the Government have failed to match their rhetoric with action. While we welcome the measures to require estate agents to belong to an approved redress scheme, as well as the minor increase in powers for the Office of Fair Trading, that is as far as the Government are prepared to go. For many people, including the public and estate agents, those changes are inadequate. While most agents are competent and professional, a notable minority have been able to trade in an unacceptable manner. Sometimes it is a question of ethics, but sometimes it is a question of competence. For example, a *Which?* magazine investigation in 2005 showed that estate agency valuations may vary wildly, sometimes by up to £125,000. On some occasions, agents deliberately withheld or misrepresented offers. As a result, according to the Consumers Association, 70 per cent. of people think estate agents frequently give misleading information about properties.

Part of the legislative problem is that the original law dates back over 28 years. The Government's amendments to the Estate Agents Act 1979 merely tinker at the edges, and an overhaul is needed. We are

[Mr. Mark Prisk]

therefore calling for the 1979 Act to be modernised by the Bill, and for a significant increase in the maximum fine to deter rogue agents. First, the definition of estate agency work must be extended. It should include recent trends such as off-plan sales and direct sales by house builders, which were rare in 1979 but are now commonplace, and are not covered by the law. Secondly, residential lettings must be incorporated into the regulations. Estate agencies, as we have heard, handle millions of such lettings and, according to the National Association of Estate Agents, problems with lettings are one of the main sources of complaints made against its members and against agents generally. As the Bill stands, that activity would not be covered, to the bemusement of millions of our constituents. At the beginning of the debate, the Minister of State spoke about a committee and a review, but he did not give a commitment to legislate. We shall therefore seek to press amendments to correct that omission, and I hope that we can work on a cross-party basis to improve the legislation. Those changes and the increase in fines will help home buyers, and assist the industry in cleaning up its act. Given that it is 28 years since the last piece of legislation in this area, I hope that we will not have to wait a similar period before we introduce new laws. However, I want to work with the Ministers to make sure that we achieve a positive outcome.

There are many provisions in the Bill that will indeed help consumers in the utilities and residential property markets. While the Opposition have concerns about the practicalities, we have a long-standing commitment to the principle of informed consumer choice and effective advocacy, so we wish to improve the Bill, not to damage it. The Ministers enjoy the rough and tumble of party political banter, and so do I, but sometimes it is a distraction. All too often, it is used as an excuse for pushing legislation through the House unimproved. On this occasion, Members on both sides of the House have a genuine opportunity to scrutinise, amend and improve the Bill so that it will have a lasting impact on millions of consumers and house buyers. That collaborative approach will not please the press, who always love a row, but if Ministers are prepared to consider amendments on their merits, we are prepared to engage in proper parliamentary scrutiny of the Bill, which will not only be good for consumers, but will reflect well on the House.

7.4 pm

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): We have had a wide-ranging, useful debate, and I have listened with great interest to contributions from Members on both sides of the House. I am grateful to them, and I will do my best to respond, although we will have the opportunity to examine many of the issues that were raised more thoroughly in Committee.

I welcome the tone of the debate, as almost all the contributions were supportive and were designed to clarify certain points or suggest improvements to the Bill. I hope that I can clarify some of the matters that were raised, and I am confident that we can improve the Bill even further in Committee—a point just made by the hon. Member for Hertford and Stortford (Mr. Prisk), to whom I am grateful. I do not intend to repeat the eloquent and comprehensive reasoning for the Bill's introduction articulated by my right hon. Friend the Minister of State, who opened the debate, but I will try to address the matters raised by right hon. and hon. Members.

The hon. Member for Mid-Worcestershire (Peter Luff), who chairs the Select Committee on Trade and Industry, and the hon. Member for Rutland and Melton (Alan Duncan) asked about the name of the new body, which is a fundamental issue. The Bill provides for the new body to be given the formal statutory title of "National Consumer Council". The phrase "Consumer Voice" has been used to describe the overall arrangements, including the new national consumer council, the new redress schemes and the generic powers enabling regulators to prescribe complaint-handling standards. The hon. Member for Mid-Worcestershire asked about redress schemes, which were also raised by the hon. Member for Richmond Park (Susan Kramer). He asked whether a postal services redress scheme would be introduced. The current energy redress scheme is not statutory, and covers only 80 per cent. of complaints. The new statutory energy redress scheme should cover the full range of complaints, so it will be an improvement. A new postal redress scheme will be set up, and we expect that to happen within 12 months of Royal Assent.

The hon. Member for Rutland and Melton asked about the retention of sectoral expertise—a matter raised by several right hon. and hon. Members. I shall come on to that issue. However, it is our objective to retain sectoral expertise as part of the implementation programme involving the consumer bodies themselves. The Bill provides a specific function for the new council to investigate post office closures in clause 16. That function, currently given to Postwatch, will be preserved in the transition to the new body. The hon. Gentleman asked whether it was a cost-cutting exercise but, as he will know, the Government are not saving any money as a result of the arrangements. The savings will be enjoyed by the energy and postal services industries and, ultimately, the consumer.

Sir Robert Smith: Will the Minister give way?

Jim Fitzpatrick: Yes, but the House is keen to proceed to other urgent business, so I urge the hon. Gentleman to be brief.

Sir Robert Smith: The Minister discussed the transition from Postwatch to the new body. What timetable does he envisage for that transfer? Unless he has good news for us, the closure programme proposed by the Government will soon take place.

Jim Fitzpatrick: We will discuss the detail in Committee, but obviously, we want to deal with that as expeditiously as possible.

The hon. Member for Rutland and Melton asked whether penalty charges should be higher. In the other place, the Government accepted an amendment to double the maximum penalty charge from £500 to £1,000 in response to concerns about the level of the charge. A penalty charge is an on-the-spot fine without any opportunity for estate agents to put their case to an independent adjudicator, so a high penalty charge

would not be fair. Ultimately, estate agents can lose their livelihood if they are banned by the OFT for not belonging to a redress scheme. The hon. Gentleman asked whether the Bill covered letting agents, as did other right hon. and hon. Members. As my right hon. Friend the Minister of State explained, the evidence base for the Bill's provisions is the 2004 OFT report on the estate agency market. Estate agents are governed primarily by the Estate Agents Act 1979, which does not cover letting agents. The Bill amends that Act, so its provisions do not apply to letting agents. The tenancy deposit schemes due to be introduced in April 2007 under the Housing Act 2004 will offer greater protection to people who are at unfair risk of losing their deposits—one of the main sources of consumer detriment in the lettings market—but I acknowledge the point made by the hon. Member for Hertford and Stortford, that amendments may well be tabled in Committee. We look forward to debating them.

The hon. Member for Rutland and Melton, who led for the Opposition, expressed concern about the publication of reports, a point also raised by the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith). Although we envisage that the Secretary of State will generally wish to publish a report requested by him from the new NCC, the discretion given by clause 18 not to publish is necessary to deal with particular circumstances, such as when the report contains information that is commercially confidential or price-sensitive. Such information might be necessary to support the recommendations in the report.

A requirement for the Secretary of State to publish every report requested by him might have a deterrent effect on external experts, industry or other stakeholders, who might be reluctant to provide information or advice because it might be disclosed. That could inhibit the provision of useful or important information to aid the preparation of the report by the new NCC, to the detriment of the quality of the final report and the subsequent advice provided by the Secretary of State. I hope that that deals with the sceptical comment by the hon. Member for West Aberdeenshire and Kincardine.

The hon. Member for Rutland and Melton said that regulators should have a duty to prescribe complaint-handling standards. The position that we have adopted is to give regulators the power to make regulations to prescribe complaint-handling standards that would be binding on regulated providers. We took this approach because we believe that sectoral regulators are best placed to take a view on what is appropriate and necessary within their own sectors. The matter was raised in the other place, and we recognise that this is an important issue. No doubt we will return to it in Committee.

My hon. Friend the Member for Aberdeen, South (Miss Begg) asked about the unfair commercial practices directive and whether that would catch sales tactics where the trader does not mention prices. To clarify my right hon. Friend the Minister of State's earlier point, the unfair commercial practices directive will introduce a general duty for a trader not to treat the consumer unfairly. It will also ban outright certain types of unfair commercial practice, such as aggressive doorstep selling.

The hon. Member for Richmond Park raised a similar point when she asked whether the Government would use the measure to tackle companies that charge consumers more if they do not use direct debits. The terms in the contract with the consumer that allow the charge to be imposed could be assessed for fairness under the consumer regulations imposed by the Office of Fair Trading, so it is not necessary for the unfair commercial practices directive to require that.

The hon. Member for Mid-Worcestershire and my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) asked about the NCC, and about the fact that it did not have a specific function to look at overpricing in energy and water. The new NCC will be able to examine any market in which it identifies significant consumer detriment. That might include prices in the energy or water sector, although the new NCC must recognise the existence of other consumer bodies, such as the Consumer Council for Water, when exercising its function.

My right hon. Friend also asked about complaints that might in future be split between the new national consumer council and Consumer Direct. The first port of call will be Consumer Direct, which can refer consumers to the supplier, or to the redress scheme if the supplier has not resolved the problem to the satisfaction of the consumer. The redress scheme will be able to resolve a complaint and award compensation, where warranted. Energywatch does not have powers to do that.

The new NCC will be able to support vulnerable consumers through the process—a question raised by the hon. Members for West Aberdeenshire and Kincardine and for Mid-Worcestershire. The understanding of what constitutes vulnerability is developing all the time and will no doubt become better informed in future. The Bill therefore leaves it to the new council to assist those whom it judges to be unable to progress complaints by themselves. In those circumstances, it would not be sensible to make it a duty.

Sir Robert Smith: As a secondary point, what happens if there is a dispute between the consumer and the council about whether the consumer is vulnerable? Is there any means of adjudicating, or does the council have absolute power to reject someone, with no possibility of appeal?

Jim Fitzpatrick: The hon. Gentleman raises a fair and sensible point. If he will allow us, we will deal with it in detail in Committee, to give him the clarity and reassurance that he, quite reasonably, seeks.

The hon. Member for Richmond Park asked why Ofcom and financial services consumer panels were not included. The consultation in early 2006 in respect of Ofcom and financial services asked for views on the inclusion of the financial services consumer panel and the Ofcom consumer panel in the new arrangements. The majority of responses to the consultation agreed that the role of those panels was different from those of statutory consumer bodies, as they were primarily regulator-facing and designed to advise the regulator on the consumer interest in developing policy, with no direct consumer-facing role or role in handling complaints. Both roles, however, were considered to be important, and both will be retained under the new arrangements.

[Jim Fitzpatrick]

The hon. Member for Richmond Park and the hon. Member for Mid-Worcestershire asked whether the new body would be located in London—another fair question. It is an implementation matter that we are considering, with the benefit of input from Energywatch, Postwatch and the National Consumer Council. The decision where the new body will be located will take into account such issues as the cost of the existing property portfolio and concerns surrounding the retention of staff. I acknowledge the importance of the matter.

Peter Luff: When does the Minister expect to reach that decision?

Jim Fitzpatrick: I cannot gaze into a crystal ball and give the hon. Gentleman a date for that at present. I apologise; I recognise that it is an important point.

The question of regional representation by the new NCC was raised. The Bill allows for the new NCC to establish regional committees, as I am sure the hon. Lady knows, where it believes that that would be beneficial to consumers.

The hon. Member for Rochford and Southend, East (James Duddridge) asked us to be clear about the inclusion of other sectors. The Bill covers the energy sector and the postal services sector, and allows for the inclusion of the water sector after consultation. The inclusion of any other sectoral consumer bodies in future would require further consultation and legislation.

The hon. Lady asked whether small firms would be represented by the new consumer advocacy body. We propose that the remit of the new NCC will be to represent all consumers, including business consumers. It will be left to the new NCC to determine where and on whom the greatest detriment in each market falls, and therefore on which issues to concentrate its resources. She also asked about redress schemes and the fact that they would consider complaints only after three months. The question was raised also by the Chairman of the Trade and Industry Committee. The terms of each redress scheme, including the time given to companies to resolve complaints before the complaint can be dealt with by the scheme must be approved by the sectoral regulator. Deadlock letters can be issued by companies before three months are up. The current practice of existing schemes is to deal with emergency cases without allowing companies the three months.

The hon. Member for Richmond Park asked about the council stepping in if redress schemes were not effective. If I wished to emulate a classic "Yes Minister" response, I might say that this is a clear opportunity for the new council to advance the consumer experience by monitoring the effectiveness of redress schemes, but I hope the hon. Lady will be reassured that we expect that to be the case.

The hon. Lady and other right hon. and hon. Members also asked about positive licensing. The OFT report on the estate agency market in England and Wales specifically addressed the question whether positive licensing, which could include a fitness test and training or competence requirements, would improve regulation and the estate agency market, and rejected it. The OFT concluded that positive licensing would raise costs and inhibit competition, without delivering the benefits to justify that. However, the OFT found that in the majority of cases in which it took action against an estate agent, the root cause was a lack of integrity and honesty, not a lack of knowledge of the law.

The hon. Member for Mid-Worcestershire expressed concerns about the DTI's website. I have acknowledged that there are problems, which we will deal with. He also raised questions about post office performance and closures, an issue raised by other right hon. and hon. Members. The Bill gives a role to the new NCC to look into post office network restructuring. This replicates the power currently given to Postwatch. The new NCC cross-sectoral body will also be able to bring expertise from other sectors. The hon. Gentleman requested that the new NCC will not have access to information from Consumer Direct. I can reassure him that information about consumer complaints will be a useful source of information on consumer detriment for the new NCC. It is envisaged that the new NCC will establish effective information flows from Consumer Direct and the redress schemes.

The hon. Member for Northampton, South (Mr. Binley) asked about the Government's continuing discussions with professional bodies. I can assure him that that will indeed continue.

The response of the consumer watchdog community to the Bill is summed up by this quote from the editor of *Property Week*, Giles Barrie, who says:

"At last, the Government has acknowledged the damage rogue estates can do to people's lives, which we have highlighted in our campaign. Good agents have nothing to fear but the bad apples now need to clean up their act fast."

Charles Smailes, president of the National Association of Estate Agents, says:

"This is clearly a step in the right direction."

Lord Whitty, chairman of the National Consumer Council, says:

"This is good news for consumers."

Professor Ed Gallacher, the chair of Energywatch, says:

"We are pleased that we now have a clear set of proposals showing a way forward for consumers."

The head of campaigns for *Which?*, Louise Hanson, says:

"We broadly welcome the move and particularly the ability of consumers to access redress when things go wrong."

The OFT says:

"Extending protection in this way means consumers shopping from home can be confident they are protected from unscrupulous doorstep sellers."

Citizens Advice says:

"We are very pleased that at long last cooling off rights are to be extended to all purchases made at home".

It occurred to me, perhaps uncharacteristically, to make a tiny partisan point. The report by the economic competitiveness policy group established by the right

hon. Member for Witney (Mr. Cameron) suggested abolishing consumer protection for mortgages, pensions, insurance and credit cards, saying:

"In financial services we should allow people to buy and sell products that are not regulated if they have signed to do so."

I look forward to seeing that in the next manifesto.

In summary, the Bill embodies the Government's commitment to a robust and effective consumer regime that is fair to consumers as well as to business. It creates a new national consumer council—a powerful advocate for consumers—demonstrates our commitment to get rid of rogue estate agents and doorstep traders and gives consumers the rights and redress they deserve. I commend the Bill to the House.

Question put and agreed to.

Bill accordingly read a Second time.

CONSUMERS, ESTATE AGENTS AND REDRESS BILL [*LORDS*] (PROGRAMME)

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A (Programme motions),

That the following provisions shall apply to the Consumers, Estate Agents and Redress Bill [*Lords*]

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Thursday 26th April 2007.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of any message from the Lords) may be programmed.—*[Kevin Brennan.]*

Question agreed to.

CONSUMERS, ESTATE AGENTS AND REDRESS BILL [*LORDS*] [*MONEY*]

Queen's recommendation having been signified—

Motion made, and Question put forthwith, pursuant to Standing Order No. 52(1)(a) (Money resolutions and ways and means resolutions in connection with bills),

That, for the purposes of any Act resulting from the Consumers, Estate Agents and Redress Bill [*Lords*], it is expedient to authorise the payment out of money provided by Parliament of—

(1) any expenditure incurred by the Secretary of State by virtue of the Act, and

(2) any increase attributable to the Act in the sums payable out of money so provided under any other Act.—*[Kevin Brennan.]*

Question agreed to.

CONSUMERS, ESTATE AGENTS AND REDRESS BILL [*LORDS*] [*WAYS AND MEANS*]

Motion made, and Question put forthwith, pursuant to Standing Order No. 52 (Money resolutions and ways and means resolutions in connection with bills),

That, for the purposes of any Act resulting from the Consumers, Estate Agents and Redress Bill [*Lords*], it is expedient to authorise—

(1) the inclusion in—

(a) licences under the Gas Act 1986, the Electricity Act 1989, the Postal Services Act 2000 or the Water Industry Act 1991, and

(b) appointments made under Chapter 1 of Part 2 of the Water Industry Act 1991,

of conditions requiring the payment of increased amounts payable into the Consolidated Fund, and

(2) the imposition of charges to corporation tax by provisions relating to transfer schemes.—*[Kevin Brennan.]*

Question agreed to.

UK Borders Bill

Queen's recommendation having been signified—

Motion made, and Question proposed,

That, for the purposes of any Act resulting from the UK Borders Bill, it is expedient to authorise the charging of fees.—*[Mr. Liam Byrne.]*

7.22 pm

Mr. David Heath (Somerton and Frome) (LD): I do not wish to detain the House long, and certainly not for the 45 minutes allotted for this debate. Having said that, I am a little surprised that the Minister moved the motion formally without any explanation of why the Government have introduced an additional Ways and Means motion for this Bill.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): Before my hon. Friend leaves the subject of the 45 minutes that is allowed for this debate, he might reflect on the fact that that is 45 minutes more than will be allowed for the regulations that appear later on the Order Paper and will be voted through on the nod.

Mr. Heath: My right hon. Friend is absolutely right. The most extraordinary thing about the procedure this evening is that it does not allow for debate on a matter that Members on both sides of the argument wish to debate on the Floor of the House. However, I would be out of order, Mr. Deputy Speaker, were I to continue that strain of argument.

I find it extraordinary that yet again the Government are making proposals that were not included in the original Bill and were not therefore the subject of a Ways and Means resolution on Second Reading. As I understand the Government's new clause, which is yet to be debated in Committee and has not been introduced at the appropriate stage in the Committee's proceedings, the intention is to allow the Government to introduce fees and charges for those who are seeking to emigrate to this country that are beyond full cost recovery, in the certain knowledge that people are in no position to argue with the imposition of such fees and charges.

It would be wrong to debate the substance of the new clause this evening—that will have to be done in Committee—but it is not proper for this House, which prides itself on its ability to scrutinise when given the opportunity to do so, to allow to pass without any comment whatsoever a Ways and Means resolution that allows the Government, yet again, to ride roughshod over the House's ability to scrutinise its business properly. The new clause should have been introduced in the original Bill, but it was not. The Minister gave no explanation and simply put the motion before the House formally. That is no more a proper way of doing business than is the way in which we will consider the later piece of business. The least that the Minister can do is to explain why we have this motion before us tonight.

7.25 pm

The Minister for Immigration, Citizenship and Nationality (Mr. Liam Byrne): I am grateful for the chance to respond to the hon. Member for Somerton and Frome (Mr. Heath). The powers contained in the new clause are not especially radical. We have the power to cost-charge—that is in the Immigration, Asylum and Nationality Act 2006. Neither is the power to over-cost charge especially new, because we have that in section 42 of the Asylum and Immigration (Treatment of Claimants, etc.) Act 2004. We are trying to bring to bear a degree of flexibility and intelligence in how charges are set. That principle was widely welcomed in the statutory instrument debate that we had last week. This motion will allow us to ensure that there is a full and proper debate in Committee on the new clauses that we propose in advance of Report and Third Reading. I am sure that the hon. Member for Rochdale (Paul Rowen), who is representing the Liberal Democrats on that Committee, will forensically interrogate our proposals. On that basis, I commend the motion to the House.

Question put and agreed to.

Miss Ann Widdecombe (Maidstone and The Weald) (Con): On a point of order, Mr. Deputy Speaker. Have you had a request from a Minister to explain the extreme and unseemly haste with which the sexual orientation regulations have appeared on the Order Paper tonight? Have you received a request to explain the almost unprecedented shortness of time between laying the regulations on 12 March and their being in Committee on 15 March, with members of the Committee appointed with less than 24 hours to consider their merits? The Lords Merits Committee advertised a seven-day consultation period, and then sat on the sixth day, thereby cutting out some of the representations that would have been made. Given that there was no sitting on Friday, the regulations have appeared on the Order Paper within two days of consideration. Have you received any requests?

Peter Luff (Mid-Worcestershire) (Con): Further to that point of order, Mr. Deputy Speaker. Over the weekend, several constituents raised concerns about the impact of the details of the regulations. I have not yet had time to explore with Ministers their precise consequences because of the unseemly haste to which my right hon. Friend the Member for Maidstone and The Weald (Miss Widdecombe) referred. What channels are open to me before we vote on the regulations in a few minutes to explore the precise consequences with Ministers? Could not a Minister have come before the House and made a statement to enable hon. Members to scrutinise the regulations rather better?

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. We cannot have too many points of order as a surrogate for a debate on the matter. Let me try to deal with the points that have been raised.

The right hon. Member for Maidstone and The Weald (Miss Widdecombe) asked whether I had received any representations or requests. The answer is no. In answer to the right hon. Lady and the hon. Member for Mid-Worcestershire (Peter Luff), the Chair has no power to determine what is on the Order Paper. I can only preside over what has been included in it. I understand that all is procedurally correct and we must proceed on that basis.

Sir Patrick Cormack (South Staffordshire) (Con): On a point of order, Mr. Deputy Speaker. I entirely accept what you say, as does every hon. Member, but, because the procedures are so unfortunate, will you ask Mr. Speaker to ask the Procedure Committee to examine the manner in which the House deals with such matters in future?

Mr. Deputy Speaker: The hon. Gentleman has great experience in the House. He knows that it is perfectly in order for him to write directly to the Procedure Committee if he wants a generic point to be considered.

Mr. Roger Gale (North Thanet) (Con): On a point of order, Mr. Deputy Speaker. As I suspect you know, the matter was raised at business questions on Thursday. A clear request was made to the Leader of the House for the regulations not to go through until the House had had an opportunity to debate the subject, at least on the Easter Adjournment. Given that the regulations will be railroaded through this evening, will you be kind enough to ask Mr. Speaker to ensure that time is made available on the Easter Adjournment to debate the matter, notwithstanding the fact that the regulations will have gone through?

Mr. Deputy Speaker: I am sure that Mr. Speaker will have observed the hon. Gentleman's comments.

Mr. Dennis Skinner (Bolsover) (Lab): On a point of order, Mr. Deputy Speaker. If you convey any remarks to the Speaker, perhaps you will also tell him that, in Committee, the hon. Member for Buckingham (John Bercow) revealed—I was there—that Government Front Benchers had offered more time but that Tory Front Benchers had refused to take it. The Tory Front-Bench spokesman voted with us and the Tories split two ways. Three voted with us, including the Tory Front Bencher, and two voted against. The idea that the matter has not been dealt with is farcical.

Mr. Deputy Speaker: I am sure that the House is interested, but that is not a point of order for the Chair.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): On a point of order, Mr. Deputy Speaker. As a Member who supports the regulations, as do most Liberal Democrats, we nevertheless share the concern about the way in which the matter has been rushed through. Given that the details have never been debated in primary legislation and require discussion by many hon. Members who have different views, can the House decide now—even though I generally disagree with Conservative Members and agree with the Government on the matter—to provide debating time, or is there no way in which we can do that at this late stage?

Mr. Deputy Speaker: I have to tell the hon. Gentleman and the House that there is no further scope for debate at this point. The procedures of the House have been followed correctly. Even if some hon. Members are unhappy about what has happened, nothing incorrect has taken place and we should now proceed to deal with the business on the Order Paper.

Mr. Julian Brazier (Canterbury) (Con): On a point of order, Mr. Deputy Speaker.

Mr. Deputy Speaker: I hope that it is a new point of order because I have dealt with the previous one.

Mr. Brazier: Yes, it is. My understanding is that motion 10, about which the previous points of order were made, applies to England, Wales and Scotland, but not to Northern Ireland, which has separate regulations. However, it covers some matters—for example, adoption—which are devolved to Scotland. My Adjournment debate on the subject showed that, when the matter was considered in Scotland, the Scottish Government gave assurances that negotiations would be held between the Scottish Executive and the Government here. No report has been given to the House about the outcome of those negotiations, yet we are expected to vote tonight.

Mr. Deputy Speaker: The hon. Gentleman has got it exactly. That is the case.

Mr. Peter Bone (Wellingborough) (Con): On a point of order, Mr. Deputy Speaker. No Back Bencher has been able to make a speech about motion 10. Is it correct that the Government do not necessarily have to move it tonight?

Mr. Deputy Speaker: That is not a question that the Chair can determine. The motion is on the Order Paper and I must assume that it is likely to be moved.

Chris Bryant (Rhondda) (Lab): On a point of order, Mr. Deputy Speaker. As one who supports the regulations, I would be delighted if the debate on the matter had taken place on the Floor of the House rather than in Committee, not least because it would help us win the next general election. However, can you confirm that, although Standing Order No. 118 states that it is a for a Minister to decide whether the debate is held on the Floor of the House or in Committee, the practice and convention of the House is that, if Opposition Front Benchers had called for it to be held on the Floor of the House, it would have been?

Mr. Deputy Speaker: I have no means of knowing that; it is nothing on which I can rule.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): On a point of order, Mr. Deputy Speaker. You said that you expected motion 10 to be moved. Is not it the case that a Minister could choose not to move it tonight, but take account of what has been said in the Chamber and make a statement tomorrow, which would enable questions on the matter?

Mr. Deputy Speaker: We shall simply have to wait and see.

DELEGATED LEGISLATION

Mr. Deputy Speaker: With the leave of the House, I propose to put together the Questions on motions 6, 7, 8 and 9.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

Police

That the draft Police (Northern Ireland) Act 2000 (Renewal of Temporary Provisions) Order 2007, which was laid before this House on 29th January, be approved.

Northern Ireland

That the draft Northern Ireland Policing Board (Northern Ireland) Order 2007, which was laid before this House on 6th February, be approved.

That the draft Foyle and Carlingford Fisheries (Northern Ireland) Order 2007, which was laid before this House on 19th February, be approved.

That the draft Policing (Miscellaneous Provisions) (Northern Ireland) Order 2007, which was laid before this House on 7th March, be approved.—*[Kevin Brennan.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

Sexual Orientation Discrimination

That the draft Equality Act (Sexual Orientation) Regulations 2007, which were laid before this House on 12th March, be approved.—*[Kevin Brennan.]*

The House divided: Ayes 310, Noes 100.

Division No. 79] **[7.35 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Ainsworth, Mr. Peter
Allen, Mr. Graham
Anderson, Mr. David
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Baldry, Tony
Balls, Ed
Barlow, Ms Celia
Barrett, John
Barron, rh Mr. Kevin
Bayley, Hugh
Begg, Miss Anne
Bercow, John
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunt, Mr. Crispin
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Browne, Mr. Jeremy
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cameron, rh Mr. David
Campbell, Mr. Alan
Campbell, rh Sir Menzies
Campbell, Mr. Ronnie
Carmichael, Mr. Alistair
Caton, Mr. Martin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cooper, Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
Davey, Mr. Edward
David, Mr. Wayne
Davies, Mr. Dai
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobson, rh Frank
Duddridge, James
Duncan, Alan
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Evans, Mr. Nigel
Fabricant, Michael
Farrelly, Paul
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gidley, Sandra
Gilroy, Linda
Goldsworthy, Julia
Goodman, Helen
Gove, Michael
Grayling, Chris
Griffith, Nia
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Dr. Evan
Harris, Mr. Tom
Harvey, Nick
Havard, Mr. Dai
Healey, John
Heath, Mr. David
Hemming, John
Hendrick, Mr. Mark
Heppell, Mr. John
Herbert, Nick
Hesford, Stephen
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hopkins, Kelvin
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Hughes, Simon
Humble, Mrs. Joan
Hunt, Mr. Jeremy
Iddon, Dr. Brian
Ilsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Ann
Kelly, rh Ruth
Kennedy, rh Mr. Charles
Key, Robert
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Knight, Jim
Kramer, Susan
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laing, Mrs. Eleanor
Lamb, Norman
Lansley, Mr. Andrew
Lazarowicz, Mark
Leech, Mr. John
Lepper, David
Letwin, rh Mr. Oliver
Levitt, Tom
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackay, rh Mr. Andrew
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Marsden, Mr. Gordon
Martlew, Mr. Eric
Maude, rh Mr. Francis
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, John
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McLoughlin, rh Mr. Patrick
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Michael, rh Alun
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Andrew
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moore, Mr. Michael
Morley, rh Mr. Elliot
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, rh Mr. Paul
Norris, Dan
O'Hara, Mr. Edward
Oaten, Mr. Mark
Olner, Mr. Bill
Osborne, Mr. George
Osborne, Sandra

Owen, Albert
Palmer, Dr. Nick
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Price, Adam
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reid, Mr. Alan
Reid, rh John
Rennie, Willie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sanders, Mr. Adrian
Seabeck, Alison
Shaw, Jonathan
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Smith, John
Smith, Sir Robert
Snelgrove, Anne
Soulsby, Sir Peter
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Stuart, Mr. Graham
Stunell, Andrew
Sutcliffe, Mr. Gerry
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Tami, Mark
Taylor, Ms Dari
Teather, Sarah
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Todd, Mr. Mark
Touhig, rh Mr. Don
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Tyrie, Mr. Andrew
Ussher, Kitty
Villiers, Mrs. Theresa
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Whitehead, Dr. Alan
Wicks, Malcolm
Wiggin, Bill
Willetts, Mr. David
Williams, Mrs. Betty
Williams, Hywel
Williams, Stephen
Willott, Jenny
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Mr. Frank Roy and Mr. Dave Watts

NOES

Arbuthnot, rh Mr. James
Bacon, Mr. Richard
Beith, rh Mr. Alan
Benton, Mr. Joe
Benyon, Mr. Richard
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Burrowes, Mr. David
Burt, Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clarke, rh Mr. Kenneth
Clarke, rh Mr. Tom
Conway, Derek
Cook, Frank
Cormack, Sir Patrick
Crabb, Mr. Stephen
Davies, Mr. Dai
Davies, Philip
Davies, Mr. Quentin
Dobbin, Jim
Drew, Mr. David
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Farron, Tim
Field, Mr. Mark
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Gauke, Mr. David
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gray, Mr. James
Grieve, Mr. Dominic
Hands, Mr. Greg
Hayes, Mr. John
Heathcoat-Amory, rh Mr. David
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Horam, Mr. John
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Kawczynski, Daniel
Killoyle, Mr. Peter
Leigh, Mr. Edward
Lewis, Dr. Julian
Lilley, rh Mr. Peter
Loughton, Tim
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Mates, rh Mr. Michael
McGovern, Mr. Jim
McIntosh, Miss Anne
Meale, Mr. Alan
Moss, Mr. Malcolm
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Ottaway, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Pickles, Mr. Eric
Robathan, Mr. Andrew
Robertson, Mr. Laurence
Rosindell, Andrew
Russell, Bob
Scott, Mr. Lee
Selous, Andrew
Smith, Geraldine
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Streeter, Mr. Gary
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, David
Taylor, Mr. Ian
Taylor, Dr. Richard
Viggers, Peter
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Whittingdale, Mr. John
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Young, rh Sir George

Tellers for the Noes:
Miss Ann Widdecombe and Peter Luff

Question accordingly agreed to.

Private Equity Funds

Motion made, and Question proposed, That this House do now adjourn.—*[Kevin Brennan.]*

7.48 pm

Mr. Michael Meacher (Oldham, West and Royton) (Lab): There has been a good deal of adverse publicity in the last few weeks about the operation of private equity firms, and not without good reason—*[Interruption.]*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I am sorry to interrupt the right hon. Gentleman, but there should not be conversations going on in the Chamber when he is seeking to address the House.

Mr. Meacher: Thank you, Mr. Deputy Speaker.

Venture capital involving investment in small start-up businesses has always played a significant role in improving performance and paving the way for expansion, but the credit-fuelled bubble that is now driving private equity deals is something quite different. That is what I want to address tonight. Private equity firms are going after healthy, well-managed firms, looting them—I do not think that that is an unfair word to use—in the interest of huge personal gains for themselves and often at the expense of substantial job losses for employees, and often crippling the companies with debt.

Examples of that abound. They certainly include the Automobile Association: within months of buying it, the private equity owners Permira and CVC Capital had cut 3,400 jobs, reduced front-line services for motorists drastically, and forced employees to work, if necessary, for longer than allowed by European Union regulations on pain of losing their jobs. If they were stopped by the police and found to be in contravention of the regulations, they would be sacked anyway.

Another example is Birds Eye. Permira pledged to keep workers' employment terms for at least three years, but within five months it had closed a plant in Hull at the cost of 600 jobs. In the case of Debenhams, the private equity partners increased the firm's debt from £100 million to £1.9 billion, paid themselves a dividend of £1.2 billion, sold the freehold of the stores for £500 million and leased them back, then floated the business and took another £600 million—thus making three and a half times their investment in a little over two years. Debenhams was left with huge interest payments, while having to pay rent on stores that it had previously owned. I need hardly add—for Members will be well aware of the fact—that private equity now appears to be lining up Sainsbury's and Boots for the same kind of treatment.

Roberto Italia, then of Warburg Pincus and now of Cinven private equity—one of the doyens of private equity—said, on a public platform,

"Of course we're out to shaft the companies we invest in".

The engine for such private equity plundering, as I would call it, comes from three tax changes made in the last 10 years. First, in 1998 the Government introduced taper relief on capital gains—I think quite reasonably, no doubt in the interests of promoting entrepreneurship—slashing capital gains tax for people owning shares in their own companies or in unlisted businesses from 40 per cent. to just 10 per cent., provided that they owned the assets for at least 10 years. The real bonanza started in 2002, when the Government—amazingly—changed the rules again so that people only needed to own shares for two years to qualify for the hugely valuable 10 per cent. tax concession.

Then—no doubt the Government did not anticipate this—most companies with highly paid employees began setting up elaborate so-called share-based pay schemes designed to disguise income as capital gains. In 2003, the Government changed the rules yet again to require shares received as part of a pay package to be declared as income. The private equity gravy train nearly ground to a halt at that point. Unaccountably, however, the Government then exempted private equity from the new rules. So the gravy train rolls on, as a special deal for private equity.

Quite apart from the morality involved, that loophole is costing the Treasury a fortune. For example—this is the kind of thing that is being contemplated in respect of Sainsbury's—from a mega-fund buyout of £10 billion, the private equity partners might expect to walk away after five or six years with up to £2.8 billion. If that were taxed as income, the Government would get £1.1 billion in tax; but if it were taxed as a capital gain, the effective tax rate might be as low as 7.5 per cent., which would amount to about £210 million. The Treasury would thus lose £900 million. Official figures show that the loophole is indeed costing the Treasury a fortune, with taper relief costing the Government £4.5 billion this year, up from £550 million in 1998.

Mr. David Gauke (South-West Hertfordshire) (Con): I note the right hon. Gentleman's criticism of taper relief, which was introduced when he was still a member of the Government. Does he recognise that it does not apply just to private equity, or indeed just to equities as a whole? It can apply to, for instance, second homes.

Mr. Meacher: Of course I recognise that it has been limited. My point is that, although the Government properly imposed a limitation to prevent income from being disguised as shares, an exemption was then granted to private equity alone. I find that extraordinary, and I seek an explanation from my hon. Friend the Minister.

Two features of private equity firms stand out: the extravagant management fees and the annual "carry"—the share in profits. Researchers at Manchester university recently obtained the internal management accounts of one firm with up to £8 billion of funds under management. After five years, the 30 full partners expected to make between £25 million and £50 million each.

All this raises several questions. Does the performance of private equity funds justify the huge fees that are charged to investors? Does the elaborate financial engineering deserve its tax-deductible status, or are shareholder loans simply a device to reduce tax liabilities? As the shadow of private equity falls everywhere, is it making the gamut of private business hyper-short-termist, exacerbating still further what I

regard as the lethal weakness of British industry? Is private equity merely a force for the immense enrichment of a few at the expense particularly of the employees who are taken over, but also of the long-term future of the company itself? I believe that those questions need much wider, more serious and more careful debate.

I am the first to recognise that the private equity industry claims that it generates more jobs and faster economic growth than other sectors of the economy, but the annual economic impact survey of the British Venture Capital Association—which I looked up—does not show that at all. Most of the 1,400 companies surveyed are at the lower end of the industry, which, as I said at the beginning, is in a very different position. They have benefited from less than £10 million of investment from venture capital and growth investors. That is all very healthy, but only 3 per cent. of the sample in the latest edition received investments of more than £50 million—this is where public concern lies—and more than 60 per cent. of those respondents said that sales, profits and employment were the same or worse under private equity. More particularly, private equity firms always tell us about the jobs that they have allegedly created—that is entirely fair. What they do not tell us about is the jobs that they have destroyed, or the net employment impact. That is what we need to know.

Against that analysis, there are several actions that the Government need urgently to take, starting with the Budget on Wednesday. First, the taper relief loophole in capital gains tax and the special exemption granted specifically, and unaccountably, to private equity firms should be immediately ended. I shall look for that in the small print of the Red Book on Wednesday. Secondly, tax incentives should be "staircased" to encourage long-term investment of 10 years or more and to discourage in-and-out, rapid asset stripping. I believe that the phrase that is used in the trade is, "Flip it and spin it". If it is, that is certainly to the bane of British industry. That needs to be strongly discouraged. We should have a tax incentives framework that strongly points in a different direction.

Thirdly, there needs to be much better transparency in private equity operations, not least a requirement for private equity firms to provide full quarterly reports in exactly the same way as publicly quoted companies.

Mr. David Drew (Stroud) (Lab/Co-op): Does my right hon. Friend agree that one of the problems arises where there is a carry-over from the existing ownership into the private equity firm? The private equity funding of that new firm also needs to be as transparent as possible. It does not have to be insider trading to make one question the way in which these relationships grow. Does he agree with that point?

Mr. Meacher: I do. One of the incentives for a private equity takeover is to avoid the kind of accountability that has always been at the forefront of public liability companies. Any reduction in that is extremely dangerous not just for employees, but for other stakeholders and particularly for shareholders, who are often kept in the dark as much as employees. I am aware of the setting up of an internal industry working party on disclosure under the City of London grandee, Sir David Walker. I welcome that as far as it goes. That is all very well, but it is no substitute for plc transparency, which is the minimum foundation for corporate accountability. In particular, there needs to be far greater transparency about the activities of some private equity firms—certainly not all, but some—in restructuring pre-existing company pension schemes, which may drastically affect workers' pension rights in future.

Fourthly, private equity is at present largely self-regulating, which is not acceptable given the immense power that many major private equity-controlled firms now wield. I would like to quote briefly from Ernst and Young's insolvency report last year, which states:

> "the amount of credit that lenders are willing to extend on PE transactions has risen substantially. Lending limits are increasing, multiples are rising, transaction structures are being extended, and covenants are weakening".

It went on to say:

> "In circumstances where many banks are involved in complex debt structures, due diligence is not as stringent. Banks are no longer in a position to sound the alarm if a company is too highly leveraged".

That comes from an accounting company that has international prestige. It is carefully worded, but the Government should pay very careful attention to it.

Fifthly, and most important of all, there need to be far greater rights and protection for the interests of employees in the companies that are taken over. If it is not to be casino capitalism—not necessarily my words, but that is how this is often seen—where workers' jobs and lives are gambled like so many counters on the gaming table, the promises made beforehand on jobs by private equity predators, because that is how they are seen, to gain control of companies should be statutorily enforceable. Private equity firms should be required beforehand to provide a public interest certificate or statement of the expected and intended impacts of the takeover on jobs, pay and terms and conditions of employees, as well as on debt, investment and the longer-term future of the target company. That statement should be contractually binding for a stated period, at least as far as the employment of the workers is concerned.

Those are just five key points—I could pick out a number of others, but they are the key ones—that the Government must urgently consider to allay the real concerns about current private equity operations. I look forward to their being addressed on Wednesday.

8.6 pm

Mr. Brooks Newmark (Braintree) (Con): I feel that this is a bit like round two of a debate that I had with the right hon. Member for Oldham, West and Royton (Mr. Meacher) on Radio Four's "Today in Parliament" programme last Friday. I was in the private equity industry for 14 years, and I declare an interest in this debate and draw hon. Members' attention to my entry in the Register of Members' Interests.

Listening to the right hon. Gentleman, I get a bit of the whiff of the 1970s. It brings me back to my teens. I can only assume that his campaign slogan for the Labour leadership will be "Back to the future with Michael Meacher". The reality of private equity bears

[Mr. Brooks Newmark]

no resemblance to the *Beazer* comic book analysis of private equity that, unfortunately, we have just heard.

I want to touch on several areas. On jobs, roughly one in six jobs in the private sector involves private equity. The right hon. Gentleman is absolutely right to be concerned about the relationship between private equity houses and the employees because they employ a lot of people, but jobs in firms controlled by private equity have grown much faster than in FTSE 250 or FTSE 100 companies.

Sales growth in private equity companies is roughly at 9 per cent. per annum. Again, the FTSE 100 companies grow at 7 per cent., FTSE 250 companies at 5 per cent. Again, exports by private equity-controlled firms grow at roughly 6 per cent. per annum, which is much faster than the national average of roughly 2 per cent.

Mr. Meacher: I referred to that in my speech. I commented on the fact that the British Venture Capital Association report, which is, I think, far and away the best evidence, indicates that what the hon. Gentleman said is true at the lower end of the market and for the smaller companies. However, when one looks at the smaller number of very large companies, that is not what the respondents are saying. The results are either the same or worse than under ordinary conditions. Private equity does not display the improvement that he claims.

Mr. Newmark: The BVCA analysis relates to all private equity companies. About 1,500 companies were invested in last year. Therefore, it covers the gamut; we are talking about private equity as a whole.

The final nail in the right hon. Gentleman's argument is to do with the notion of asset stripping. The reality is that investment by private equity firms grows at about 18 per cent. per annum, compared with the national average of about 1 per cent. per annum. Therefore, jobs are up, sales are up, exports are up and investments are up; so much for the accusation of casino capitalism, to which the right hon. Gentleman alluded in his speech.

The private equity industry invested £11.5 billion in 1,500 companies in 2005 alone. This country has a 50 per cent. market share in Europe; that proportion is three times higher than that of our nearest competitor, which I believe is France. The City loves private equity because £3.3 billion in fees is paid to the financial services sector, the Treasury loves private equity because private equity firms pay £26 billion in taxes, and, most importantly, the pension funds love private equity because private equity firms deliver superior returns.

The question is: where does the problem lie? It does not lie in the preferential tax treatment. The Economic Secretary admitted in a speech at the London Business School that all companies pay taxes on a level playing field. There is no special treatment for private equity firms. The problem is not to do with asset stripping either, because, as I mentioned, investment by private equity firms is 18 times higher than the national average. The problem is also not to do with just a few people lining their pockets, as the right hon. Gentleman implied. In my experience of private equity firms, the interests of the owners, the managers, the directors and the employees are aligned. Traditionally, most private equity firms have given share options to employees far deeper into the structure than have ordinary public companies or most companies in general. Therefore, when money is made, everybody is a winner, and when money is not made, no one makes money.

Mr. Gauke: My hon. Friend is making an important point. Does he agree that the following is the business position of a private equity fund: the intention is to acquire an investee company and to make money by disposing of it at a profit, and it will be able to do so only if it is disposing of a successful business that is making profits and providing a good service to its customers?

Mr. Newmark: My hon. Friend must be a mind reader, because that was precisely the point I was about to come on to.

We should consider what the pension funds do. They are among the biggest backers of private equity, and I assume that they would not back private equity if they felt that there was bad behaviour or poor governance, and if by backing PE they were not giving good returns to pensioners—in a trade union, for example, such as the GMB which I know invests in private equity. As my hon. Friend said, the reality is that private equity firms target underperforming assets and are a force for change, improving productivity and growth. Whether one is putting a company through the initial public offering—IPO—process or selling it on to somebody else, no one is going to buy it if they do not see continued opportunity for growth in it.

The key problem is to do with transparency. The right hon. Member for Oldham, West and Royton made an important point on that. When I began working in the private equity industry, buying a £25-million company was a big thing, but today there are billion-pound transactions—such as, potentially, those involving Sainsbury's and Boots. Therefore, the impact on the economy, employees and on people in general who are customers of such businesses is much bigger. Private equity has grown from a cottage industry to a more mature industry, and more transparency is needed. That is why I welcome the initiative of the BVCA in setting up a working party under Sir David Walker. Issues to do with transparency and governance are important as the PE industry continues to mature.

I remind the right hon. Gentleman that the Prime Minister, the Chancellor and the Economic Secretary have all welcomed the benefits that private equity brings to UK plc. It seems that even the Secretary of State for Northern Ireland has undergone a Damascene conversion. I was interested to read that he said in a *Financial Times* article of 20 February 2007 that

"equity funds can be important...and it is essential that we have a tax system that enables the City to remain the pre-eminent financial centre of the world...a return to Old Left solutions of punitive taxation is not the answer. Nor is heavy regulation".

I wonder whether the Economic Secretary might whisper a bit louder into the ear of the right hon. Gentleman.

Let me conclude by saying that I hope that the Economic Secretary will join me in applauding the achievements of the private equity industry, and that he will continue to safeguard Britain as a centre of excellence for private equity.

8.15 pm

The Economic Secretary to the Treasury (Ed Balls): I congratulate my right hon. Friend the Member for Oldham, West and Royton (Mr. Meacher) on securing this Adjournment debate. I wish to comment in detail on some of the issues that he has raised. Before I do so, let me also congratulate the hon. Member for Braintree (Mr. Newmark) on his elevation from the Back Benches to an advisory role on such issues. We look forward to receiving his contributions to the Finance Bill with relish, as always, in the coming months.

We have made great strides over the past decade in bringing about a stable economic environment to promote long-term decision making, and to promote investment, productivity, growth and job creation. We have taken important steps to make our economy more dynamic, to enhance competition and to deal with the challenges of globalisation. At the same time, our reforms to tackle short-termism and to promote long-term investment to deliver high and stable levels of growth and employment go beyond macro-economic policy; they also spread to employment, tax and industrial policy.

Unlike the hon. Member for Braintree, I take seriously the concerns expressed by my right hon. Friend. He has a track record of being concerned about the dangers of having a too short-termist approach to the economy. He knows, as do I, that there is a danger that high levels of unemployment and low levels of investment can arise if we do not tackle the sources of short-termism at root. As an employment Minister in 1997, he was involved in drawing up our new deal to take a more long-termist approach to employment policy. As Environment Minister, he pioneered the world's first ever economy-wide greenhouse gas emissions trading scheme in 2002, which has set an agenda in terms of the environment for a long-termist and market-based approach for dealing with carbon emission. That now has cross-party support. In other areas that perhaps are less relevant to the economy, such as clean bathing water, he also has an important record in promoting long-term investment to deliver public policy goals. Therefore, as I said, I take his concerns seriously.

I should make it clear at this point that I wish my right hon. Friend well in his endeavours in the coming months, but I will not be one of the 44. That will come as no surprise to him.

In order to tackle the risks of short-termism and to promote a more long-term and dynamic approach to the economy, we have introduced a number of reforms since 1997. We have introduced reforms to competition policy, because a robust and tough independent competition policy is necessary for there to be a dynamic long-term economy. We have also introduced reforms to our tax system to try to encourage long-term investment, including reform to the capital gains tax regime to promote more long-term investment, which is one of the most important reforms that we have introduced since 1997. We have promoted investment in science and innovation, and in education and skills. We have also introduced reforms in the area of corporate governance, following the reviews conducted by Paul Myners, Ron Sandler, Sir Derek Higgs and Sir Derek Morris, to help shareholders—and pension fund holders, the ultimate beneficiaries—in the deep liquid and dynamic capital markets to take a more long-term view of their role, given some of the concerns addressed in the reviews.

We start from a common view that short-termism has been a problem historically in our economy. It is important to find ways to address that and to have dynamism and competition, while taking a long-term view. At that point, however, I may part company from my right hon. Friend. The private equity debate has to be seen in the context of what is needed in economic policy to encourage a long-term view and promote long-term investment. Rather than taking a particular view of any particular form of ownership, the real issue for the economy, and for investors, savers and employees, is whether ownership structures support taking that long-term view.

I understand my right hon. Friend's concern that private equity as a form of ownership may promote a short-term view. I am sure that he will agree that as with any form of ownership there will be private equity owners who are short-termist, but there is no intrinsic reason to believe that they are more likely to be short-termist than any other form of ownership. Therefore, there is no reason why the Government should take a view that private equity per se is bad rather than good for the economy. In fact, I agree with the general secretary of the TUC who acknowledged recently:

> "Some companies have gone private genuinely to escape stock market short-termism."

Private equity can encourage a longer term view, and that is what the evidence suggests.

It is important to keep this debate in perspective. Private equity is still a relatively small part of the economy, but it has been growing fast in recent years. The issues that my right hon. Friend raises about risks to wider stability are serious and must be taken seriously. In a discussion paper published in November, the Financial Services Authority, the regulator of this activity, pointed to the importance of identifying potential risks that could arise from excessive leverage or unclear ownership of economic risk, and of being ready to act if necessary. The FSA also points out that such risks also arise in non-private equity ownership. We are alive to those issues.

The evidence base is not strong, because the area has not had sufficient scrutiny, but what there is suggests that private equity firms tend to hold on to companies for longer than the average length of time that institutional investors hold shares. That is academic evidence, not simply a biased view. Private equity does tend to have a negative impact on employment in the first year, but a study by Nottingham university showed that following a leveraged buy-out employment rose strongly, with employment levels 26 per cent. higher after five years. Another academic study, of more than 35,000 UK manufacturing firms, showed a substantial increase in productivity for those firms that received private equity investment.

[Ed Balls]

The evidence is patchy and we must view it with caution. I do not wish to comment on individual cases, but I acknowledge that there will be examples of short-termist behaviour. However, the evidence does not suggest that the Government should take a particular view of one form of ownership rather than another. Indeed, as I have said publicly and clearly, private equity can play an important and positive role in our economy in terms of promoting long-term investment, turning companies around and providing jobs.

My right hon. Friend quoted a private equity representative as saying that of course they were out to shaft the companies in which they invested, and that does not sound like a particularly long-termist view. However if, as the academic evidence shows, it has been possible for private equity firms to release value, promote productivity and, in the medium term, create jobs, one has to wonder why the previous institutional investors had not managed to do that in the first place. The general secretary of the TUC made that point in his comments on the issue.

Mr. Gauke: The Economic Secretary makes some important points, but does he recognise that the right hon. Member for Oldham, West and Royton (Mr. Meacher) speaks not only for himself, but for a large body of opinion in the Labour party, including several trade unions? The Secretaries of State for Education and Skills and for Northern Ireland have also made anti-private equity comments, and that damages confidence in that industry in this country.

Ed Balls: The private equity industry has acknowledged that it has been insufficiently open and transparent and that has partly led to some of the problems in public commentary to which the hon. Gentleman alludes. I shall not be drawn into commenting on potential leadership or deputy leadership elections, and I have not studied all of the statements that he mentions. Concerns have been raised and it is important that they are addressed. They are being addressed in two different ways.

First, I disagree with my right hon. Friend the Member for Oldham, West and Royton that the same level of reporting is required in a listed company and in a non-listed private equity company. On the other hand, clear, consistent and complete information is important. There have been improvements in best practice, but there is further to go and that is why we welcomed the announcement that Sir David Walker—who is well qualified to do the work—is to chair an independent working party to develop a voluntary comply-or-explain code to improve the private equity industry's transparency and level of disclosure. We welcome that review and that move in the direction of transparency, which I hope will help to allay some of the concerns that have been raised.

My second point relates to taxation. As I said, we have promoted several ways in which venture capital, and investment funds more widely, can support start-up companies and turnaround investment. They include the enterprise investment scheme, research and development tax credits and the capital gains tax taper relief. At the same time, we have been concerned that shareholder debt may be replacing the equity element in some highly leveraged private equity funding arrangements—a form of risk-bearing equity that is being treated as debt for tax purposes. We have rules to deal with those matters but, as Members know, about 10 days ago I announced a review to look at that issue in particular so that we can ensure that the current rules applying to the use of shareholder debt in such investments, where it replaces the equity element in highly leveraged deals, are working as intended. That will help to ensure that we have a long-term and consistent view.

Mr. Gauke *rose—*

Ed Balls: I was about to end by commenting on the six points made by my right hon. Friend the Member for Oldham, West and Royton but I will take one more intervention.

Mr. Gauke: I am grateful to the Economic Secretary. Some of the concerns about private equity relate not to transparency or indeed to specific tax treatment but to bonuses. Does he share the view of the Secretary of State for Northern Ireland and for Wales and other ministerial colleagues about bonuses, or does he think that is not a matter for the Government?

Ed Balls: Of course it is a matter for the Government. Our objective is both to promote long-term investment in jobs in our economy and to ensure that our tax rules work fairly, which is precisely why I announced a review into the borderline issues between debt and equity. However, I want to answer the points made by my right hon. Friend the Member for Oldham, West and Royton in his Adjournment debate. If I fail to cover the points raised by the hon. Member for South-West Hertfordshire (Mr. Gauke), perhaps he will come back on them.

First, my right hon. Friend referred to taper relief as a loophole. It is not a loophole; the Government made a deliberate decision to build consensus for a longer-term view of capital gains tax legislation and operation, which is widely supported by British industry. That is why the venture capital industry refers to the UK as a prime location for investment. Given the evidence I set out earlier about why that investment tends to work to the benefit of investment in jobs, that decision is all to the good.

Secondly, my right hon. Friend made a point about staircasing. We have been careful to ensure that the rules on capital gains tax relief reward risk and long-term investment but are also fair, which is why there are limits on their application.

Thirdly, my right hon. Friend spoke about the restructuring of company pension schemes. He referred to fears that adverse developments could occur, but we set up the pension regulator and strengthened the role of trustees precisely to make sure that the interests of pension scheme members are properly protected. I hope he will join me in supporting reforms for the proper protection of pensioners.

My right hon. Friend referred to the possibility that private equity firms might be trying to obtain particular benefit by disguising remuneration as capital gains rather than income. There is a careful balance to

be struck between promoting investment reward and risk and making sure that the tax system operates fairly, and we keep it under review at all times. It is well known to Members that since February 2006 we have been looking at how employment-related securities carrying interest apply, but over the past decade I think we have been striking correctly the balance between fairness and the promotion of jobs and investment.

Fourthly, my right hon. Friend referred to the importance of greater transparency. That is why we welcomed Sir David Walker's code and why we legislated in the Companies Act 2006 for more broad-based disclosure by medium and large companies.

Fifthly, my right hon. Friend asked that the provision of tax relief for leveraged buy-outs should be ended and suggested that in so doing we should disadvantage private equity in the tax system relative to other forms of ownership. As I made clear in a speech 10 days ago, that will not be the Government's approach. In fact, having quoted the TUC, I shall now refer to the words of the deputy director general of the CBI who said that ending the relief for interest costs

"would seriously damage long-term investment by UK companies both large and small".

That is not a mistake we intend to make.

Finally, my right hon. Friend calls for greater transparency in the run-up to takeovers. As I said, in the Companies Act and in supporting the disclosure code we encouraged a greater spirit of openness and transparency in the private equity industry so that the general case can be made for the impact of those qualities on investment and job creation.

Mr. Meacher: I appreciate the great detail with which the Minister has gone into my arguments and his very fair and balanced answers. On the last point, however, I did not ask for greater openness. I said that in the course of major and important takeovers, which can have massive effects on employees of the said company, there should be a requirement for a public statement or certificate that sets out what the private equity firm intends in respect of employment, pay, terms and conditions over a stated period—it cannot, of course, be indefinite—as well as in respect of debt, investment and the long-term future of the company. Given the importance and power of these companies and their significant role within the overall economy, it is reasonable that they be required to do that. Does my hon. Friend agree and, if so, should it not be enforceable?

Ed Balls: I made the point that I welcomed Sir David Walker's review into greater disclosure. I also think it right that the new business review will expand the information available to stakeholders, employees and the wider community. I do not think it right, however, to have a particular set of rules that disadvantage private equity companies relative to other parts of the economy. My right hon. Friend makes a broader point about disclosure, and I would expect, as the evidence suggests, that any company genuinely seeking to add value would want to have a consensus in the workplace, as well as with customers, as to the actions that are needed to turn a company around and promote greater investment and jobs in the medium term. I do not believe it right for us to impose a particular set of rules on private equity in that particular area that differ from those that are applied more broadly in the economy.

To conclude, I hope that I have shown both in my speech of 10 days ago and in tonight's debate that we take very seriously the points made on all sides of the House and all sides of industry regarding this matter. There are actions that need to be taken by private equity companies themselves, and we are closely watching developments in the area of disclosure; there are actions that the Government can take, and I have alluded to our tax review; and there are actions that need to be taken in the wider economy to ensure that shareholders, institutional investors and companies take a more long-term view of their responsibilities. In my view, that is the way to promote long-term growth in employment in our economy. We should not demonise a particular sector, but instead promote more long-term growth and job creation in our economy. That is the approach that will continue to guide this party in government.

Question put and agreed to.

Adjourned accordingly at twenty-three minutes to Nine o'clock.

House of Commons

Tuesday 20 March 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

BROADS AUTHORITY BILL (*BY ORDER*)

Order for Second Reading read.

To be read a Second time on Tuesday 27 March.

Oral Answers to Questions

FOREIGN AND COMMONWEALTH OFFICE

The Secretary of State was asked—

Terrorism (Iran)

1. **Mr. David Burrowes** (Enfield, Southgate) (Con): What recent assessment she has made of levels of Iranian support for terrorism. [128288]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): We have long-standing concerns about Iran's support for terrorism. We assess that Iran continues to fund and arm extremist groups engaged in violence in Iraq. It remains a leading supplier of military and financial assistance to Lebanese Hezbollah, and it funds and retains close links to Palestinian Islamic Jihad and Hamas.

Mr. Burrowes: Does the Secretary of State believe that the United Nations Security Council's proposed sanctions against Iran will put adequate pressure on Iran not to acquire nuclear weapons and not to support terrorist organisations such as Hezbollah and Hamas with funding and weapons? Is there any real prospect for peace in the middle east if Iran's nuclear ambitions and support for terrorism are not thwarted?

Margaret Beckett: As I have said to the House before, it is a deliberate decision by the international community to seek sanctions against the Government of Iran, but to do so in a way that is incremental, reversible and deliberately designed to encourage Iran into negotiation rather than continued defiance. The hon. Gentleman asked me whether I thought that the sanctions would be adequate. If he is asking whether I think that this is all that is required to be done, the answer is no. That is deliberately not the way in which the international community is approaching this matter. If, as we hope, a resolution on the issue carries later this week, that will represent a further indication to the Government of Iran that, yes, there is a choice open to them, but that to choose to remain as they are will not be cost free.

Mrs. Louise Ellman (Liverpool, Riverside) (Lab/Co-op): What action is being taken to prevent Iranian support for terrorism through re-arming Hezbollah in Lebanon in contravention of the UN resolutions and in the face of the presence of the United Nations Interim Force in Lebanon—UNIFIL—which seems powerless to do anything about it? Is she concerned that there could be a parallel with what happened during the years between Israel leaving Lebanon and the outbreak of the war, which was damaging for all sides?

Margaret Beckett: I think that the whole House will share my hon. Friend's concern about the consequences of re-arming Hezbollah in the way that she has described. We are aware of the Israeli Government's concern that some re-arming is taking place. We also believe that UNIFIL is acting as something of an obstacle. My hon. Friend will know that other steps are being taken to increase supervision at the border, to try to impede the continued transfer of arms. That is also a concern of the United Nations, whose Secretary-General continues to express anxiety about the matter. I can assure my hon. Friend that it is not our understanding that there is still a free flow of arms, as was the case in the past, but we share her concern about any continued flow of arms to re-supply Hezbollah. We continue to keep up pressure on the Government of Iran and on those who are active in Lebanon to resist and obstruct any such activity.

Mr. Brian Binley (Northampton, South) (Con): The Government have refused to accept the judgment or the spirit of the European Court of First Instance to annul the proscription of the main opposition party in Iran, the People's Mujaheddin of Iran—the PMOI. Will the Secretary of State, whose Government have so shamefully refused to enact the judgment of a legally constituted court, tell us what impact she expects this to have on the world at large?

Margaret Beckett: We continue to take the view that the course of action that we are pursuing is correct, and we always regret it when our view is not shared by others. Of course, we engage in dialogue and take heed when views of the kind that the hon. Gentleman describes are expressed, but we do not intend to change course at present.

Mr. Wayne David (Caerphilly) (Lab): Clearly, the Iranian Government have a choice: to work with the international community or to defy it. Will the Foreign Secretary confirm that, if they continue to defy international opinion, she will work to ensure that they become increasingly isolated, politically and economically?

Margaret Beckett: I can certainly give my hon. Friend that assurance. There are indications that the Government and other major players in Iran are becoming concerned that their course of action continues to be resisted by the international community—in a way, it

appears, they had not expected. I assure my hon. Friend that we will search for opportunities to keep up the pressure, not least because the Government of Iran have consistently claimed that they were carrying out enrichment and reprocessing in order to have access to modern civil nuclear power. Access to such power is available to them by peaceful means through the international community, in a way that would be acceptable and, indeed, almost unprecedented. We shall continue to press Iran to pursue that course.

Willie Rennie (Dunfermline and West Fife) (LD): Following the tentative steps towards substantive discussions between the United States, Iraq, Iran and middle east neighbours, what additional encouragement can the UK Government give the United States to engage further in discussions with Iran?

Margaret Beckett: I believe that the hon. Gentleman is referring to the neighbours conference that took place in latter days. That is an ongoing event, but the Government of Iraq, who hosted the conference, also involved the G8, the P5 and others on this occasion. Several international players, including the United Kingdom, were therefore present at an official level. I am told by those who attended the conference that it was constructive and useful, and further discussions are taking place about whether a similar event might take place at ministerial level. I do not anticipate that happening in the near future, but if it appears that such an event might be scheduled and that it might help to take forward international support for peaceful development in Iraq, we will certainly play our part.

Andrew Mackinlay (Thurrock) (Lab): May I take the Foreign Secretary back to her reply to the hon. Member for Northampton, South (Mr. Binley)? She said that the Government continue to take the view that the PMOI should be proscribed, but she has not told the House why, and what more it should do to satisfy the Foreign and Commonwealth Office that it has a clean bill of health and that it has given up military action. What more can it do, and why does she continue to ignore the views of the European Court and insist that that organisation stays on the list? That flies in the face of the views of distinguished parliamentarians, including our former colleague Lord Archer of Sandwell and former Conservative Home Secretary David Waddington. The view—

Mr. Speaker: Order. I think that the Secretary of State might manage a reply.

Margaret Beckett: My hon. Friend quotes a number of people, not least our former colleague Lord Archer, for whom I have great personal respect. I am afraid, however, that we continue to judge that there is insufficient evidence to show that that body has turned away from the path of terrorism and violence. Until we judge that the evidence demonstrates that much more fully, it would not be right or responsible to lift the proscription.

Mr. William Hague (Richmond, Yorks) (Con): Will the Government support the idea of the forthcoming UN resolution adding prominent members of the Iranian Revolutionary Guards Corps to the list of those targeted by financial sanctions, given its role in the funding and carrying out of violence in Iraq and Lebanon? Do not we need a sharp increase in the peaceful pressure on Iran in the form of financial sanctions by European Union countries, in addition to UN sanctions, so that the maximum peaceful pressure is applied before it is too late?

Margaret Beckett: We do consider how such sanctions could be extended, but we have consistently taken the view, which the right hon. Gentleman might share, that part of the key goal of the E3 plus 3 should be to maintain unity among ourselves. We would therefore rather have a resolution that does not go quite as far as some would want than one on which we are divided. I assure him that we maintain the maximum amount of pressure to make our stance as strong as possible, but we are also mindful of the wish to maintain agreement.

On the right hon. Gentleman's reference to the possibility of further action by the EU, he might be aware that we urged EU colleagues at the recent General Affairs Council to exploit to the full the opportunities presented by the UN list, and to consider financial measures that the EU can take outside the UN sanctions regime.

Bilateral Relations (Nigeria)

2. **Helen Goodman** (Bishop Auckland) (Lab): What discussions she has had with the Nigerian Government on bilateral relations; and if she will make a statement. [128289]

The Minister for Trade (Mr. Ian McCartney): The UK and Nigeria have had excellent bilateral relationships. The Under-Secretary of State, my noble Friend Lord Triesman, visited Nigeria on 1 February and had discussions with the President, the Interior Minister, the Minister for Federal Capital Territory and the chairman of the Independent National Electoral Commission. He had discussions with the Vice-President in London on 19 February.

Helen Goodman: I am grateful to my right hon. Friend for that answer. I recently met a delegation of Nigerian parliamentarians who were concerned about the integrity of the forthcoming elections. Have the Government discussed that with the Nigerian Government? What support are we giving to ensure that those elections take place on a proper basis?

Mr. McCartney: I thank my hon. Friend for that question. We have indeed discussed the matter and we understand the vice-president's concerns about the unfairness of the process. We have commitments from the Government and the electoral commission that elections will be held on schedule in April. There is great expectation among the Nigerian people and we would be concerned if the elections were delayed for any reason. Consequently, we are helping to do two things. First, the European Union and the Commonwealth plan to send observer missions to the elections. Secondly, we have put in place a £7 million

election programme fund to help create conditions for a successful election. It includes assisting with voter registration and voter education programmes.

Mr. Gary Streeter (South-West Devon) (Con): I commend the Minister and his Department for the pressure that they have applied to the Nigerian Government to ensure that the elections take place in four weeks, thus embedding important democratic events in that strategic nation. Will he say a little more about whether we will send parliamentarians from, for example, this country, as election overseers and monitors? Will he provide more detail about how we will link with the EU in overseeing that important election?

Mr. McCartney: I am hopeful that the EU and the Commonwealth will consult us about representation from this place. I will report back to the House on the discussions that are taking place to ensure that the hon. Gentleman's wishes, which are shared cross party, come to fruition. It is critical that the observer posts are as strong as possible. A recognition of our role in Nigeria would be welcome.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): What discussions has my right hon. Friend held with the Metropolitan police and the chairman of the Economic and Financial Crimes Commission in Nigeria on the seizure of property in this country by those identified as being involved in and charged with corruption? Such people effectively take the money from the poorest people in Nigeria and launder it in this country.

Mr. McCartney: I thank my hon. Friend for that question. I have not met the Economic and Financial Crimes Commission in Nigeria, but the Metropolitan police and my officials in the Foreign Office are working closely with it. In the past few months, that work has led to the arrest in London of a former Nigerian governor and the repatriation of £1 million to the people of Nigeria. We will continue such capacity building. The commission is important and it contributes to rebuilding democratic structures and institutions in Nigeria.

Substantial progress needs to be made on corruption. I give a commitment that not only the Government, but the European Union will work with a capacity-building project, to which we will contribute, to ensure that the Nigerians have the ability to track down corruption effectively, end it and return the stolen resources to their people.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Nigeria is a huge country of 140 million people. It has extreme wealth, accounting for 20 per cent. of United States oil supplies, yet it also suffers extreme poverty. One in five children does not live to the age of five; 7 million children do not go to school; and 55 per cent. of families do not have access to clean water. There is therefore a desperate need for change in that country. Will the Minister pledge today not only that we will participate fully in observer status in the elections and help the Independent National Election Commission, but—more important—that immediately after the presidential elections he will act as a broker between the United States and ourselves to ascertain how a genuine package of assistance can be put in place to help one of the poorest countries in the world?

Mr. McCartney: I thank the hon. Gentleman for his question. I believe that everyone understands where we are coming from on the elections, the resources for them and observer status to ensure that they are fair, free and democratic. Again, Britain has been at the forefront of cancelling debt. For example, the United Kingdom alone has cancelled £2.5 billion. Some $18 billion of debt has been cancelled through the Paris Club deal. Indeed, 60 per cent. of Nigeria's debt has already been written off. That is crucial for the reasons that the hon. Gentleman gave: writing off debt must channel into capacity building for health, education and infrastructure. Every dollar that we write off is a dollar to be spent on the children and citizens of Nigeria. We are at one on that.

Mr. Mark Field (Cities of London and Westminster) (Con): My constituent, Mr. David Littlechild, spent some weeks earlier this year in prison in Lagos. I want to take this opportunity to put on the record my thanks to the Minister for the hard work that was undertaken by his Department, and particularly by Lord Triesman and his civil servants. There were, however, specific concerns about the speed and quality of the service of the high commission. Will the Minister make representations in respect of our embassies and high commissions in other countries in sub-Saharan Africa, to ensure that British nationals are properly looked after?

Mr. McCartney: I thank the hon. Gentleman for his comments, although I take no credit as my noble Friend Lord Triesman and our staff on the front line did that work. It is important to understand that our staff on the front line—whether in Africa or elsewhere where there are difficulties—try to help British nationals in distress on a daily besis. Sometimes that can be done quickly and effectively, and on other occasions it can take a considerable amount of time, but, hopefully, it is always done effectively. I will take back to the Department the hon. Gentleman's good wishes, but I also give him this assurance—not just by our embassies working on their own, but by them working in partnership with other countries' embassies in difficult areas of the world, we are trying to ensure that our front line has the capacity to intervene and to assist British nationals who have problems. Sometimes those problems are of their own making and sometimes they are not, but regardless we try our best to ensure that there is effective representation for them.

Humanitarian Intervention (UN Policy)

3. **Mr. David Hamilton** (Midlothian) (Lab): If she will make a statement on recent progress towards reform of UN policy on humanitarian intervention. [128290]

The Minister for Trade (Mr. Ian McCartney): We strongly support the United Nations world summit agreement on the responsibility to protect. That was an important development in international thinking on intervention where states are unable or unwilling to

protect their populations. We have encouraged the Security Council to act in accordance with that principle, although some members have resisted. We have secured references to it in important resolutions on the protection of civilians in armed conflict situations, such as in Darfur.

Mr. Hamilton: I thank the Minister for that answer, but may I take him one point further? Is it not the case that because of some British overseas involvements, especially in Iraq, our position on humanitarian aid has been compromised as we are often seen as a puppet, and not as a country fighting for the rights of individuals in countries that are ruled by dictatorships?

Mr. McCartney: No, I reject that, and I shall give an example from the past seven days showing why what my hon. Friend says is not the case. Last week in Darfur I had a meeting with a Sudan Justice Minister and the inability of the Sudan ministries to take action to ensure the safety of their own population. In that regard, it is essential that we give leadership on the responsibility to protect. The international community has a responsibility, but individual Governments also have the responsibility to work with the international community. In Sudan, we have so far put in £60 million to support the creation of a UN international peacekeeping force. The problem has been the unwillingness of the Sudanese regime to participate effectively. As a consequence, there is a continuing deterioration in the situation of the citizens of Darfur and of Sudan in general. So no, we are not second-class citizens when it comes to arguing this case. We are fully behind the responsibility to protect, and the more we do that, the more that countries that are reluctant to do so will be forced to take their responsibilities to their own citizens seriously.

Mr. James Gray (North Wiltshire) (Con): The responsibility to protect is, of course, not the United Nations' responsibility; it is the responsibility of the host nation—of the nation concerned. Does the Minister agree that one nation that has demonstrably fallen down in its responsibility to protect is Zimbabwe? When will the Government do something worth while in respect of Zimbabwe?

Mr. McCartney: My right hon. Friend the Secretary of State will deal with that question in response to the next question. *[Interruption.]* No, I am not trying to dodge the question. Members in all parts of the House know about the work that I have been trying to do, in my ministerial role, on Zimbabwe. Importantly, we raised the subject of Zimbabwe last week at the Human Rights Council. We raise it each and every day both in this country with the Zimbabwean Government and in post in South Africa, as well as in Zimbabwe itself. It is essential that the international community, and our colleagues in South Africa in particular, take responsibility for the deteriorating situation in Zimbabwe. This Government are fully committed to a system that ensures that the citizens of Zimbabwe are able to move towards a democracy. In the meantime, it is important to deal with the humanitarian crisis there and the inability of civilians to perform the duty of representing their interests in Zimbabwe. I have no doubt that my right hon. Friend the Secretary of State will say more about that in her response to the next question.

John Bercow (Buckingham) (Con): Given that the international community has adopted the doctrine of the responsibility to protect, but that genocidal violence continues apace in Darfur, that savage human rights abuses are a daily fact of life in Zimbabwe, and that the bestial military junta in Burma continues to torture—all of which happens with impunity in respect of the United Nations—can the right hon. Gentleman, whose commitment I do not doubt, offer the House his best guesstimate as to the year or decade in which the noble aspiration to protect will be translated into effective practice?

Mr. McCartney: On one level, the hon. Gentleman was being very kind; on another, he asked me a question to which he knows I cannot give an honest answer, in a sense. I wish that I could say that, next week, the Justice Minister in Darfur will take the steps necessary to end the violence there, but I cannot. I wish that I could say that the Burmese junta will immediately release all political prisoners. I wish that I could say that North Koreans will open up their society in the way that they need to do. The point is not to give up on human rights, which is a long-term strategic issue. The big thing for me since I got this job—out of interest, I point out that I am the most partisan politician in the House that anyone could wish to meet—is that we are developing a common purpose and approach on many of these issues, which is critical. The newly formed Human Rights Council gives us the first opportunity in 25 years to have a serious dialogue with those states about ending their human rights abuses. Britain is, and will continue to be, in the forefront in that regard.

Zimbabwe

4. **Mr. Philip Hollobone** (Kettering) (Con): What steps she is taking to address the political situation in Zimbabwe. [128291]

6. **Mr. Andrew Robathan** (Blaby) (Con): If she will make a statement on the political situation in Zimbabwe. [128293]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): It is evident that the severe economic and humanitarian crisis now facing ordinary Zimbabweans is entirely the fault of the misguided policies of President Mugabe and his Government. With the international community, we are pressing him and others in his Government to reverse course and to end human rights abuses and political violence, to stop gross economic mismanagement, and to take the necessary steps to lead Zimbabwe to a better future.

Mr. Hollobone: Under the evil, violent and increasingly despotic regime of Robert Mugabe, thousands of the citizens of Zimbabwe, which was once the bread basket of southern Africa, are dying of malnutrition and disease every month, and average life expectancy has fallen to just 38. What hope can

the Foreign Secretary offer to Morgan Tsvangirai and others who would lead a free and democratic Zimbabwe that Robert Mugabe's regime is under the intense scrutiny of Britain, the Commonwealth and the international community, and that something effective will be done in the very near future to ensure that that regime comes to an end?

Margaret Beckett: I simply say that, of course, there is considerable concern across the international community and the hon. Gentleman is right to identify it. It is important to make it clear, particularly in this House, that, yes, the United Kingdom is greatly concerned about the situation in Zimbabwe, but that those concerns are shared by the whole European Union, by the African Union—sadly, those concerns have not always been expressed as loudly as they might be—by the United Nations and by the whole international community. It is very important that we recognise that this is not a bilateral dispute between Britain and Zimbabwe; this is about the whole international community expressing concern about a very dangerous and deteriorating human rights situation. We will keep up the pressure through all those bodies.

Mr. Robathan: It is difficult to understand why the Government have been so dilatory and slothful over half a dozen years in showing leadership and taking firm diplomatic action against Zimbabwe. Can the Secretary of State say specifically why John Bredenkamp, close family members of the regime and other members of it are not on the travel ban and do not have personal sanctions against them? Why is food aid still allowed to be used as a tool of manipulation by the Zimbabwean Government? Has Robert Mugabe been relieved of his honorary knighthood? I have yet to discover whether he has, but I hope so.

Margaret Beckett: The hon. Gentleman asked what we do to prevent food aid being used as a tool. Of course, we make absolutely sure that the food aid and other aid that we send is channelled through the United Nations or, on occasion, through non-governmental organisations, and that it does not go through—

Mr. Robathan: It is used as a tool.

Margaret Beckett: Of course food aid that goes to Zimbabwe is used as a tool, but not UK-funded food aid, which is what I am responsible for. We have to deal with the reality. I understand and share the hon. Gentleman's anger and distress at the situation in Zimbabwe, but to pretend that Britain alone can somehow wave a magic wand and bring about an end to this tragic situation is clearly entirely wrong. We do everything that we can. I believe that the hon. Gentleman is right in saying that President Mugabe still retains his honorary knighthood. The hon. Gentleman may wish to give him further publicity by making that the focus of attention, but I have more concern for the welfare of the people of Zimbabwe than for whether or not Robert Mugabe has an honour to which he is not entitled.

Mr. David Winnick (Walsall, North) (Lab): Most fair-minded people would accept that Britain is doing all that it possibly can to draw attention on the international scene to what is happening in that unhappy country. Does my right hon. Friend accept that many of us are very disappointed that South Africa has not recognised the tremendous harm being caused by Mugabe—an outright gangster clinging on to power—and would it therefore be useful if South Africa did what is necessary to help the people in Zimbabwe?

Margaret Beckett: As I said in response to the hon. Member for Kettering (Mr. Hollobone), we continue to discuss the issue and exert pressure through the various international bodies, including the African Union. There have been discussions in recent days with the president of the African Union and the president of the Southern African Development Community, who are also anxious about the situation in Africa. We are urging that we should use the opportunity identified by my right hon. Friend the Minister for Trade of the new Human Rights Council to focus discussion on the worrying and deteriorating situation in Zimbabwe. Of course, we seek discussion and support from African countries, including South Africa, in endeavouring to do that, because of the belief that the HRC is the right place to take those discussions forward.

Kate Hoey (Vauxhall) (Lab): I pay tribute to the work that the Minister for Trade has done on this issue over the past few months. Does my right hon. Friend the Foreign Secretary agree that the rather measly words of South Africa on this issue are of real concern, especially in comparison with the Congress of South African Trade Unions, which has strongly condemned what is happening in Zimbabwe? Does she also agree that the G8 summit to be hosted by Germany in two months' time will be an opportunity to say straightforwardly to South Africa that if it wishes to take the lead in leading southern Africa into democracy, it has to speak out and declare absolutely that what Mugabe is doing will not be allowed to continue?

Margaret Beckett: I am aware of the honourable and strong stance taken over a considerable period of time by COSATU, which has long been active and vocal on this issue. My hon. Friend refers to the opportunity to discuss the matter at the G8 and I can assure her that if the position remains as it is, it is likely that some discussion will arise in that context. However, as I hope I indicated a moment ago, we do not intend to wait for that summit before discussing those issues. I have discussed them this week with my South African counterpart and we are endeavouring to get a head of steam behind a discussion in the UN Human Rights Council in the very near future.

Mr. Michael Ancram (Devizes) (Con): Will the Foreign Secretary explain the Government's attitude to ethnic cleansing, murder, tyranny and oppression in Zimbabwe over the past eight years compared with their attitude to similar outrages in the Balkans? Why is it, as hinted by Morgan Tsvangirai over the weekend, that this Government have consistently walked by on the other side in respect of Zimbabwe?

Margaret Beckett: The right hon. and learned Gentleman will know that we condemn ethnic cleansing and endeavour to resist it wherever it occurs,

not least in the Balkans, perhaps in contrast—if I may say so—to what sometimes happened under our predecessors. I also remind him that although I have seen reports in certain sections of the British news media, I have not seen any attribution to Morgan Tsvangirai of the words that the right hon. and learned Gentleman used about the British Government walking by on the other side. I have seen reports of statements by Morgan Tsvangirai that suggested that the British Government had not done enough. I have also seen reports of a full statement made by him live on television, in which he said in terms:

"The British Government cannot be seen to be at the forefront of confronting Mugabe alone. I have always said that that will be misconstrued."

He said that Britain should act together with the international community, the African Union and so on. Why only the part of his concern that suggested that he would like to see the British Government do more—which I completely understand—was reported in some organs of the media is outside my competence.

Kali Mountford (Colne Valley) (Lab): I am listening carefully to my right hon. Friend. It seems to me that there is a fine line between taking clear action against Zimbabwe's despotic regime and stirring up a response that could lead to Britain's role being misunderstood. Does she agree that our opposition to Mugabe's regime must be clear, and that we should act with our EU neighbours to put pressure on the African Union to ensure that a united effort is made?

Margaret Beckett: My hon. Friend speaks very wisely, if I may say so. Successive Foreign Secretaries in this Government have been guided by three concerns when dealing with Zimbabwe. First, we have given priority to the interests of the people of Zimbabwe, and we have done everything in our power—in ways that the Government of Zimbabwe could not manipulate—to help, support and aid them, not least through direct food aid, and so on. Secondly, we have always acted in ways that would promote reform and genuine democratic dialogue in Zimbabwe, although we have been careful not to give Mugabe an excuse to act against those in Zimbabwe who are prepared to stand up to him publicly, as that would be to put them at further risk. We have always tried to be guided by what those people have said was the balance to be struck between supporting them and not putting them at risk.

Thirdly, the Government have been guided consistently by the fact that Mugabe has always used any stance taken by the UK as an excuse to stir up support among people elsewhere in Africa—and I suspect that this may be one of the reasons other African Governments stay their hands in respect of Zimbabwe—for claims that the dispute is between the old colonial power that wants to take back power and to interfere with Zimbabwe, and Zimbabwe's heroic revolutionary Government. Sadly, those claims have much too much resonance in Africa. That is why we have always tried to make sure that we deprive Mugabe of that excuse, while remaining strong in condemnation of his actions.

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): I lived and worked in Zimbabwe for almost two years, and I share Members' expressions of concern. The Foreign Secretary has said that she wants to achieve more effective sanctions, but will she consider encouraging an urgent meeting of the Commonwealth Heads of Government to try to promote a high-level visit to Zimbabwe, preferably under President Thabo Mbeki? He could make it clear to Mr. Mugabe that the only final service that he can make to the welfare of his country is to resign as soon as possible.

Margaret Beckett: The right hon. and learned Gentleman draws on his own experience to make an interesting suggestion, and I shall certainly give it consideration. However, the precedents are not very encouraging, as he will know. It is true that President Kikwete of Tanzania was able to go to Zimbabwe during the week, on behalf of SADC, but the right hon. and learned Gentleman will recall that it is not so long ago that the UN Secretary-General sought to visit Zimbabwe to express exactly the concerns that have been expressed here today, yet was not permitted to do so.

Tom Levitt (High Peak) (Lab): My right hon. Friend will be aware of newspaper reports today that 3,000 militia might be sent from Angola to Zimbabwe support Mugabe's repressive regime. Will she comment on the truth or otherwise of that story? If it is true, will she make it clear to Angola's representatives—and to those of any other country wanting to act in a similar way—that they would be treading on very dangerous ground?

Margaret Beckett: I can tell my hon. Friend that, like him, I have heard those rumours this morning. As yet, I have heard nothing to substantiate them or to clarify the purpose of such activity. However, I assure my hon. Friend that that will be one of concerns that we will be pursuing over the coming days.

Mr. William Hague (Richmond, Yorks) (Con): Can the Foreign Secretary confirm whether visas issued to a Zimbabwean delegation attending an EU meeting in Brussels today included an individual banned by the EU from travel to Europe for serious violations of human rights, even though in the past few days the Mugabe regime has violently prevented opposition figures from leaving Zimbabwe to attend the very same Brussels meeting?

Margaret Beckett: The right hon. Gentleman makes an extremely pertinent and powerful point. It is my understanding that one of those who travelled to the meeting in Brussels was indeed on the banned list, but that his visa was issued in error by—I believe—the Belgian Government. There has been some suggestion—I do not know whether it is a misunderstanding—that an NGO suggested that one of those people travelled through London, so I take this opportunity to tell the right hon. Gentleman that the British Government have issued no such visa.

Mr. Hague: We welcome the news that there was an error, but such errors, as well as admitting a Zimbabwean delegation at a time when opposition figures are being beaten senseless at the airport, suggest that the EU cannot muster the consistency and courage even to enforce the measures on Zimbabwe on which it has already agreed. Is not it time for the EU to agree

and enforce additional asset freezes and visa bans on members of the Mugabe regime, and to make it clear that anyone on the EU sanctions list should be excluded from attending the EU-AU summit in Portugal later this year? Otherwise, the summit will become an immense embarrassment for Europe and give Zimbabweans the impression that Mugabe is still welcome overseas.

Margaret Beckett: I entirely share the right hon. Gentleman's sentiments. The Government of Belgium have apologised for the error and withdrawn the visa. I also share his concern that we should consider additional asset freezes, visa bans and so on, and the extension thereof. It is certainly something we shall be pushing with our EU colleagues in the days to come.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): The House is united in its condemnation of the brutality of the Mugabe regime and in its tribute to the bravery of Morgan Tsvangirai and countless others who refuse to be cowed by the oppression of Zimbabwe's thugs. We certainly support the tightening of existing sanctions from Europe and the contemplation of new ones, as has just been discussed.

Returning to the subject of South Africa, can the Foreign Secretary confirm that South Africa rebuffed British attempts to have recent events discussed at the UN? For all the difficulties with diplomatic conventions, does she agree that when Britain takes the chair at the Security Council it ought to ensure that there is a debate on Zimbabwe and, if necessary, embarrass countries in Africa and elsewhere that would object to it?

Margaret Beckett: I have not had a chance to have the report checked, but I have seen the suggestion that the South African Government impeded discussion of Zimbabwe in the Security Council. However, part of my conversation with the South African Foreign Minister was that the proper place for such discussion was, initially, in the new Human Rights Council. We share that view. There may be a time for the matter to come to the Security Council, but the Human Rights Council is the right place for discussion now. Before coming to the Chamber I did not have a chance further to explore the stance taken by South Africa, but I believe that it is not necessarily inconsistent with the wish to see the matter pursued in the Human Rights Council.

Israel/Palestine

5. **Simon Hughes** (North Southwark and Bermondsey) (LD): What recent assessment she has made of the political situation between Israel and the Palestinian territories; and if she will make a statement. [128292]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): We welcome the latest bilateral meeting between Israeli Prime Minister Olmert and Palestinian President Abbas on 11 March and hope those meetings continue. We also hope that the national unity Government will support President Abbas in taking the process forward. The peace process will move forward only through constructive dialogue.

Simon Hughes: I thank the Foreign Secretary for her answer. I hope she agrees that everything needs to be done to support and sustain the unity Government and to encourage the surrounding countries, including Israel, to see that Government as a sign of progress, not a backward step. Will she assure the House that we as a Government are working as closely as possible with the Palestinian Authority to make sure that Corporal Shalit, the Israeli soldier, and Alan Johnston, the BBC's Gaza correspondent, are released as soon as possible? That will be seen as a test of the credibility of the Palestinian authorities in working for peace for all the people in the region, and not just one faction.

Margaret Beckett: We continue to work closely with the Palestinian authorities and I spoke to President Abbas only yesterday, I think. We welcome the formation of the Government of national unity and we hope to see them move clearly in the direction of respect for the Quartet principles. We will judge not only their platform, but their actions in that respect. I accept entirely the burden of the remarks that the hon. Gentleman made. Few things could do more to breathe fresh life into the middle east peace process than the early release of Corporal Shalit and of the BBC reporter Alan Johnston.

Jeremy Corbyn (Islington, North) (Lab): What pressure are the Foreign Secretary and the Foreign Office putting on the Israeli Government in respect of the continued policy of illegal settlements throughout the west bank by Israel and the continued construction of the wall on Palestinian land, which encroaches on Palestinian villages and prevents the legal and free movement of ordinary Palestinian people? That is a major cause of some of the problems between the two communities.

Margaret Beckett: We continue to have dialogue with the Israeli Government to press them on the issue of settlements, which, of course, we oppose and on the war. Our approach on these matters has been consistent for a considerable period, but certainly we continue to press the Government of Israel on these issues, not least because we believe that they are counter-productive from the point of view of moving the peace process forward.

Mr. Mark Harper (Forest of Dean) (Con): Does the Foreign Secretary agree that Hamas should agree the principles enunciated by the Quartet? What steps does she propose to take to make sure that the new unity Government do that as soon as possible?

Margaret Beckett: As I said a moment ago, we continue to have dialogue with those who have been negotiating the formation of the new unity Government. We strongly share the view that this is a moment of considerable potential and that it is important that the new unity Government are seen to move in the direction of the Quartet principles. We also, of course, share the anxiety to maintain international support for the people of Palestine, because their humanitarian and economic situation continues to be grave and needs attention.

Mary Creagh (Wakefield) (Lab): What representations has my right hon. Friend made to the Palestinian unity Government about the fate of the BBC journalist Alan Johnston, who has been missing, presumed kidnapped, for more than eight days, with no word on what has happened to him? Will she use all diplomatic resources and channels at her disposal to ensure Mr. Johnston's safe return? He is a brave journalist who has done much to illuminate the plight and the suffering of the people of Gaza to the British people.

Margaret Beckett: I assure my hon. Friend that when I spoke to President Abbas we discussed the case of Alan Johnston. For our part, we—the British Government—are using every channel and opportunity that we can to try to secure his release. I am assured by President Abbas that that is also very much a goal of the Palestinian Government and authorities. It is extremely important that we try to secure his release. I saw the tail-end of an interview yesterday with Mr. Johnston's father. It is particularly sad when someone who has been a long-standing friend of the people of Palestine suffers in this way, and it does nothing to help.

Human Rights (Tibet/China)

7. **Norman Baker** (Lewes) (LD): What recent assessment she has made of the human rights situation in (a) Tibet and (b) China; and if she will make a statement. [128294]

The Minister for Trade (Mr. Ian McCartney): We regularly assess the human rights situation in China and Tibet. I have invited the Foreign Affairs Committee to meet me to discuss our work on Tibet in more detail. We welcome recent progress on human rights in China, including on the death penalty. However, we retain serious concerns about a number of areas, including the non-ratification of the international covenant for civil and political rights. My first meeting with the incoming Chinese ambassador will include those issues, as well has how to take forward the UK-China human rights dialogue.

Norman Baker: I am grateful to hear that, because the Minister knows that China, as the occupying power in Tibet, continues to show a blatant disregard for the human rights of Tibetans, not least with the recent shooting in the back of innocent refugees who were attempting to flee across the Himalayas and the detention and torture of those who survived. With the Olympic games shortly upon us in Beijing, will the Minister hold the Chinese firmly to their word and ensure that there is uninterrupted and unrestricted access by journalists to Tibet? Will he press for the early release of the Panchen Lama, who was six when he was taken prisoner and is 18 next month and is the longest-serving, youngest political prisoner in the world?

Mr. McCartney: I will take all three questions. First, we are committed to working for the Panchen Lama's well-being and for access to him—we have been extremely active on that. Secondly, I take a stronger view on access during the Olympic games. We welcome the fact that access will be opened up during the Olympic games and hope that that will be a Pandora's box and that access will be maintained after the games. We had an active conversation on 5 February with the Chinese Government at a high level about the Nangpa La pass shooting, which was described to me as an "accidental incident". In May, at the European Union human rights dialogue with China, we will follow up the shooting and the ill treatment of detainees that followed it.

David Taylor (North-West Leicestershire) (Lab/Co-op): Some of the worst human rights abuses in China take place against women as part of the country's coercive one-child policy. As many as 130,000 women a year undergo forcible abortions, sometime days before birth, or are compulsorily sterilised. Will the Minister look into the case of Chen Guang Cheng, a blind human rights activist who has been given a long jail sentence for the alleged crime of trying to represent some of the women in such circumstances? Will he read my early-day motion 586, which has garnered widespread support across the House, and reply to me about the issues that it raises?

Mr. McCartney: I am happy not only to read the early-day motion, but to meet my hon. Friend and any of his colleagues to discuss the issue. At the human rights dialogue that we recently held with the Chinese, we raised a substantial number of individual cases that we were pursuing. I cannot remember off hand whether the case to which my hon. Friend refers was one of them, but if it was not, I assure him that I will add it to the list for the discussions that I will have with the Chinese to follow up such cases.

Mr. Paul Goodman (Wycombe) (Con): There will be concern on both sides of the House about the lack of justice in Tibet. Would it not be appropriate for the Prime Minister—whoever he might then be—to meet the Dalai Lama when he next visits Britain, which might, apparently, be next year?

Mr. McCartney: I am sure that the Dalai Lama could meet the Foreign Office and have discussions about a range of issues with senior Ministers, including the Prime Minister. As it stands, I do not think that we have had such a request yet. However, if one comes in, it will be dealt with more than sympathetically.

EU Constitution

8. **Stephen Hammond** (Wimbledon) (Con): If she will make a statement on the future of the EU constitution. [128295]

The Minister for Europe (Mr. Geoffrey Hoon): At present there is no consensus among EU Governments on the future of the constitutional treaty. The German presidency will present a report on the state of discussions with regard to the treaty and possible future developments to the June European Council. I set out the Government's approach in a written ministerial statement on 5 December 2006.

Stephen Hammond: I thank the Minister for that reply. When the Foreign Secretary was asked on the BBC on Sunday whether she could envisage any

circumstances in which the UK would ratify a treaty without a referendum, she said that

"if we can get agreement and common ground, that ... could be in an area where it wouldn't ... trigger a referendum".

What exactly did she mean? What exact competency would not trigger a referendum, and why has the Government's position changed?

Mr. Hoon: The Government's position has not changed in any way. We have made it quite clear that should the constitutional treaty return, there will be a referendum. However, I am sure that the hon. Gentleman, as a student of constitutional history, will have looked carefully at the decisions taken by Conservative Governments on amending treaties. They resisted vigorously the idea of holding a referendum.

Keith Vaz (Leicester, East) (Lab): The Minister for Europe will be off with the Prime Minister to Berlin this weekend for the 50th birthday party of the EU. When the Prime Minister gets there, he will sign the new Berlin declaration. Is the Minister confident that the Government have been fully consulted on all the values that will be expressed in that document? When the text is agreed on Saturday, will he ensure that he uses it as the basis for a campaign to show the people in this country the enormous benefits of our membership of the European Union?

Mr. Hoon: My right hon. Friend is quite right that in celebrating 50 years of success of the European Union it is important to set out right across Europe the benefits that have flowed. It provides a platform for discussion in the UK and other member states of the considerable achievements that have been made. There has already been an extensive discussion with the German presidency of the main principles contained in the declaration. The UK will also celebrate and offer our contribution to 50 years of EU success by joining our schools with others across Europe in a learning together programme that will allow schools to take advantage of talking online in real time with other schools in other parts of the EU—*[Interruption.]* Conservative Members would do better if, instead of scoffing, they looked more carefully at the benefits for their constituents and for schools in their constituencies provided by this opportunity.

Mr. Graham Brady (Altrincham and Sale, West) (Con): With just five days to go before Angela Merkel's Berlin declaration, it is still not clear from any of the Minister's answers whether the British Government now support an EU constitution or, if so, what they want it to say. Even the former Minister for Europe, the right hon. Member for Leicester, East (Keith Vaz), says in early-day motion 1155 that he

"fears that writing the declaration in secrecy goes against the key European values of transparency and openness".

Will the Minister now be open with the House and state clearly whether he has pressed for Sunday's declaration to rule out further transfers of power to the EU, for which there is clearly no public support in this country?

Mr. Hoon: The hon. Gentleman appears to be confusing the negotiations and discussions on the future constitutional treaty with Sunday's declaration, yet they are clearly two separate documents. We have made it clear that we believe that the declaration should be a celebration of 50 years of success of the EU and should set out the way forward in principle. It should not, however, try to solve in detail the issues that will be addressed later at the June European Council meeting.

Michael Connarty (Linlithgow and East Falkirk) (Lab): I thank the Minister for clarifying to the Opposition that what happens on Sunday will not be a conclusion to any declaration; it is only the beginning of discussion on the declaration as put together by the Sherpas on behalf of all the Governments. We have between now and June in which to do that. Will the Minister assure us that if institutional changes need to be made that can be done by treaty—without a referendum—we will not allow Europe to continue as it has with the current confusion of institutional arrangements. Will he confirm that our Government would support a sensible move through a quick treaty to allow Europe to continue with 27 members?

Mr. Hoon: We have always made it quite clear that it is important to the UK—and I hope to all Members—that the EU should have the institutional arrangements that allow it to take efficient and effective decisions. That is in the interests of the UK and I hope in the interests of the wider EU. I repeat that, as yet, there is no agreement and no consensus on a way forward. Obviously, the Government will be positive and constructive in negotiating with our partners, but unless and until there is an agreement of all 27 member states, there cannot be any further amendments to the treaty.

Democratic Republic of the Congo

9. **Judy Mallaber** (Amber Valley) (Lab): If she will make a statement on UK relations with the newly elected Government in the Democratic Republic of the Congo. [128296]

The Minister for Trade (Mr. Ian McCartney): Helping the Democratic Republic of the Congo to secure lasting peace remains a priority for the UK. We worked closely with the Congolese leaders throughout the peace process, leading to last year's elections, and the UK was the largest bilateral donor, providing £35 million. We continue to work with the newly elected Government to support the DRC to reinforce its democratic institutions and rebuild the country. We have also increased our development programme to £67 million this financial year in order to support the Government in their work. We have made it clear that we will maintain and even increase that support if the DRC Government work to deliver on their promises.

Judy Mallaber: While I greatly welcome our support for the elections and for the reconstruction of the DRC, will the Minister ensure that the Government continue to press on President Kabila the need to provide political space, respect and positions in the Parliament for the Opposition? In particular, will the Government and our ambassador in Kinshasa continue to press the case for the release—and, if

evidence is available, a fair trial—of Marie-Thérese Nlandu, an Amnesty International prisoner of conscience? Will the Government also press to reopen the case of the assassination of Pascal Kabungulu so that the democratic process that has been started in this country can continue properly?

Mr. McCartney: Yes, it is worth remembering that these are the first democratic elections in the country for 40 years. That, among other things, is a good sign, but as my hon. Friend points out there are also some bad signs. At the very highest levels—including directly with the President—we are raising these issues and will continue to raise them not just through our post, but through the Department for International Development and the Foreign Office. My right hon. Friend the Secretary of State for International Development will visit the DRC in April. Between now and then, detailed discussions will take place with the Government to ensure that we have a development programme and that it is operated in a transparent, accountable and responsible way.

Sir Nicholas Winterton (Macclesfield) (Con): The Minister will be aware that the Democratic Republic of the Congo has had a very close relationship with Mr. Mugabe and the Government of Zimbabwe. What representations have the British Government made to the newly elected Government of the Democratic Republic of the Congo to bring about an exit strategy for the current President of Zimbabwe, in order to bring peace, stability and humanitarian aid to the long-suffering people of that country?

Mr. McCartney: Let us be clear about this. The DRC has taken a different road from the Zimbabwean Government: it has taken a democratic road, difficult as that has been for a massive country with complex problems resulting from 40 years of internal conflict. We must support its action, and continue to support the democratic institutions. I am certain that the DRC, along with other emerging democratic Governments in Africa, will want a similar situation to arise in Zimbabwe, and I expect the hon. Gentleman to support us in our efforts to ensure that that happens.

Mr. Jim Cunningham (Coventry, South) (Lab): Will my right hon. Friend take up with the new Government of the Congo the safety of asylum seekers who return to the country? There is some concern about it.

Mr. McCartney: Yes.

Pete Wishart (Perth and North Perthshire) (SNP): Does the Minister agree with the United Nations Special Representative of the Secretary-General for Children and Armed Conflict that child protection must be a priority for the new democratically elected Government of the DRC? Will he do all he can to ensure that the United Kingdom Government help the new Government to secure demobilisation of all the child soldiers who were so brutally recruited into armed groups, and to ensure that they are safely reintegrated into their home communities?

Mr. McCartney: The use of child soldiers, not just here but throughout Africa and in countries such as Burma, is a blot on humanity, and is one of the issues on which we are concentrating our capacity-building measures. It is an example of modern slavery. Its effect on children, both intellectually and emotionally, is so damaging that, once we have democratic institutions, one of the first things we must do is return those children to not just a civil but a civilising society.

ROYAL ASSENT

Mr. Speaker: I have to notify the House, in accordance with the Royal Assent Act 1967, that the Queen has signified her Royal Assent to the following Acts:

Appropriations Act 2007

Planning-gain Supplement (Preparations) Act 2007

Income Tax Act 2007.

Wild Birds (Protection)

3.32 pm

Mark Pritchard (The Wrekin) (Con): I beg to move,

That leave be given to bring in a Bill to make further provision for the protection of wild birds' nests.

The Bill seeks to give added protection to birds and their nests and to regularise existing law, which currently gives birds that nest in Scotland more protection than those that nest in England.

People in the United Kingdom like birds. About 210 species of bird breed in the UK every year, many of which are rare. The Royal Society for the Protection of Birds has around 1.1 million members. Last January up to 470,000 people took part in the Big Garden Birdwatch, and it is estimated that 2.85 million people regularly go birdwatching. This love of birds and nature contributes greatly to local economies, helping to attract tourists and day visitors, often to remote parts of rural England and Wales.

Shropshire, like Devon, has its fair share of birdwatchers. Let me record my thanks to Shropshire's "twitchers" for their support for my campaign to obtain county wildlife status for Priorslee lake, home to the occasional visiting purple heron and pectoral sandpiper.

In these days of contemplating the possible effects of climate change, birds and their behaviour are helpful indicators to scientists and Governments alike—perhaps even more reliable, and certainly less expensive, than multi-million-pound meteorological satellites. It may be an inconvenient truth for unscrupulous local authorities and developers, but birds matter.

There is evidence that some winter visiting birds, particularly waders and wildfowl, are coming to Britain in smaller numbers. That may be because the climate in continental Europe is becoming warmer, which means that birds have no need to migrate so far, and engage in so-called short-stopping.

There is also pressure on breeding birds; when feeding and nesting cycles begin to change, it creates new life challenges for all our feathered summer visitors, who may return to find the best breeding sites occupied by resident birds, and the first flash of caterpillars already gone. Much important monitoring work is undertaken by the Royal Society for the Protection of Birds, which owns or manages 200 nature reserves. I am grateful for its support for my Bill, and to the Royal Society for the Prevention of Cruelty to Animals. The Government rightly made bird populations one of their quality-of-life indicators, but that indicator all too often reveals that some birds, particularly those on farm land, have yet to recover from the major declines of the 1970s and 1980s. It is therefore incumbent on us all, including the Government, to do all that we can to protect and nurture species that are few in number, as well as those that are plentiful, but whose loss would diminish our countryside and our great nation.

With the demand for residential and commercial building growing, the need to protect the country's birds has never been so pressing. Will the Minister today give an undertaking to ensure that bird populations are not affected by the demand for 135,000

[Mark Pritchard]

new homes in Shropshire in the next decade, or the excessive new homes target for the rest of England and Wales? Britain's most common and best-loved birds that breed in hedgerows and trees all too often fall victim to developers and local authorities, who remove trees and hedges without due diligence and rightful consideration of birds' nests and the important breeding season. Just imagine if there was no more symphony of the song thrush, no more rhapsody in yellow of the blue tit, no more Mendelssohnian accompaniment of the blackbird, no more red rapturous reaches of the robin, and no more soprano sonnets of the swallow. Imagine a world without birdsong—a desolate landscape, souls unrevived, a gnawing and bereft silence. The Bill seeks to give added protection to those and other birds and their nests.

Under the provisions of the Wildlife and Countryside Act 1981, amended by the Countryside and Rights of Way Act 2000 and the Natural Environment and Rural Communities Act 2006, it is an offence deliberately to damage or destroy wild birds and their nests, with certain exceptions, for which a licence is required. However, it is not an offence to do so if the accused can demonstrate that they were unaware of the consequences of their actions. The Bill would close that loophole by making reckless damage an offence, and it would require local authorities, developers and others to be far more careful in their local development, particularly in breeding season.

I remind the Minister for Local Environment, Marine and Animal Welfare that introducing an offence of recklessness in wildlife legislation would not be an innovation. Some offences in schedule 1 of the Countryside and Rights of Way Act 2000, as amended, include "recklessness", but the schedule does not apply to the more serious offences of destruction and reckless damage of birds' nests. We might also look to Scotland, where the Scottish Parliament has rightly given birds added protection. The Criminal Justice (Scotland) Act 2003 and the Nature Conservation (Scotland) Act 2004 amended the Wildlife and Countryside Act 1981, making reckless damage an offence north of the border. Scottish legislation says that all birds, and their nests and eggs, are protected by law, and it is an offence, with certain exceptions, to intentionally or recklessly take, damage, or destroy or otherwise interfere with the nest of any wild bird while the nest is in use or being built.

The next time that colleagues see birds flying north, they should reflect that they might just be flying north to escape the weak wildlife laws in England and Wales. Closing the loophole would make it easier to deal with unscrupulous individuals who kill protected birds, sometimes rare species, and then claim that it was an innocent mistake. One example of such an occurrence was the shooting of a bittern, a rare heron, of which there are only about 50 breeding males left in the country. The individual who shot the bird claimed that he thought it was a pheasant.

On another occasion in 2005, two people who were apparently shooting rooks shot a rare marsh harrier, claiming that they thought it was a rook. Demonstrating intent in such cases is difficult, so closing the recklessness loophole would make people far more careful when shooting birds. That change could help, too, to protect rarer birds that nest on industrial sites, quarries and wasteland such as the black redstart, the UK population of which consists of fewer than 100 pairs. Other species that nest in those areas, usually near water, include the little ringed plover—another scarce bird—and the sand martin.

That leads to the thorny issue of enforcement. While I welcome the fact that the Countryside and Rights of Way Act increased penalties for wildlife crime—offenders now risk being jailed for up to six months or being fined up to £20,000 for damaging sites of special scientific interest—those laws must be enforced, and the police, Natural England and the Countryside Council for Wales must take wildlife crime far more seriously.

In conclusion, will the Minister consider introducing measures to require local authorities and developers to carry out nest surveys before commencing works? The survey need not be complicated, but, if a development is likely to impinge on a habitat with nesting birds, surely developers should have to demonstrate that a bird survey had been undertaken. Will the Minister work with the Royal Society for the Protection of Birds to agree what constitutes the breeding season? Currently, the breeding season is not defined in UK law, but the law does give protection to a nest while it is being built or is in use. That confusion does not help to reduce wildlife crime.

Bird populations should become quality-of-life indicators for local authorities, perhaps audited by the RSPB or by local wildlife trusts, and wildlife crimes should become performance indicators for police forces. Unless that happens, wildlife crime will continue to remain low on the police's list of priorities. There should be a standard police reporting format, which would allow greater transparency and traceability of action taken—or not taken—by police forces. The Government say that they want to save the planet, but if they cannot save the thousands of trees and hedges that are destroyed each year, and the bird species that rely on them, what real hope is there for any of us? Mankind does not own nature—we are its custodians—so it is the duty of all of us, including Government, to ensure that birds throughout England and Wales live to sing another day.

Question put and agreed to.

Bill ordered to be brought in by Mark Pritchard, Mr. Kenneth Clarke, Mr. John Randall, Mr. Eric Pickles, Mr. Stewart Jackson, Mr. Elliot Morley, Lyn Brown, David Taylor, Mr. David Drew, Mr. Tom Watson and Tim Farron.

Wild Birds (protection)

Mark Pritchard accordingly presented a Bill to make further provision for the protection of wild birds' nests: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 83].

Bicentenary of the Abolition of the Slave Trade

Motion made, and Question proposed, That this House do now adjourn.—*[Tony Cunningham.]*

3.44 pm

The Deputy Prime Minister (Mr. John Prescott): Today, the House commemorates the 200th anniversary of its legislation to abolish the appalling and unacceptable slave trade. This indeed is an historic moment for the United Kingdom, which led the world in legislating against the vile trade in the slavery of human beings. I welcome the participation of the right hon. Members for Richmond, Yorks (Mr. Hague) and for Gordon (Malcolm Bruce) in this debate, and I thank them for their support for this year's commemoration.

Today is also an opportunity for me to thank publicly the members of the bicentenary advisory group, as well as my ministerial colleagues, the Leader in the other place, Baroness Amos, the Under-Secretary of State for Culture, Media and Sport, my hon. Friend the Member for Tottenham (Mr. Lammy), the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling (Mr. Coaker) and the Minister for Women and Equality, the hon. Member for Sheffield, Heeley (Meg Munn). I am grateful for the hard work and imagination that they and their staff have brought to this important year of events. I also want to express my appreciation for the work of many stakeholders and local authorities around the country who are participating in the commemorations, especially in Liverpool, Bristol, London and Hull, the home of William Wilberforce MP.

Events for this year are to be found in the commemorative booklet to be launched on Thursday, which will be made available to Members of both Houses. The events can be found in more detail on the BBC website, along with a superb set of programme discussions of the highest quality, which I am sure Members will have noticed have already begun. On behalf of the House, I congratulate the BBC on its efforts, especially Chantai Badjie, the project director of the BBC's season on the abolition of the slave trade.

The House will be aware of the launch of this year's commemoration by my right hon. Friend the Prime Minister, followed by a wider series of events over this weekend. There will be a national memorial service at Westminster Abbey next Tuesday, and a parliamentary exhibition will open in Westminster Hall from 23 May to September. There will be a young persons' debate here in Parliament in September, at which young people from Africa and the Caribbean will join youngsters from Britain.

Two replica slave ships are making voyages to commemorate the north Atlantic slave trade this year. The Zong, the ship from the film "Amazing Grace", will arrive in the UK next Thursday. The Amistad will sail from America on 21 June, arriving in the UK in time for 23 August, the annual UNESCO day against slavery, as part of the commemoration by museums and local authorities. It will call at Bristol, London and Liverpool, and then sail to Africa and the Caribbean.

We are also encouraging a debate about how we can commemorate the anniversary as a national event in the future. Should we have a national day of commemoration every year, and if so, when? The House may be aware that the European Commission supports 11 June as the European day against human trafficking. That day could be a candidate for an annual commemorative event, but I leave that for discussion.

I am sure that the whole House will join me in paying tribute to William Wilberforce's 20 year campaign to secure the first piece of legislation to make slavery illegal. To put that in perspective, Parliament, prior to that legislation, had already passed over 100 laws accommodating the slave trade. Those laws allowed slaves to be treated by the courts as property, not as people. Many died and, yes, some were murdered, in the most criminal circumstances, with no redress.

Mr. Anthony Steen (Totnes) (Con): The Deputy Prime Minister is right in what he says about William Wilberforce, and the whole House would support him, but does he agree that slavery has not disappeared? We have a new form of slavery, which is the trafficking of human beings. Does the right hon. Gentleman think it right to say that slavery has disappeared when it has not?

The Deputy Prime Minister: No, and I will make that clear in my speech, as the hon. Gentleman did in the debate in Westminster Hall, which I read. The most horrific circumstances were described there, and we are grateful to the hon. Gentleman for holding that debate.

William Wilberforce was the parliamentary leader of an abolitionist movement that embraced thousands of people, from all walks of life. It became a mass movement of popular discontent against a barbaric and inhuman trade. Parliament had to accept the will of the people and the cause of the abolitionists. This bicentenary is an opportunity for us all to remember the millions who were sold into slavery, and also to remember the people who were horrified by the inhumanity and indignity of slavery and whose values of fairness and social justice led them to fight slavery. They included slaves and former slaves, Church leaders, Quakers, politicians and countless ordinary citizens who signed petitions, marched, lobbied and campaigned for change.

Some of those are remembered on the stamps which the Royal Mail is issuing for the anniversary on Thursday. The stamps depict William Wilberforce, Thomas Clarkson, a major campaigner at home and abroad, the philanthropist Granville Sharp, and the philanthropist and religious writer Hannah More.

The stamps included leading former slaves who became inspirational campaigners—Sancho and Equiano, who helped free slaves to resettle from Nova Scotia to Sierra Leone. In 1792, the British Prime Minister, William Pitt, said that the slave trade was

"the greatest stigma on our national character which ever yet existed."

More than 200 years later, my right hon. Friend the Prime Minister said:

"The bicentenary offers us a chance, not just to say how profoundly shameful the slave trade was, how we condemn its existence utterly and we praise those who fought for its abolition. But also to express our deep sorrow that it ever happened, that it ever could have happened."

[The Deputy Prime Minister]

I understand that as many as 40 per cent. of the slaves who were shipped from Africa went through the ports of Ghana and Sierra Leone. The House is aware that last week President Kufuor of Ghana had a very successful state visit. In July last year, he visited Hull to open the Wilberforce Institute for the study of Slavery and Emancipation, the first academic institution dedicated to the study of past and modern-day slavery. In August, it will hold a conference in Ghana with UNESCO on the abolition of the slave trade.

This weekend, I am looking forward to welcoming, with my parliamentary colleagues, the Prime Minister of Barbados, Mr. Owen Arthur, to Hull to give his Wilberforce lecture. He will receive a book on the remarkable contribution of Caribbean workers to the success of the national health service, produced by the Department of Health and to be presented by the Minister of State, Department of Health, my right hon. Friend the Member for Doncaster, Central (Ms Winterton).

Last month in Ghana, I saw at first hand Elmina castle, which was used in this pernicious slave trade—a symbol of man's inhumanity to man. I saw the dungeons. The cold, dank stench of evil remains there today, as do the stone walls—"the point of no return". Those dungeons have become shrines, with wreaths laid by Americans of African descent who came to witness the remains of this repugnant trade. In Freetown in Sierra Leone, I saw where the slaves liberated by the Royal Navy came ashore via the freedom steps—such a contrast to the point of no return. Indeed, we should recognise the important role played by the Royal Navy in arresting ships and freeing slaves and returning them to Africa.

A memorable part of my trip was visits to schools, where the children were enthusiastic and keen to learn, and so proud to wear their uniforms. The Vine Memorial school in Sierra Leone is twinned with Kelvin Hall school in Hull. I also visited the Montessori school at Cape Coast, which is twinned with a school in Derbyshire. The children expressed their feelings in the most dramatic re-enactment of the slave chain that I have ever seen. They said:

"Not every black man was innocent. Not every white man was guilty"—

an accurate and powerful statement on that evil trade from the mouths of schoolchildren.

Everyone, and I mean everyone, should feel the sorrow, the pain and the regret—yes, the regret. As the Ghanaian Minister for Tourism said to me during a UNESCO conference that we both addressed: "We don't need apologies. We need forgiveness—from all and for all—for man's inhumanity to men, women and children." The Minister pointed out that the community of the African diaspora were distributed around the world and called on their descendants to come back to help Ghana and other African nations in what he described as an act of pilgrimage—to come to visit and to help in their development and in the education of their children.

Indeed, it is one of the world's greatest scandals that, even today, 100 million children across the world do not go to primary school; they are denied one of the most basic rights of all—the right to education. Up to two thirds of Africa's children never complete a full primary education. What a waste of talent and potential. History has given us an obligation to help them to realise their full potential, recognising that education is central to tackling inequality. The Government are working with countries around the world to do this. As announced by my right hon. Friend the Chancellor of the Exchequer, Britain is planning to spend £8.5 billion over the next 10 years to support long-term education plans in poor countries—that is four times as much as in the previous 10 years. We call on other rich countries to follow so that by 2015 children everywhere, boys and girls alike, will be able to complete at least five years of quality education.

Today, we look forward to realising the huge potential of a new Africa in which every person can one day be freed from injustice, poverty, disease and modern slavery. Poverty and social exclusion are at the root of most forms of slavery and forced labour today, but Africa is the only continent that is getting poorer and where, in many places, life expectancy is falling. Africa is currently failing to meet its millennium development targets.

Michael Jabez Foster (Hastings and Rye) (Lab): I had the privilege of meeting my right hon. Friend in Hastings, Sierra Leone, with which my own town is twinned. Is it not a disgrace that Sierra Leoneans have £40 a year spent on their health, education and all their other needs, while we have £9,500 a year? Is it not shameful that such differences still exist in this century?

The Deputy Prime Minister: That is a powerful statement. My hon. Friend, and my hon. Friend the Member for Crosby (Mrs. Curtis-Thomas), joined me in Sierra Leone, where we visited schools and saw the quality of the education and the buildings there. I would like to congratulate both my hon. Friends on making a contribution to the community by helping to develop community facilities and improving the education for the children. Many other local authorities could help by making contributions there as well, and I shall come back to that in a moment.

The world is now focusing on how we can help Africa to tackle its problems. I am proud that the UK led the way with African countries in setting up the Commission for Africa to address those issues. Through the UK's partnership in aid and investment with African nations, and our support of the global work of UNESCO and other international organisations, our Government are working to help Africa to help itself.

The House should also recognise the role of local government in assisting countries of slave origin. My own city of Hull is twinned with Freetown and is giving assistance. They are now discussing whether it is possible to help Freetown to rebuild its town hall, which was burnt down, and to rename it Wilberforce house. In Sierra Leone, I met my two hon. Friends, whose constituents have been helping the communities of Waterloo and Hastings, which are twinned with their namesake towns. They are helping to provide a library and community facilities. It is noticeable that a number of towns in those countries share the same name as towns in our country. That presents an ideal

opportunity, as my hon. Friends have demonstrated, to make a direct contribution to those namesake towns. Much more could be done by local authorities and towns in the United Kingdom to assist communities in those countries, and I would like to see that happen as part of the legacy of this year's events.

Mrs. Claire Curtis-Thomas (Crosby) (Lab): Does my right hon. Friend agree that the role of the British Council in facilitating twinning between our schools has been of tremendous help? It has now begun to roll out a significant programme, extending the initiative to far more schools. Is not that something that we need to see far more of?

The Deputy Prime Minister: I am glad that my hon. Friend has brought that to our attention. Every Member of the House who witnesses the work of the British Council cannot but admire the efforts that it has made. I am sure that we would all like to record how much we appreciate its efforts in the twinning of schools and classrooms, such as those that I saw in Ghana and Sierra Leone. Also, it is prepared to organise the youth debates that take place here in Parliament so that we can involve young people from twinned schools in the United Kingdom, the Caribbean and Africa. We look forward to those events, which take place thanks to the abilities and the organisation of the British Council.

When I first began to explore how we could commemorate the 200th anniversary of the abolition of the slave trade, I immediately recognised the importance of ensuring that our young people have the chance to get involved and have their say. I went to the St. Paul's area of Bristol, and to Liverpool, and asked young black people how they wanted to mark the anniversary. They stressed to me the importance of looking forward as well as looking into the past. They felt that their school history lessons did not teach a proper black history or give enough attention to black achievements. "Yes", they said, "we should reflect on the past, but we should also look to the future." This year, we are considering important changes to the school curriculum. It will incorporate the study of the slave trade as a compulsory element of our history curriculum, with all slavery's brutality and inhumanity, and not just as an element of our colonial past. The bicentenary commemoration is about looking forward as well as back. Slavery did not end when the Act of Parliament was passed in 1807: it continued in the colonies and elsewhere. The abolition of slavery across the world remains unfinished business.

In 1998, the United Nations set up its working group on contemporary forms of slavery, and the UN High Commissioner for Human Rights reported:

> "Slavery continues to be reported in a wide range of forms: traditional chattel slavery, bonded labour, serfdom, child labour, migrant labour, domestic labour, forced labour and slavery for ritual or religious purposes".

All of that is happening in the 21st century. The nations of the world must unite and campaign to end the unspeakable cruelty that persists in the form of modern-day slavery. I urge the House to support the Government's commitment to work with all countries to end the scandal of slavery in all its modern forms.

A few months ago in New York, I discussed modern slavery and human trafficking with Kofi Annan, then Secretary-General of the United Nations. All nations must honour article IV of the UN declaration of human rights, which requires that slavery be prohibited in all its forms. As Kofi Annan said in a lecture in January,

> "In the 21st century, Africa differs in very fundamental ways from the Africa of old."

Fiona Mactaggart (Slough) (Lab): My right hon. Friend will be aware that many countries are attempting to tackle the trafficking of women for sexual purposes, and I am glad that the Government have agreed to sign the convention on that. Is he aware, however, that in Sweden, which has criminalised men paying for sex, the trafficking of women for sex has been reduced to a handful of women? In comparison, in Finland, which has not taken the same approach, 15,000 women a year are still trafficked into the country for sex. Would he advise his colleagues in the Government to consider that example?

The Deputy Prime Minister: I am aware of the issues to which my hon. Friend refers. The common experience is being considered across Europe, and an action plan will be launched shortly, to which I will refer in a few minutes, that will take into account all those experiences in order to prevent that terrible traffic.

I can announce today that Kofi Annan has agreed to address Parliament in the Royal Gallery on 8 May, which will be an important event in this commemorative year.

In New York, I held talks with UN ambassadors from the nations affected by trafficking, as well as with the United Nations Office on Drugs and Crime. Last month, I held discussions in Geneva with the International Labour Organisation and its sister agencies concerned with human trafficking. The ILO estimates that a minimum of 12.3 million people are enslaved in the world today. Of those trafficked into forced labour, 43 per cent. are subjected to sexual exploitation, 32 per cent. to labour exploitation, and 25 per cent. to a mixture of both. The estimated value of that criminal activity is approximately $32 billion. The ILO says that 218 million children were trapped in child labour in 2004, of whom 126 million were in hazardous work. UNICEF estimates that that figure reached 171 million by 2006. It is hard to imagine the misery represented by those figures.

It is true that all countries find it difficult to make an accurate assessment of the scale of human trafficking. That became clear in the debates on the matter in Westminster Hall and the other place in December. It is a complex global problem that requires the co-operation of many agencies across the European Union and beyond. In the United Kingdom, emerging findings suggest that in 2003, at any one moment, there were about 4,000 victims of trafficking for prostitution. The same study estimated the total costs of trafficking for prostitution to be about £1 billion in 2003. We cannot, however, calculate the appalling misery and despair of victims in purely financial terms.

Intelligence indicates that the average selling price for an adult woman is between £2,000 and £3,000. In one debate, it was suggested that the figure was as high

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as £8,000. An appalling incident took place in which a Lithuanian girl was lured to the UK to sell ice cream in the summer, and was taken from brothel to brothel by a gang. She was sold seven times in three months. All that took place in the United Kingdom of today. I am sure that the whole House is appalled and disgusted by that. That is why we signed and ratified the Palermo protocol to combat trafficking, especially of women and children.

The UK human trafficking centre, which the Association of Chief Police Officers helped to set up last year, is a central point for developing expertise and co-operation by police and immigration officers. The Government have funded the POPPY project since March 2003 to provide safe shelter and support to assist in the recovery of adult female victims who have been trafficked in the UK for sexual exploitation. I note the criticisms that have been made in all the debates about the adequacy of the provision, and the matter is genuinely under consideration.

The Government will sign and ratify the Council of Europe convention against trafficking in human beings. In fact, it will be signed on Friday by my right hon. Friend the Home Secretary, who will also publish our action plan, which has been discussed in the Chamber, to tackle human trafficking.

Mr. Steen: The Deputy Prime Minister has not mentioned demand. The problem in this country is that trafficking is demand led. As long as there is demand from men for sexually trafficked women, it will continue. Does the right hon. Gentleman agree that the Government could do much more to provide safe houses? There are only 35 places in London, and there are no other safe houses in the country.

The Deputy Prime Minister: The hon. Gentleman made exactly those points in previous debates. They have some substance, to say the least, and he knows that those matters are being considered in preparation for the action plan, which the Home Secretary will publish on Friday. I must ask the hon. Gentleman to wait and see the conclusions of the review, which has gone on for almost 12 months.

We are improving our intelligence on and understanding of the scope and scale of child trafficking, and a full report on the extent of human trafficking will be published.

In this bicentenary year, we commemorate the past, but with a strong commitment to overcome the challenges of today. We recognise the tremendous contribution of the African and Caribbean diaspora to the success of this country and the diversity of our culture and heritage. We renew our commitment to help overcome poverty, educate the children of Africa and combat the evil of slavery and human trafficking wherever it occurs.

In this House in 1789, William Wilberforce, in his first major speech on slavery, spoke words that could equally apply to modern-day slavery and human trafficking:

> "Sir, the nature and all the circumstances of this trade are now laid open to us:— we can no longer plead ignorance, we cannot evade it; it is now an object placed before us, we cannot pass it. We may spurn it, we may kick it out of the way, but we cannot turn aside so as to avoid seeing it. For it is brought now so directly before our eyes that this House must decide, and must justify to all the world, (and to their own consciences) the rectitude of the grounds and principles of their decision."

Those words of Wilberforce in Parliament in the 18th century are equally applicable to human trafficking in the 21st century. The House must show the same commitment as Wilberforce. Signing and ratifying the Council of Europe convention is a good and appropriate step in that direction.

Let the anniversary that we commemorate today lead to a wider discussion and greater recognition of slavery in its old and new contexts, and to redressing the evil imbalance that it continues to create. Reminded by our past, we reinforce our commitment to a future in which there can be social justice and freedom for all.

4.8 pm

Mr. William Hague (Richmond, Yorks) (Con): It is a great pleasure to follow the Deputy Prime Minister and a huge pleasure to agree with almost everything he said. That may be a rare event, but it is welcome. If William Wilberforce could have known that 200 years after the passage of the abolition Act a debate commemorating it would not only take place but be introduced by two Yorkshire Members of Parliament, one of them representing Hull, in a spirit of cross-party agreement for which he always fought, he would be proud. It is fitting that we can mark the bicentenary of the abolition of the slave trade with today's debate. We should be grateful for the opportunity to reflect on such an important landmark in the history of our nation and our Parliament.

As I shadow the Deputy Prime Minister on the Floor of the House, it falls to me to respond to his remarks, although I should also declare an interest, as I have written an unpublished book on the matters under discussion. I have a deep personal interest in these matters—as I know does the Deputy Prime Minister—having revered the name of Wilberforce for a long time. *[Interruption.]* No, I will not go into when the book is to be published; that is a separate matter. I have long revered the name of Wilberforce, the parliamentarian from Hull, whose decades-long fight to abolish and suppress the slave trade made him one of the greatest campaigners—indeed, one of the greatest liberators—in the whole of British history. The tale of his work—and, importantly, that of his allies, as it was not simply his work—is a truly inspiring story of high ideals pursued in spite of almost every conceivable adversity, and of enormous feats of argument that were all too often preceded by despair as to whether progress could ever be made. As we approach the bicentenary of the passing of the Act to abolish the slave trade in 1807, it is appropriate that we pay tribute to that extraordinary accomplishment.

Chris Bryant (Rhondda) (Lab): The right hon. Gentleman will know from his research that one of the most important battles that William Wilberforce had to fight was with the bishops of the Church of England, not one of whom supported the abolition of the slave trade. Indeed, many of them retained slaves rights until 183[illegible]en owning slaves was also made illegal. The Bish[illegible]of Exeter was remunerated to the sum of

£13,000 for the 665 slaves that he had. I hope that the right hon. Gentleman will want to put on the record that the Church of England has changed its mind, finally.

Mr. Hague: The hon. Gentleman has managed to put that on the record without my needing to stagger into the controversy. William Wilberforce approached the abolition of the slave trade—and, indeed, many other matters—in a far more evangelical way than the Church of England at that time. He took up the cause and made it a Christian cause, but it was the Quakers and evangelicals in general, rather than the established Church, who helped to set him on that path, so the hon. Gentleman's point is valid.

The 1807 Act's Second Reading was carried 200 years ago here in this House—or just around the corner in St. Stephen's chapel, which was then the House. In the early hours of a cold February morning the Commons voted to end the practice of trading in human beings, and as the Members rose as a body to salute William Wilberforce he bowed his head and quietly wept. For him, the passing of the Act was the outcome of a 20-year parliamentary struggle. Almost every year for two decades he had introduced similar proposals in the Commons, only for them to be rejected because of powerful economic and political opposition, or to be thwarted because of war or hostility to the French revolution and social upheaval.

Martin Linton (Battersea) (Lab): Does the right hon. Gentleman agree that the vicar of Holy Trinity church, Clapham, also played a very important part in respect of William Wilberforce's commitment to the anti-slavery campaign—and many other campaigns, such as that against bear baiting—and that the Clapham sect was at the centre of the campaign that secured the abolition of the slave trade?

Mr. Hague: Yes, the Clapham sect is one of the most extraordinary evangelical and reforming groups of people ever in the history of our country, and what was preached by John Venn at the church in Clapham was very important in influencing its work.

I was recalling the moment in 1807 when the Bill to abolish the slave trade received its Second Reading. It received Royal Assent on 25 March, which is why we shall commemorate these matters this coming Sunday—that is when the Bill to abolish the slave trade became an Act. I went to the House of Lords archive room to look at the document. It states:

"Be it therefore enacted by the King's most Excellent Majesty...That from and after the First Day of May One thousand eight hundred and seven, the African Slave Trade, and all manner of dealing and trading in the Purchase, Sale, Barter, or Transfer of Slaves, or of Persons intended to be sold, transferred, used, or dealt with as Slaves, practiced or carried on, in, at, to or from any Part of the Coast or Countries of Africa, shall be...utterly abolished, prohibited, and declared to be unlawful".

With those words, the behaviour of an empire was changed forever. Today we are remembering—

Mr. Wayne David (Caerphilly) (Lab): Before the right hon. Gentleman moves on from his historical analysis, will he acknowledge how fundamental the slave trade was to the economy of Britain at that time? For example, is he aware that much of the capital for the early industrialisation of south Wales came from a slave trade based in Bristol?

Mr. Hague: The hon. Gentleman need not fear that I am moving on from my historical analysis. It is not often that one can legitimately discuss history at some length on the Floor of this House, and I have quite a bit of it to come. There was much debate about this issue, but yes, the slave trade was thought to be very important to the economy of this country. William Pitt, when he was Prime Minister, said that 80 per cent. of Britain's overseas income was derived from our West Indian colonies, although not necessarily from the slave trade, the profitability of which was often disputed. That said, it was clearly profitable enough for a lot of people in Liverpool and Bristol to engage in it. However, through the existence of slavery, the plantations were clearly enormously profitable, at times, because of the immense European demand for sugar in the 18th century.

Mr. Jim Cunningham (Coventry, South) (Lab): Why did Jefferson, who was quite an enlightened American President round about that time, never take up the cudgels on behalf of the anti-slavery movement?

Mr. Hague: Funnily enough, the American Congress abolished the slave trade at roughly the same time that the British Parliament did, although it did less about enforcement. An illicit American slave trade continued right up to just before the civil war. As the hon. Gentleman will know, the United States had certain internal problems when it came to resolving the issue of slavery, which resulted in civil war in the 1860s.

Mr. William Cash (Stone) (Con): Does my right hon. Friend also recall that during the civil war Abraham Lincoln was described as having been persuaded by John Bright, a Member of this Parliament, to attach greater significance to the question of slavery? Effectively, that is how slavery became the key issue for the civil war—and it came from this House of Commons.

Mr. Hague: Well, I am sure that that was added to by the House of Commons, although my hon. Friend must remember that there were already people in the United States who felt very strongly against slavery, and that the northern states had abolished it. The southern states, given their cotton production, thought it in their interest to keep it. There were even bigger forces at work than the notable force to which my hon. Friend refers.

In 1807, the Act was passed, and the then Prime Minister, William Grenville, who was very keen to railroad it through both Houses of Parliament, described it as

"the most glorious measure that had ever been adopted by any legislative body in the world".

This country was the first in Europe, other than Denmark, to outlaw the slave trade, and the Act was the catalyst for the adoption of similar legislation around the world. It became a moral benchmark of which other civilised societies rightly took note. The passage of the Act is heartening to those who are conscious of the early foundations of our democratic society. It took place because of the wide dissemination of truths about the trade, because of the shifting and then harnessing of public opinion, and because of

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the actions and contributions of slaves themselves, coupled with the stoic perseverance of a few principled individuals. Ultimately, it secured something that could not happen in countries where political freedom was not yet known.

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): The right hon. Gentleman said that this was the first country in Europe to abolish slavery, which is absolutely true. *[Interruption.]* Except for Denmark. However, the first country in the world to abolish slavery was Haiti, which fought a revolution to do so under the leadership of Toussaint L'Ouverture.

Mr. Hague: Yes. Being only part way through my historical analysis, I wanted to come to Haiti—in a moment, in fact.

I want to reiterate a point that has already been mentioned. The enlightened determination and actions of abolitionists had to shine out against a far darker backdrop. The course of slavery winds a long route throughout history, and when we consider events before 1807—the Deputy Prime Minister mentioned this—it is with deep regret that we have to acknowledge an era in which the sale of men, women and children was carried out lawfully on behalf of this country, and on such a vast scale that it became a large and lucrative commercial enterprise. No wonder Wilberforce cried out, in his speech in the Commons in 1791:

"Never, never will we desist till we have wiped away this scandal from the Christian name, released ourselves from the load of guilt, under which we at present labour, and extinguished every trace of this bloody traffic, of which our posterity, looking back to the history of these enlightened times, will scarce believe that it has been suffered to exist so long a disgrace and dishonour to this country."

Those are words that we need to remember in the present day, as the Deputy Prime Minister said, in the case of modern slavery, to which I shall also return in a moment.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): My right hon. Friend mentions the stoic perseverance of many individuals. I ask him to join me in acknowledging the contribution made by John Newton, the slave trader who became an abolitionist and parish priest of Olney, the town in which I now live.

Mr. Hague: This is becoming an interesting geographical and historical tour. John Newton was important partly in persuading William Wilberforce to continue in politics rather than lead a life of religious seclusion and that Christian principles needed to be put into action. Newton constantly counselled the abolitionists, so he played an important part.

It is worth noting that the fight against the slave trade was also an early campaign against racism. It was an important attribute of the abolitionists that they set out not only to end the slave trade, but to demonstrate that former slaves could live freely and prosperously with equality between every race. They pioneered the free colony of Sierra Leone and gave much support to the leaders of Haiti, who had thrown off their colonial masters. The abolitionists believed not only in the relief of suffering but the establishment of racial equality. It must have been the first campaign of that kind.

Jeremy Corbyn (Islington, North) (Lab): I am sure that the right hon. Gentleman will also acknowledge that much of the campaigning outlined what was happening in the slave colonies and the trade itself, not forgetting the uprising taking place in west Africa. The slaves themselves played a major part in their freedom and it was people such as Thomas Clarkson who toured the country showing what the manacles of slavery were really about who had a massive effect on pushing Wilberforce and eventually forcing a reluctant Parliament to do something.

Mr. Hague: That is an important point, because the campaign was not just a parliamentary campaign. Thomas Clarkson played an enormous part in the powerful extra-parliamentary campaign. In a world with so many recording devices of every kind, it is hard for us to imagine a political world without film or photographs, and no documentary of what was happening. The campaigners of the time had to establish facts that had never been nailed down and come up with statistics that no one had ever assembled. They had to persuade people of something that was true even though other people were prepared to say that the opposite was true. People would not have known initially whom to believe, and that makes the scale of the abolitionists' achievement all the greater.

Jane Kennedy (Liverpool, Wavertree) (Lab): I compliment the right hon. Gentleman on an entertaining and informative speech. I am learning a lot just from listening to it—*[Interruption.]* One might say that that does not often happen in this place. Does he accept that it is a mark of the success of those brave individuals, such as Sir William Roscoe in Liverpool, and of their dedication to the campaign—and the words that the right hon. Gentleman has just quoted from an early speech on the subject—that they brought about such a huge change in the culture in the UK that our towns and cities now have memorials to those great people because of the work that they did on slavery?

Mr. Hague: Let me use that intervention to turn to my next point, in the interests of someone else being able to give a speech eventually. The right hon. Lady is really talking about reasons why we should be proud of what was achieved, including by people in Liverpool who campaigned against the slave trade despite the presumption that the city should be in favour of its continuing. I wish to argue that just as the existence of the slave trade should be a cause of British regret, so its abolition should be a matter of British pride.

Not only did Britain abolish the slave trade: after 1807, it lobbied, bullied and bribed other nations to follow its example. Britain was the world's foremost maritime power, and the Royal Navy bravely enforced the abolition of slavery—an assignment that was to be one of the most protracted and gruelling in its history. The suppression of the slave trade was described as

"perhaps the most disagreeable, arduous and unhealthy service that falls to the lot of British officers and seamen".

Over a period of 40 years, the Navy was said to have freed 120,000 slaves. The moral case, once made and enshrined in law, was upheld over the coming decades through a commitment to international diplomacy and the application of British force. Although the

outlawing of the slave trade has become synonymous with the life of William Wilberforce, he himself pointed out that he was

"only one among many fellow labourers".

We hear less about the contributions made by men such as Thomas Clarkson, Granville Sharp, Zachary Macaulay, James Stephen and Olaudah Equiano. Elizabeth Heyrick was one of the foremost women campaigners for the abolition of the institution of slavery after the slave trade itself had been abolished. We must remember, too, that we are unable to mention the bravery of numerous slaves: history is silent about that, because their actions were not written down at the time.

We should also be proud that one of the great achievements of the abolitionist campaign was political engagement through the mobilisation of public opinion. Once people in this country realised that the nature of the slave trade was incompatible with the values that they upheld, they acted in their hundreds of thousands. Petitions signed by men and women with no vote and thus no method of lobbying Parliament flowed from all corners of the country. One petition from the inhabitants of Manchester measured 7 m in length, and the masses of anti-slave trade tracts that were distributed were vigorously read. People attended lectures and meetings, and Thomas Clarkson—already mentioned by the hon. Member for Islington, North (Jeremy Corbyn) and one of Wilberforce's indispensable allies—covered 35,000 miles in seven years on speaking tours. Even with all the modern forms of transport available to us today, we would still consider that to be a large total. Clarkson took with him shackles and other instruments from slave ships, along with samples of African cloth to show that an alternative and civilised trade could be substituted for slavery.

In one of the first consumer boycotts in history, hundred of thousands of people refused to use West Indian sugar. The humanity displayed by the British public was compared to

"tinder which has immediately caught fire from the spark of information which has been struck upon it".

Ms Diana R. Johnson (Kingston upon Hull, North) (Lab): The right hon. Gentleman has referred to the sugar boycott. Does he agree that women led the way in making that political statement, as they were the ones who bought and cooked the food?

Mr. Hague: It turned out that women were in a powerful position to impose that boycott, for the reasons that the hon. Lady set out. In the 1820s, the even more radical campaign to abolish the institution of slavery itself came to the fore in towns such as Leicester, Sheffield and Birmingham, with women as its pioneers. At one point, it was thought that about a quarter of the population was refusing to use West Indian sugar. That shows the power at the time of popular campaigning—something that people had not been used to until just a few decades before.

The moral case against slavery may now seem clear cut, but it had to be made in an age before mass media and in a country with few graphic examples of the suffering and pain caused to millions transported across the Atlantic on British ships. The autobiographical writings of Olaudah Equiano, a former slave, contained a rare account of the conditions on board those ships. He wrote:

"The closeness of the place, and the heat of the climate, added to the number of the ship, being so crowded that each had scarcely room to turn himself almost suffocated us...The shrieks of the women, and the groans of the dying, rendered it a scene of horror almost inconceivable."

His book became a best seller of the time, and played a huge role in highlighting the barbarities of the slave trade.

The slave trade has a depressing relevance nowadays, as the Deputy Prime Minister rightly pointed out. He quoted the words of Wilberforce in 1789, when he said that

"we cannot plead ignorance. We cannot evade it."

Sadly, the same is true today. Slavery is out of sight for most people, as it was 200 years ago, but the world faces a parallel challenge nevertheless: to confront a ruthless industry that exploits vulnerable people for financial gain. Just as the baton was passed from the abolitionists to other Parliaments and nations around the world, who followed suit in outlawing slavery, so now it rests with the Governments and Parliaments of our time to deal with modern slavery, which today reaches across every continent and culture, profiting from a range of industries in agriculture, textiles, construction, mining, domestic services and prostitution, to name but a few.

Human trafficking, the most talked about manifestation of modern slavery, is the medium by which that age-old practice permeates even the life of modern-day Britain, as the Deputy Prime Minister said. It exists very much as a product of the 21st century and operates in loose global networks, lurking among the unprecedented movements of people, information and capital that characterise today's global economy and which help mask illegal practices. Human trafficking works best for its instigators across national boundaries, exploiting cultural, social and linguistic differences to isolate individuals and allow criminals to exercise complete control. Recruitment companies or trusted acquaintances offering work and hope for a better future, bogus marriage agencies and gangs targeting lone travellers as they enter new countries are just a few examples of how vulnerable people can be caught in the human trafficking trap. There are of course more barbaric methods: intimidation, threats to families and psychological abuse, followed by violence of a quite unimaginable kind.

The problem is growing locally and internationally. It has many links with other criminal operations, such as money laundering, drug smuggling and document forgery. In scale, it rivals and surpasses other illicit trades, equalling the illegal arms industry and trailing only narcotics in size. According to some estimates it generates nearly $10 billion a year in revenue, which is a staggering figure to have to put on a market dedicated to the buying and selling of human beings. In terms of people, it is estimated that between 600,000 and 800,000 men, women and children are trafficked across international borders each year. According to the UN Office on Drugs and Crime no country in the world is immune to the problem, whether as a country of origin, destination or transit.

[Mr. Hague]

It is important that we in Britain wake up to the gravity of the situation on our own doorstep. A fortnight ago, an official at the Lithuanian Ministry of Information declared that Britain is the No. 1 destination for gangs smuggling sex slaves from countries such as his own. Last year, when our police conducted a four-month operation to tackle sex trafficking, they rescued 84 women—a small number in the scheme of things, but the list of their countries of origin tells its own sorry tale of the trail of misery. Those 84 women came from Albania, Brazil, China, the Czech Republic, Estonia, Germany, India, Iran, Jamaica, Kenya, Latvia, Lithuania, Malaysia, Namibia, Poland, Rwanda, Russia, Slovakia and Thailand.

To combat human slavery in the world, in particular the international markets of human traffickers, we must seek to wipe out the economic profits available to criminal gangs from their operations, reducing the market size itself and by implication, we hope, the suffering caused. That can be achieved by a concerted and determined effort to disrupt the forces of demand and supply. Supply-side measures should be aimed at increasing the risks of capture, while simultaneously empowering vulnerable individuals through education and the increased provision of assistance, advice and protection.

As long as the demand—or the end use—remains, cold-blooded people will always find unscrupulous ways to profit from the trade in illegal goods, be they arms, narcotics or, in this case, slave labour. Thus the only way truly to end the modern slave trade will be to wipe out the demand. In parallels with the 18th-century sugar boycott, consumer groups can voice their abhorrence at slavery by purchasing certified fair trade goods such as tea, coffee, clothing and other consumables. A greater focus on educating the public is required, using innovative approaches such as the "truth isn't sexy" campaign, which uses beer-mat messages to alert young people to the realities of sex trafficking, and which will have its cross-party launch later this evening. As traffickers have now infiltrated a range of British towns, cities and the countryside, it is impossible to overstate the importance of bringing awareness to the consumers, businesses and communities in those places where the victims are forced to labour.

Mr. Steen: The whole House is fascinated by my right hon. Friend's exposition. Will he comment on the fact that, in spite of all that he is saying, only 30 traffickers have been charged and put in prison? In spite of education, unless we make sure that our police forces apprehend people and our immigration officers stop the gangs coming into this country, the trade will continue because the demand will continue.

Mr. Hague: I agree. I will conclude my speech soon, but I want to touch on that point. Along with all Members of the House, I am delighted that the Government have announced their intention to sign the Council of Europe's convention on action against trafficking in human beings. The Deputy Prime Minister referred to the Home Secretary's signing it on Friday. It allows victims a 30-day reflection period—something for which the Opposition called. We now await the detailed implementation programme, which the Deputy Prime Minister also said would be forthcoming.

The Government will shortly publish their national action plan on human trafficking. We look forward to reading the proposals. I hope that the Government will take heed of the recommendations set out by my right hon. Friend the Member for Haltemprice and Howden (David Davis), the shadow Home Secretary. That touches on the point made by my hon. Friend the Member for Totnes (Mr. Steen) a moment ago: certain actions affecting our own borders need to be taken. We hope that, at all ports of entry, our immigration officials will be permitted to conduct separate interviews for women and children travelling alone with an adult who is not a parent, guardian or husband; that co-ordination will be strengthened between relevant Departments and the Serious Organised Crime Agency in order to guarantee a coherent approach; that the Government will ensure that every police force and local authority has a strategy for dealing with suspected victims of trafficking; and that victim protection will be increased by setting up a dedicated helpline for those who have been trafficked. I hope, but I am not sure, that the Government will propose something that we have proposed for a long time: a UK border police force with specialist expertise to intercept traffickers and victims.

Speaking as shadow Foreign Secretary, I would like to see an improved and strengthened international effort to tackle human trafficking. The United States, through the State Department's Office to Monitor and Combat Trafficking in Persons, has elevated this issue in importance. Among other endeavours, it now produces on an annual basis an influential report on trafficking in persons. Other countries, including our own, should act with the same levels of commitment. The international community should work together to identify the countries that are the most vulnerable to human trafficking, be they a place of origin, transit or destination, and provide the assistance and encouragement needed, with prevention, law enforcement and victim protection where appropriate. Diplomatic channels should be used to put pressure on countries that ignore the problem. In extreme cases where co-operation is not forthcoming and no measurable improvement is made, assistance in non-humanitarian or non-trade-related areas could be withheld as a last resort. Our embassies and consulates should also take on a more active role, raising awareness through education and information programmes.

Mary Creagh (Wakefield) (Lab): Perhaps the right hon. Gentleman is not aware of some of the actions that our embassies and consulates are taking in places such as Rwanda, the Democratic Republic of the Congo, Vietnam and Cambodia, where, because of the chaotic backgrounds of the people in those countries, it is almost impossible to have birth documents, particularly for children? They are introducing fingerprinting biometrics and there has been an anecdotal reduction in the number of children applying for visas from those countries for entry into this country.

Mr. Hague: The hon. Lady is quite right to point that out and I am not arguing in any way that nothing has been done about these things. We agree with the

Government in their intentions and in everything that they have announced so far. I am simply arguing that an intensified international effort will be required from this country and other countries if we are to deal with a problem on this enormous scale.

To conclude, there are a number of principled individuals, just as in the early 19th century, who have set out to tackle modern-day slavery. They include people such as Sister Ann Theresa, a Catholic nun who established an underground network of safe houses throughout the UK for the victims of trafficking for sexual exploitation, and journalists who have investigated the horrors of human trafficking at first hand, thus bringing the reality of the crime to the mainstream media, such as Nicholas Kristof of *The New York Times*. There are also campaigns such as Stop the Traffik, a global coalition of charities, schools, community groups, businesses, faith groups and clubs that has taken its inspiration directly from the work of the early abolitionists of 200 years ago and demonstrated a similar zeal and commitment. All these groups and individuals are leading the way, but we will start to challenge the traffickers' dominance only when we secure the support of Governments throughout the world, voluntary organisations and the public at large. Once public opinion is harnessed, it can be as powerful a force as that demonstrated 200 years ago. We must continue to bring this matter to the attention of all.

I congratulate the Deputy Prime Minister and the Government on all the arrangements that they have made for the bicentenary and its commemoration. Unless we bring this matter to the attention of all, the quiet and painful suffering of thousands of men, women and children in our cities and suburbs will continue as a human tragedy in our midst. There would be no more fitting way to mark the bicentenary than by renewing the abolitionists' commitment to tackle the slave trade by practical action. In 1807, the House of Commons arrived rather late in offering to put the full power of the state behind the abolition movement. We in this Parliament, in modern times, must ensure that we bring all our collective political will to this struggle, thus helping to foster the involvement and education of our society to extinguish, in the words of Wilberforce, "every trace of this bloody traffic".

4.41 pm

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): The Government are to be congratulated on the arrangements that they have made to celebrate the bicentenary. This was, after all, the largest forced migration in human history. Not even the visionary Wilberforce could have foreseen that a great-great granddaughter of slaves would take part in this debate, 200 years later, on equal terms with other Members, some of whom might be able to trace their ancestry back to slave holders.

The slave trade reshaped Britain, the Americas and the Caribbean, and Britain was involved in it for more than 300 years. I want to make the House think for a few minutes about the brutality of the Atlantic slave trade because it is easy, as we celebrate its abolition, to gloss over its sheer violence, darkness and shame.

The slave trade happened in collusion with some Africans in the interior. The first stage of the slave trade supply chain was the collection of slaves from interior Africa. They were tied into columns, loaded with 40 or 50-lb stones to make it harder for them to escape and marched hundreds of miles to the sea. Some came by canoe to the slave ports. They were tied up in canoes and lay in water for days in the bottom of boats with their faces baked by the sun. Like my right hon. Friend the Deputy Prime Minister, I have visited one of the slave ports: Elmina Castle in Ghana. When the slaves reached the slave ports, they were put into stockades, sometimes by the thousand. At that point, about 20 per cent. of them died. They were then packed into galleys on ships where they lay side by side in spaces measuring 5 ft by 3 ft. Over the course of the slave trade, at least 450,000 black Africans died as a consequence of the Atlantic passage alone. They were packed in galleys and lay in their own urine and faeces during the weeks that it took to cross the Atlantic. They were sometimes released once a day, but sometimes not at all.

When the ship reached harbour, the slaves were brought out on deck, where they were inspected and handled like animals. Many slaves—one in 10, I believe—died within a year of landing in the Americas or the Caribbean. At the height of the Atlantic slave trade, the average life expectancy of a slave in the West Indies was seven years. In north America, it was reckoned at one point that a profit could be made if a slave was worked to death in four years.

Some of the accounts of the slave plantations in the West Indies and slavery in north America have the power to shock even today, given the brutality with which the slaves were treated as they were worked to death over seven or four years. I sometimes wonder whether the extraordinary brutality of the slave plantation experience in the West Indies marks Caribbean life today.

I am a tremendous admirer and lover of my parents' country of Jamaica, but it has the highest murder rate in the world. If we try to trace the roots of brutalisation and read accounts of what happened to those generations of slaves in the West Indies, there may yet be a link.

Mrs. Curtis-Thomas: Does my hon. Friend agree that the very observation that she makes about Jamaica may also be an explanation for some of the brutality that we see in some of the African nations today?

Ms Abbott: I do not want to stretch the thought too far; I just put it to the House that if we read the accounts not just of the work that slaves did, but of the extraordinary brutality of the punishments and the torture that they had to endure and of a life where, at the height of the slave trade, the only people a slave was legitimately allowed to love were the children of the slave master, we have to say that 200 years later, that sort of experience must have affected the societies that we see around the Caribbean today.

Mr. Cash: In the historical context of the issues that she is dealing with, does the hon. Lady also recognise, as I did in Zanzibar some years ago, that there was also

[Mr. William Cash]

an extremely venal Arab slave trading operation, which also perhaps forms part of the general framework and mosaic?

Ms Abbott: There is no doubt that both Africans and Arabs were involved in the slave trade, but I am going to move on and say that it was not Africans and Arabs who made massive fortunes or who founded an industrial revolution out of the slave trade. The slave trade was brutalising both to the slave and the slave holder, and I want to touch on that point before closing my remarks this afternoon.

As well as the sheer brutality and cruelty of the Atlantic slave trade, which lasted more than 300 years, it is important to stress how much it was part and parcel of British economic life for more than 300 years. The three great slave-holding ports were Bristol, Liverpool and London. Between 1630 and 1807, when the slave trade was abolished, 2.5 million Africans were bought and sold by Bristol slave merchants. Many of the wonderful houses, buildings and monuments that can be seen in Bristol today were built from the profits of the slave trade. As a man called Roger North, an attorney-general under James I, said of Bristol in the 17th century:

> "All men that are dealers, even in shop trades, launch into adventures by sea, chiefly to the West Indian plantations and Spain. A poor shopkeeper that sells candles will have a bale of stockings, a piece of stuff for Nevis and Virginia and rather than sail, they trade in men."

The splendours and the beauty of a city like Bristol were built on the trade in men.

Liverpool was another great slave port. By the 1780s, two fifths of British slave ships were built in Liverpool. It became the largest slave ship construction site in Europe, squeezing Bristol out in the league table of slave trading ports. Huge fortunes were made from the slave trade by banks and manufacturers. To provide a few examples, there were the Heywood brothers, Arthur and Benjamin, who made their fortune in the slave trade. Arthur Heywood went on to found a bank, which became the bank of Liverpool, then Martin's bank and eventually Barclays bank. Thomas Leyland, another huge slave trader from Liverpool, served four terms as the city's mayor. He set up Leyland's bank, which became Bullins bank and eventually the Midland bank. Many mayors and MPs in Liverpool were slave traders, including the Gladstones. John Gladstone was a sugar planter in Guyana, who wrote a pro-slaver column in the Liverpool *Mercury* and his son, of course, went on to grace this House as William Gladstone.

In London, my city, people sometimes minimise or discount its involvement in the slave trade, but it was involved in it for longer and deeper than any other part of the British Isles. In the years before 1698, the Royal African Company shipped 100,000 Africans to the colonies. Fifteen Lord Mayors, 25 sheriffs and 38 aldermen were shareholders in that company. The South Sea Company traded in slaves with South America. One of the many people who made fortunes from the company before the South Sea bubble burst was Thomas Guy, a bookseller, who used his fortune to found Guy's hospital. Barings merchant bank based its profits on the long-term procedures that it developed to finance the slave trade.

In 1766, it was estimated that 40 Members of Parliament were making their money from West Indian plantations. William Beckford, MP, owned 22,000 acres in Jamaica; his two brothers and his sons were also Members of Parliament. The Bishops of London were major slaveholders in Barbados. Another major slaveholder was Humphry Morice MP, Governor of the Bank of England from 1727.

My point is that the slave trade was not an aberration until, kindly, people woke up and realised that it was wrong. The slave trade was part and parcel of British economic and political life for more than 300 years. I have mentioned the major ports—Liverpool, Bristol, London and Glasgow—but small ports around the country did a little slave trading too: Barnstaple, Bideford, Dartmouth, Exeter, Plymouth, Poole, Portsmouth and Whitehaven. We are not talking about an aberration that occurred on the fringes of British society; we are talking about something that was part and parcel of it for 300 years.

Mr. Sadiq Khan (Tooting) (Lab): My hon. Friend speaks of a 300-year legacy. Between 1837 and 1918, half a million Indian indentured labourers went to the Caribbean, particularly Trinidad and Guyana. Could that not be classed as an extension of the barbarism that led to profiteering in the City of London and elsewhere?

Ms Abbott: The history of Indian indentured labour is not as well known as it should be, but those labourers were certainly in a position of quasi-slavery. In fact, they were brought in to take over from slaves who would no longer do the work and ran up into the hills, where my family come from, to survive on subsistence agriculture.

We come now to the process by which the slave trade was abolished. I do not want to take anything away from William Wilberforce, but the abolition of the slave trade, like any great social movement, was not a purely parliamentary process. The slave revolts, which happened all over the Caribbean, played their part in 1790. Haiti was the first country to abolish slavery, following a revolution under the leadership of Toussaint L'Ouverture. There were rebellions in Grenada, Dominica, St Vincent, Tobago and Barbados, and finally, in 1831, there was a massive slave revolt in Jamaica led by Sam Sharpe.

Ms Dawn Butler (Brent, South) (Lab): Many historians feel that the reparations made to the French, amounting to the equivalent of about £10.5 million today, contributed significantly to Haiti's status as one of the poorest nations in the western hemisphere. Does my hon. Friend agree?

Ms Abbott: That is an important point.

In the Empire, in the slave-trading territories themselves, slaves were in revolt. Here in Britain, in an era without television or picture magazines, the testimony of former slaves such as Equiano and Ignatius Sancho, who toured Britain showing their shackles, exemplified the horror of slavery, and its

importance cannot be overestimated. Again, I do not wish to take anything away from Wilberforce, but it would do a disservice to the British people to understate the extent to which not just parliamentary leadership, but a massive popular agitation created the conditions for the abolition of slavery. In 1792, Parliament received 500 anti-slavery petitions; by 1830, it had received 5,000. Between 1826 and 1832, the House of Lords received 3,500. In an era when people did not have the vote, that was the only way in which they could make politicians aware of what they felt.

Nowadays, humanitarian liberal issues are sometimes derided as issues for the chattering classes and the London intelligentsia, but the remarkable thing about the agitation against slavery was that it covered all parts of the country. In 1789, the *Leeds Intelligencer*, a newspaper, reported a collection of £18—it does not sound much, but it was a huge amount in those days—in support of the campaign against slavery. It was collected by farmers in Yorkshire who, as the *Leeds Intelligencer* put it, had been

"informed of the injustice and inhumanity of the slave trade by pamphlets".

Reading about the popular agitation, it is remarkable that it involved ordinary people from all corners of the country. Once they learned the facts, they rose up against slavery, signed petitions and supported people such as Wilberforce. There was no self-interest involved; they were just genuinely moved by the inhumanity of a barbaric trade. In recent years, in the Make Poverty History campaign, ordinary and church people were swept up in the campaign against poverty in Africa, and in many ways, the anti-slavery agitation was the Make Poverty History campaign of its day.

There were, of course, also the abolitionists—the lawyers and campaigners here in London. There was Granville Sharp, Lord Mansfield and his very important finding in the Somerset case, Thomas Clarkson, and William Wilberforce with his 20-year campaign. Of course, we are commemorating the abolition of the slave trade, but slavery itself was not finally abolished until 1833. This House debates modern-day slavery and modern-day forced labour, which are terrible things, and we need to take action in the spirit of Wilberforce and others.

If we were to draw a lesson from the abolition of the slave trade, it would be this: like all great popular movements, it did not start in Parliament, although, in a sense, it ended in Parliament. It is a credit to ordinary, British people across the country that they were prepared to rise up against slavery. It was, in its origins, a popular agitation, although it was led by Quakers, evangelists, and religious people. Abolition was essentially due to popular agitation, as well as a parliamentary Act. Contemplation of the brutality of the slave trade ought to remind the House of what happens when we dehumanise people and say that they are not human beings. When we read about how slaves were treated in the middle passage, on the plantations, and even by their owners in London, we are shocked, but the people involved at the time were not shocked, because they did not see the slaves as human beings. Indeed, one of the achievements of the religious campaigners against slavery—the Quakers and so on—was that they stressed the essential humanity of slaves.

The warning to us, 200 years later, is about what can happen when we dehumanise people and say, "They are not like me; they are not my friends or my family. They are somehow less than human." Occasionally, when I hear some of the rhetoric in our popular press about people who have been trafficked, economic migrants and asylum seekers, I think that people would do well to remember that if we consistently and systematically dehumanise a group of people, society and Parliament become capable of acts against them that we may look back on in shame years later.

The abolition of the slave trade is an example of what popular agitation can achieve. These days, people are deeply cynical about politicians, although they all have the vote. They say, "If voting changed anything, they would have abolished it," or "These politicians are all the same—nothing changes," but the abolition of the slave trade in an era with no television, e-mail, or text messages, and no popular franchise, is an example of what popular agitation, with the right parliamentary leadership, can achieve.

Finally, the abolition of the slave trade speaks to us down the centuries, telling us that in the end, evil does not endure. I am proud to have been able to speak in this debate, and I applaud the Government for the action that they have taken to celebrate this important bicentenary, but there are lessons to learn in this day and age. If my slave ancestors could look down from the Gallery and hear this debate, they would be happy and proud.

4.59 pm

Dr. Vincent Cable (Twickenham) (LD): I, too, congratulate the Government on the way in which they have led the commemoration, and I congratulate the Deputy Prime Minister directly on the tone and content of his speech, as well as the right hon. Member for Richmond, Yorks (Mr. Hague). My role is partly to shadow the Deputy Prime Minister, and I am the third Yorkshireman in our Front-Bench group. I was brought up by the Quakers, so I was immersed at an early age in the arguments that we have heard today.

Essentially, I should like to build on the arguments of the hon. Member for Hackney, North and Stoke Newington (Ms Abbott) who, in a powerful and effective contribution, said many of the things that I had planned to say. The commemoration is important, because it provides an opportunity, which we must not miss, to understand British history properly. There is a comforting view of the history of the slave trade—I suspect that most people in the country subscribe to it to some extent—that goes roughly as follows: of course, the slave trade was a terrible episode, but it was a long time ago. Many countries were involved and Britain was no worse than anywhere else. Slavery was at the periphery of our society, but it was all redeemed by the abolitionist movement, so we should not feel too badly about it.

That view of history is simply wrong, for the reasons given by the hon. Member for Hackney, North and Stoke Newington. Several points that she made should be emphasised. First, slavery was not peripheral: it was at the heart of the British economy for well over a century, as the great historian, Eric Williams, who subsequently became Prime Minister of Trinidad and

[Dr. Vincent Cable]

Tobago, described in detail. He was the first person to analyse the economics of the slave trade and the triangular movement between west Africa, Europe and the Caribbean, showing how that led to the accumulation of capital, which formed the basis of investment in early industrialisation. The slave trade was, as the hon. Lady eloquently said, at the centre, not at the periphery of the British economy. It was something in which all parts of British society were implicated—it was not just a few roughneck captains and the odd aristocrat who had plantations in the Caribbean—and it was the basis of the prosperity of the Church and, one should add, of the royal family. The hon. Lady mentioned Members of Parliament, but she understated her case, because in 1720, it was recorded that 420—not 40—Members of the House of Commons invested in the South Sea company, which was the main financial vehicle for investment in the slave trade.

As the hon. Lady said—and this is important—there was not a wonderful moment of enlightenment when Britain was suddenly converted to the abolition of slavery. Tellingly, the right hon. Member for Richmond, Yorks made reference—and he has written brilliantly on the subject—to the first and greatest Prime Minister in the Conservative tradition, William Pitt. May I allude to perhaps the greatest Prime Minister in the Liberal tradition—W. E. Gladstone, behind whom there is a rather unfortunate history that is not widely known? It is not just that he entered the House as a Tory—I do not think that that meant a great deal in those days—but that his maiden speech was a passionate defence of slavery. He made that speech 25 years after the abolition of the slave trade, because his family owned plantations and he believed that he should justify that practice. That is how he began his political life—it was not just a personal idiosyncrasy but a reflection of the view among much of the British establishment that although the slave trade was sordid, we had got rid of it, and there was nothing inherently wrong in owning slaves and profiting from them.

It therefore took a great deal of time finally to eradicate slavery. My final point about its history was made eloquently by the hon. Member for Hackney, North and Stoke Newington. It was not just liberal white abolitionists who were involved in the movement against the slave trade, as black slaves contributed enormously to their own emancipation. There were slave uprisings, and freed black slaves in Britain such as Equiano agitated and contributed to the movement. The hon. Lady missed one small detail in the story, as a key factor that provoked the uprisings in the Caribbean was the French revolution. It is often forgotten that some of the French revolutionaries were black and, for the first time, the French revolution promoted the concept that all men—women were not included at that time—were equal, which was a devastating concept to unleash on a slave society. It was only when Napoleon—who, among his less attractive attributes, was a virulent racist—re-imposed authority that the slave uprisings were finally brought under control. That was a key stage, and it was the black revolutionaries who did much to create the climate of opinion leading to abolition.

Dr. Hywel Francis (Aberavon) (Lab): The hon. Gentleman rightly paid tribute to Eric Williams's work as an historian. Will he join me in paying tribute to that very great historian, CLR James, who in 1938 wrote the famous book about the slave uprising in Haiti called, appropriately, "The Black Jacobins"?

Dr. Cable: Yes, indeed. I am less familiar with that work than with Eric Williams's book, but the hon. Gentleman is right, and there were many others.

There is one aspect of the history that has not yet been touched on, but with which I have been confronted several times in discussions on the subject: whether, as a society, we should in some sense apologise—that is the word that is usually used—for what happened 200 or 300 years ago. The obvious response, which is the one that I tend to give, is that, put in a very crude way, that is not a helpful suggestion because clearly, in any sensible ethical system, one cannot apologise for things that happened 10 generations ago. Equally, the case is often put by groups of Nigerians who have a much wider agenda and who are demanding money.

None the less, there is a deeper point here. We must acknowledge in some form that modern British society owes much of its prosperity and many of its institutions to what happened all those years ago. The way the Prime Minister captured it in his statement earlier this year was about right. A formal apology of the type that is often sought is not quite right, but we have to go a long way to acknowledge that the slave trade was not some distant event from which we are entirely disconnected.

The best way that we can honour the past and pay reparations to it, if that is what is sought, is by ensuring that contemporary slavery is properly and decisively dealt with. Some facts and figures have been cited, but I am concerned that we may be understating the magnitude of it. The United Nations agencies that are responsible have identified modern slavery as being worth roughly $30 to 40 billion. It is the third largest source of illegal income, after drugs and illegal armaments transactions. There are probably about 27 million people who are directly involved in slavery in quite a narrowly defined sense. I exclude child labourers and others, but there are probably 27 to 30 million people who are employed in slave conditions, many, but not all, of them in the Indian subcontinent in bonded labour-type arrangements.

The most shocking fact that I uncovered when I was preparing for the debate is what is happening in the economics of the slave trade, which the right hon. Member for Richmond, Yorks touched on with reference to the forces of supply and demand. The key point that emerged was that the price of slaves has collapsed, in the same way as the price of drugs has collapsed. Some economic historians have established that throughout history, going back centuries, if not thousands of years, it is possible to put a price on slaves. It sounds an appallingly impersonal thing to do, but in the interests of objectivity one has to try to do it.

Economic historians have estimated that typically, at current prices, slaves were worth the equivalent of £10,000. Of course, that varied a great deal, but it explains why slaves were valuable and why people traded in them. What has happened is that the price

has collapsed to about £100 today. The reason is that millions of people who were engaged in subsistence living, particularly in the Indian subcontinent, have suddenly entered the modern economy and are freely available in vast supply. The result is the phenomenon to which the Deputy Prime Minister alluded when he cited the case of the British traffickers who have been dealing in people. The figures that he gave were between £2,000 and £10,000, I think. Traffickers can acquire people who are equivalent to slaves for £100 in the countries of origin. There is enormous scope for mark-ups; that is what is driving the trade and why it is expanding so virulently.

The next question is what we do about it. Many of the arguments have already been touched on. As the right hon. Member for Richmond, Yorks suggested, it is partly about border protection and controls. That is one dimension, but the other is that of ensuring that trafficked people who are intercepted are properly protected. For the past few years, Liberal Democrats have been pursuing the issue of the signing and ratification of the European Council resolution on this matter, which provides an extra degree of protection for trafficked people. We know that the Government have reservations about that, notably on the 90-day reflection period, but I wonder whether Ministers could summarise in the wind-ups where we currently stand with this argument. Our belief, looking at the experiences of countries such as Italy which provide that degree of protection, is that it has not acted as a pull factor in the way that the Government feared. In fact, the Italians have been able to make 100 times as many prosecutions of traffickers on the basis of the laws that they employ.

I turn finally to a point that has not yet been made, although the hon. Member for Hackney, North and Stoke Newington hinted at it in her peroration—that is, whether we sufficiently acknowledge the role of the black community in Britain and the extent to which, in a country that once had slavery, we now fully accept our own black citizens as complete equals and accept them with dignity. It is a very mixed story. Over my lifetime, we have moved away from open and explicit racial discrimination, which was common and openly advertised. We do not have ghetto-style segregation, as in the United States. We have social trends such as very high levels of intermarriage between white and black people, which indicates at least a degree of optimism about the future.

There is, however, a negative side that we must be open and honest about. Despite successes in many activities, there are still serious problems with discrimination. For example, the Metropolitan police have tried harder than most institutions to get rid of racism, but over the past few days Ali Dizaei's book has pointed out that many of the practices of the past still persist. In the past few weeks, we have seen a report showing how entrenched the differences are in educational performance. Ever since I came into the House, I have taken a personal interest in young offenders, and I go regularly to Feltham to pursue the issues there. The minute one goes into the place, it is very striking that 65 per cent. of all the prisoners are from ethnic minorities, and the vast majority are black. Clearly, something has gone fundamentally wrong with the way in which black youth is being dealt with in British society that perpetuates this disadvantage.

Although I entirely agree with the hon. Member for Hackney, North and Stoke Newington that it is a source of pride that we are dealing with this issue and doing so in such an adult way, we still have to address long-term legacies that are embedded in the form of discriminatory treatment; that is why there is absolutely no room for complacency.

5.13 pm

Jeremy Corbyn (Islington, North) (Lab): It is a pleasure to be able to take part in this debate, which I congratulate the Government on holding. I particularly congratulate my hon. Friend the Member for Hackney, North and Stoke Newington (Ms Abbott) on an absolutely brilliant speech that brought home to everyone in the House—and, I hope, in wider British society—not only the whole significance of the defeat of the slave trade 200 years ago but the existence of the prejudices that allowed it to develop and to continue. She put the case incredibly well, and I congratulate her on that.

On 23 May, an exhibition will open in Westminster Hall called "The British Slave Trade: Abolition, Parliament and People"; it has been my pleasure to sit on the committee that has been organising it. It tries to emphasise not only the importance of what happened in Parliament but the influences that came from outside Parliament to make it happen in the way that the right hon. Member for Richmond, Yorks (Mr. Hague) very adequately pointed out in his speech.

Mr. Khan: My hon. Friend will be aware that, for the first time in our history, the exhibition will have a writer in residence working with the schools on the displays. One of the schools chosen is Burntwood girls school in Tooting. I am sure that he will be appealing to Members to go along to the exhibition and watch these wonderful children, all of whom are Tooting girls, demonstrating our pride in the abolition of this trade 200 years ago.

Jeremy Corbyn: I absolutely agree, and as I was on the committee that asked the school to take part, I duly congratulate myself on that. It was indeed a splendid choice, and I hope that every Member will come along to the exhibition.

Many congratulations are due to Baroness Lola Young of Hornsey, who has chaired the committee and put a huge amount of effort into ensuring that the exhibition is a success. One of the exhibits, loaned from the museum in Wisbech, is Thomas Clarkson's box. This was the famous box that he used to take around the country, in which he carried the instruments of torture—the manacles and all the other horrible things—that were used in slavery, and the descriptions of the slave ships and the ways in which people died as a result of the trade. We owe a debt of gratitude to the Wisbech museum for loaning us that equipment and for its help and support.

Baroness Howells brought along to the committee meeting earlier today one of the neck irons that had been put around the necks of African slaves when they were captured and taken to the ports. They were tight pieces of iron that were effectively welded around the necks of human beings in order to chain them together to take them off to a destination unknown to them.

[Jeremy Corbyn]

That is what slavery was about; it illustrates the brutality involved in the slave trade.

We would do well to ensure that, this year of all years, all the children in schools in this country and around the world begin to understand what the slave trade meant—the brutality and the horror of it, as well as the bravery of those who campaigned against it, and the even greater bravery of those who took part in the slave rebellions in Africa, the Americas and the Caribbean. As the right hon. Member for Richmond, Yorks pointed out, their names were not recorded in most cases. They led apparently useless rebellions, but word got through and, as my hon. Friend the Member for Hackney, North and Stoke Newington said, evil was eventually outed and defeated. However, it took a very long time to do so.

Slavery was not a neutral occupation. As my hon. Friend pointed out, Members of Parliament were deeply involved in the slave trade. It was a central core of British life. We have only to look at the names of the buildings and roads in Bristol, Liverpool and London. In Bristol, we find Colston hall, named after a great slave owner, and Whiteladies road, where white ladies went to buy black boys as their slaves. That was all part of British life, and defeating it was a great achievement. The profits from the slave trade were astronomical. One of the most formative books that I have ever read is the wonderful work by the late Dr. Eric Williams, "Capitalism and Slavery", which I think was his PhD thesis when he was at the London School of Economics. In it, he describes the riches that the City of London and other places made from the slave trade.

Stephen Williams (Bristol, West) (LD): The hon. Gentleman is quite right about Edward Colston, who was notorious in Bristol as someone who earned a great deal of his wealth from the slave trade. A number of places in the city are indeed named after him. There is, however, a lot of mythology surrounding Whiteladies road and Blackboy hill. There is no evidence whatever that they were in any way linked to the slave trade.

Jeremy Corbyn: There is no evidence to the contrary, either. A couple of weeks ago, I was at an interesting meeting to commemorate the abolition of the slave trade, and I had a long discussion about this with some extremely learned people. Gus John and Alex Pascall both assured me that Whiteladies road had that connotation. We should think about these things quite carefully, and about the history of the slave trade and what it meant to so many people.

I was talking about the amounts of money made from the slave trade by some of the richest people in Britain. For example, Sir Francis Baring was a Member of Parliament for 18 years and died leaving a legacy of £1 million, which was one heck of a lot of money in the 18th century. William Beckford became the first English millionaire MP. I think that there might be quite a few millionaires in the Chamber, or at least in this building, at the moment, but I am not one of them—[HON. MEMBERS: "That is a shame."] No, it is not a shame. I am very happy not to be rich. If we look at the planters who made money from the West Indian plantations, particularly in Jamaica, we see that the Beckford family included several Members of Parliament.

Those were the forces that Wilberforce, Clarkson and others were up against in their campaign for the abolition of the slave trade. Interestingly, however, their involvement in that campaign did not have much direct connection with the slave uprisings going on at the same time. They saw their campaign as a campaign in Britain. At the same time as a high moral stance was being taken by Britain against the slave trade, the slave uprisings taking place all over the Caribbean and the Americas—partly in response to the French revolution but also in response to other factors—were being brutally put down by the British Army, while the British Navy was stopping the slave trade taking place on the high seas. One might say that a few double standards were in operation.

I want to quote from "The Abolition of Slavery" by Richard Hart, an old friend of mine who has spent his life campaigning against racism and the slave trade. He describes the emancipation rebellion in western Jamaica, and the way in which it was put down. He writes, of the first week in 1832, that

> "201 rebels were reported killed in action. Approximately 750 slaves and 14 free persons were convicted of acts of rebellion by courts martial and in the courts. Most of those placed on trial were sentenced to death. Others were given savage sentences of from 200 to 500 lashes of the whip, with or without imprisonment. Only 21 appear to have been sentenced to transportation."

On being sentenced to death, Sharpe, one of the leaders of the rebellion, said,

> "I would rather die upon yonder gallows than live in slavery!"

The Maroons who escaped into the Maroon country in Jamaica managed to hold out for a long time. Kofi, their leader, is still venerated in Jamaica, and rightly so. We must remember those aspects of the history of abolition. In passing, let me say that I hope that the Jamaican Government will do their best to protect the wonderful Maroon country of Jamaica from the mining exploitation being visited on it at present, so that succeeding generations can see the place where those who managed to escape slavery lived.

We must also consider what happened once slavery had been abolished. The British commercial interests—largely, they were British commercial interests—were not done. As my hon. Friend the Member for Tooting (Mr. Khan) pointed out, they transported large numbers of indentured workers from India to Mauritius, South Africa, the Caribbean and many other places. In reality, those indentured workers, though they might have had a supposedly limited time on their indentures, were slaves, just like the slaves who had supposedly been completely freed at that time.

Once we understand the history, we must go forward. Slavery is an inhuman and vile state. Two things are necessary for slavery: one is the ability of people to turn a blind eye to the utmost brutality; the other is the making of huge profits from slavery and the control of other human beings. As many Members have pointed out, the profits made by the sugar industry and many others led to the British banking system, and to Barclays, the Midland and many other banks in this country. Such interests are still around, however, and making a great deal of money in different

ways from the inhuman treatment of people. The right hon. Member for Richmond, Yorks pointed to the sex slaves of the present, and to the appalling trafficking of human beings. We are also aware of very poor people, mainly from south Asia, being transported, virtually, into economic zones in the Gulf states and other places and forced to work for low wages, with no trade union or other rights. Is such gross exploitation of very poor people so different from slavery in a modern sense?

Sarah Teather (Brent, East) (LD): I was interested in the hon. Gentleman's point about people turning a blind eye and to financial gain through slavery. Does he feel as uncomfortable as I do when I flick through the back pages of many local and national newspapers and see adverts selling sex? Does he wonder how many of the women involved have been trafficked into this country?

Jeremy Corbyn: I, too, often wonder that when I see those obscene advertisements around the place. Often, society is keen to condemn with ritualistic moral fervour those who get involved in that trade while ignoring those who make a great deal of money out of it.

In this year of commemorating the abolition of the slave trade, I hope that the Government will welcome and support Amnesty International's recommendations on the European convention to end trafficking. One is to train officials to identify those who perpetuate human trafficking. Another is to support victims, through accommodation and whatever else is necessary, including allowing them to remain in a country of safety. All hon. Members who represent inner-city areas are familiar with the process whereby people have been trafficked into the country and are living here illegally in a technical sense. They are victims of every kind of exploitation. Is it right that our response is to deport them to places that are probably dangerous for them and likely to expose them to the same treatment in future?

In concluding her speech, my hon. Friend the Member for Hackney, North and Stoke Newington spoke about the way in which people are condemned as sub-human. Is the way in which the poorest people in the poorest parts of the world are forced into awful employment practices and those seeking to escape from the dreadful poverty—the origins of which partly lie in the slave trade—in some parts of Africa die on the high seas when trying to seek a place of safety or end up in detention centres all over Europe and the Americas so very different?

We must recognise the wonderful work that was done to end the slave trade 200 years ago and the brave people who stood against it, but acknowledge that we have not yet fully achieved the sort of justice for which they fought. We have a great deal more to do to ensure that our economic relationships with the poorest people in the poorest countries are fair, not exploitative, and that victims of poverty and exploitation are properly treated when they arrive in our country.

Ann McKechin (Glasgow, North) (Lab): My hon. Friend rightly identified the exploitation of labour in developing countries. Does he also agree that one of the main problems and causes of trafficking is massive unemployment in the developing world and that we have failed to tackle that?

Jeremy Corbyn: Absolutely. For many of the poorest people in the shanty towns of Africa and on the periphery of the cities of Asia—and, indeed, in central and eastern Europe—such exploitation is the only way out. If we want to live in a peaceful world in which the dream of treating human beings as human beings is a reality, we have a great deal to do. Today's debate has shown what has been achieved but is also a salutary lesson in how much more remains for us all to do.

5.28 pm

Sir Patrick Cormack (South Staffordshire) (Con): I do not always agree with much of what the hon. Member for Islington, North (Jeremy Corbyn) says, but I am broadly in sympathy with the points that he made this afternoon.

I should begin, as my right hon. Friend the Member for Richmond, Yorks (Mr. Hague) did, by declaring an interest. In 1983, when we commemorated the 150th anniversary of the abolition of slavery, as distinct from the slave trade, I published a short life of William Wilberforce, which is now sadly out of print. *[Interruption.]* My right hon. Friend the Member for Richmond, Yorks has the field to himself. When I was writing the book, I became increasingly aware of what a great man William Wilberforce was. I do not detract from what people have said about others, including Thomas Clarkson, Granville Sharp and John Venn. The list is long and many anonymous people made a genuine contribution, especially the slaves themselves. However, William Wilberforce was the parliamentary spearhead and an extraordinary man—unprepossessing in appearance, short of stature, physically frail, yet with an indomitable spirit. He fought tenaciously, suffered many setbacks and, for 20 long years, embodied the abolitionist cause in this place. It is good for us as Members of Parliament to reflect on what a man who never held high office, nor ever aspired to it, could achieve by his persistence and—as Sir Samuel Romilly said at the time when slavery itself was finally abolished—by his sheer goodness.

Wilberforce was not a party man. Some of my colleagues like to claim that he was a Tory, but he was not; he was an independent Member of Parliament. He was a very close friend of William Pitt, but, as I have said, he never aspired to high office. He was the absolute embodiment of what an independent-minded Member of Parliament can be, and his work is an example to us all of what such a man can achieve. I believe that he was the greatest Back Bencher of all time; I do not know whether my right hon. Friend the Member for Richmond, Yorks has come to the same conclusion—we shall have to wait for his book to be published to find that out. Wilberforce is certainly one of the pre-eminent figures in the parliamentary roll of honour, which includes Shaftesbury, Joseph Arch and many others. On almost exactly the same date as the Bill to abolish the slave trade received Royal Assent—25 March—it is good that we are reflecting on what one of our past parliamentary colleagues achieved by his campaign.

Wilberforce was an inspiration. He was the conscience of the nation. He was not, of course, solely concerned with fighting to abolish the slave trade, although that is what he will always be most remembered for. He was a great Christian campaigner

[Sir Patrick Cormack]

who wanted to bring his own particular religious fervour to the attention of people, believing that he had something to transmit to them. He was a great friend of Pitt, as I have said. He was also a great admirer of Fox. Pitt and Fox stood together with him against this ghastly trade. One thing he lamented about Pitt and Fox was that they did not have his religious conviction and fervour.

We already have a fine portrait in the Palace of Westminster, and I would like us to have a special commemoration of William Wilberforce to mark this 200th anniversary. I have on my desk at home a little ashtray—one should not say "ashtray" these days, of course—which was produced by Wedgwood in 1983 and which reproduces the famous image of the black man in chains with the slogan around it:

"Am I not a man and a brother?"

That gave great inspiration to Wilberforce. I would love it to be reproduced as a plaque, and for it to be placed in the Members' Lobby among the memorials to Prime Ministers, because Wilberforce achieved more than most of the Prime Ministers whom we rightly commemorate and revere in the Central Lobby today. It would be a splendid commemoration of this 200th anniversary if we could do something like that.

Members have referred to the fact that what Wilberforce achieved 200 years ago in spearheading this campaign was not the end; of course it was not. However, we can draw various lessons from it that are highly relevant for today. One of them I would take from the speech that Wilberforce made on 18 May 1789, when he truly launched the parliamentary campaign. Sitting around him were Members who—as earlier speakers have reminded us—derived great wealth from the slave trade. However, Wilberforce in his campaign did not seek to castigate or attack his colleagues. He was prepared to accept that many of them were ignorant of the slave trade and what it all meant. He was prepared to give them that benefit of the doubt and to seek to enlighten them, and all his other colleagues, as to how great an evil this was. We can sometimes learn from that—that we must not attribute the worst motives to everybody. In trying to enrol them in a cause—whatever it may be—we must show them that we will give them the benefit of the doubt, but that, having set the facts before them, we want them to join the campaign.

The campaign that we want everyone to join today is the one referred to by a number of colleagues: the campaign against human trafficking and the exploitation of men and women by others for profit. In those days, some Members of Parliament benefited from the slave trade, but I do not suppose that a single Member of Parliament benefits from these awful things today. However, many of us perhaps turn a blind eye. I was taken by the intervention of the hon. Member for Brent, East (Sarah Teather), who referred to the pages of nauseating advertisements that appear in local papers up and down the country. Would it not be a good thing if we could seek to persuade all those who take those advertisements for profit that they should not be taken? Would not that be one particular and significant step that we could take following today's debate? If the wares were not advertised, people would not necessarily know about them. We may have to legislate on this, but perhaps we can do it by exhortation and example. I would love to see us set a few specific targets in this bicentenary year, and that is one that we could set.

Of course, we also need to be utterly single-minded in rooting out organised crime. Last year, in my capacity as Chairman of the Northern Ireland Affairs Committee, I presented in Northern Ireland a report on organised crime in the Province. Particularly apparent, apart from the dimension of paramilitary involvement, was the very important part that human trafficking was playing in the criminal's apparatus. Human trafficking was joining counterfeiting of goods, smuggling and all the other illicit and revolting things, such as money laundering and fuel laundering. *[Interruption.]* I am glad that at this point, the hon. Member for East Antrim (Sammy Wilson) has entered the Chamber. He played a valuable part in that inquiry, and it was very significant and disturbing that human trafficking was becoming part of organised crime in Northern Ireland, too. It is doing so throughout the United Kingdom, and we must do everything that we can to root this evil out.

One of the worst things that any of us have heard of in recent months is the stories of young girls—they have been referred to today by other speakers—some in their early teens, from eastern Europe and elsewhere who are brought here and used as instruments of pleasure by evil men, sometimes assisted by evil women. That has got to be attacked. So when we mark a very notable occasion—the 200th anniversary of the abolition of the slave trade is one—we want to do two things. Yes, we want to give thanks and to take a quiet pride in what was achieved through this place, although not entirely and solely. In her moving speech, the hon. Member for Hackney, North and Stoke Newington (Ms Abbott), made that plain; nevertheless, we can all take pride in what was achieved here, whichever part of the House we sit in and whatever our political or personal background. There is always a time for giving thanks and celebration, but celebration is hollow and giving thanks is barren unless we also rededicate ourselves to attacking the descendent evils of the slave trade and slavery.

Never again will those ships cross the water packed with human cargo, but even as we speak little boats are going into ports on the Mediterranean coast, setting out from Albania and crossing from north Africa, not with people in physical shackles—such as Clarkson took around the country, as the hon. Member for Islington, North reminded us—but shackled in a different way. We have no right to call ourselves a truly civilised society unless we do everything to root out that evil that is still in our midst. I hope therefore that as a result of today's debate there will be a new dedication throughout the House to attack the descendent evils of slavery and the slave trade that still disfigure society today.

5.41 pm

Ms Dawn Butler (Brent, South) (Lab): It is difficult to know where to start in this important debate. Listening to some of the historical context that we have heard today made me think about talking about slavery in the modern context, but as a black African woman I

should first say that I am angry about not being taught my history in school. It was almost as though black history and the important contribution by African people were deliberately left off the agenda. I ask myself why that was so. Perhaps some answers may emerge in the debate today. March 25 2007 is an important anniversary, but many of those in slavery did not get their freedom until 1838 and, as we have heard today, slavery and discrimination sadly continue to the present day.

I wish to talk about discrimination in education. Bernard Coard's report in the 1970s, which is still relevant today, described a multitude of factors that combined to depress the achievement of black boys. He identified three factors that caused that. First were low expectations on the part of black boys about their likely performance in a white-controlled system of education. Second came low motivation to succeed academically because black boys felt that the cards were stacked against them. Third came low teacher expectations that affected the amount of effort they expended on black boys and those boys own image of themselves and their abilities. Such discrimination still exists today and that report is still very relevant today. Black students are given harsher reprimands for the same misdemeanours as their white counterparts and, as we talk about the historical context of slavery and its legacy, we must also consider modern education.

Sunday will mark 200 years since the British abolition of the slave trade or, as some call it, BAST. It was an important step but, as we have heard, Britain was just playing catch-up to a growing revolt. Slavery in the British empire came to an end after a rebellion led by a Jamaican slave called Sam Sharpe. He was the Martin Luther King of the 19th century, opting for non-violent passive resistance to slavery. Many other people will not be mentioned today but should be.

As we mark this year, we must think about our legacy as a Government and as British society. It is important that we teach in context what happened so that we may understand the legacy of slavery today. I use legacy as a term to define what has been passed to the present, and those enslaved gave their tomorrows for our todays. All aspects of black history must be mainstreamed into the national curriculum. The Government's recent announcement that the story of the slave trade would be taught in schools is a small step forward. I am happy that we are having this debate: we must not forget that the British economy was built on the backs of those who suffered in slavery, but I would love an end to be put to Black History Month. I want black history to be amalgamated into the general history of the country, so that it is talked about and celebrated every day.

I would have loved to learn, in my history lessons, about the former slave Olaudah Equiano, who became the slaves first political leader of the 18th century, or about Elijah McCoy, who took out more than 50 patents for his inventions and after whom the term "the real McCoy" is said to have been coined. My constituency of Brent has the largest number of African-Caribbeans in the country, and I am sure that young people there would love to learn about the Jamaican Sam Sharpe, who triggered rebellion among thousands of slaves by telling them that they were free, even when they were not. Again, I am confident that people in my area would be interested to hear about Charlotte Ray, the first black female lawyer and, in 1872, only the third woman ever to be admitted to the Bar. More recently, I am sure that they would be keen to hear about the most honourable Portia Simpson-Miller, who became the first female Prime Minister of Jamaica.

I am confident that, under this Government, positive black history could be taught. After all, we have only ever had three black women MPs, and two of them are in the Chamber this afternoon. Two weeks ago, my hon. Friend the Member for Hackney, North and Stoke Newington (Ms Abbott) was inducted into the black heroes hall of fame. I applaud her for that, as that is the sort of history that we need to teach. I think that the Government's personal learning programme will encourage more positive teaching for our black students.

Even so, I am a little worried that black students will not learn all the details of the history of slavery, a problem highlighted by my hon. Friends the Members for Hackney, North and Stoke Newington and for Islington, North (Jeremy Corbyn). For instance, the banks were directly linked to the slave trade: Barclays was established by two plantation owners who traded in slaves, and Lloyds began as a centre where runaway slaves were collected before establishing itself in 1692 as a insurance business covering slaves, slave ships and the plantations. Will history courses teach that, or will they concentrate only on the capture of innocent Africans? We must tread very carefully.

Dr. Francis: My hon. Friend makes a very powerful case about the change needed in respect of teaching black history, but does she agree that the great popular movements of the 20th century that addressed the question of racism—and I am thinking of the movements against apartheid and colonialism, and in support of civil rights—should also be included? Paul Robeson was the international humanitarian figure who embraced all those movements, and I know that my right hon. Friend the Deputy Prime Minister is a great supporter of the need to recognise that great man's life. If my hon. Friend agrees with me, will she join me in hearing Paul Robeson's son—the grandson of a slave—speak at Birkbeck college in October?

Ms Butler: I thank my hon. Friend, who makes an important point. I have had the pleasure of listening to Paul Robeson II, and I know that he is an amazing speaker and man, and very inspirational. Of course, I shall be happy to take up that offer.

We must teach positive black history in schools. When she winds up the debate, I hope that my hon. Friend the Minister for Women and Equality will be able to shed some light on how the positive and powerful teachings of black history will be included in the curriculum.

Ms Abbott: Does my hon. Friend agree that it is important for young black people to learn about the black involvement in this country's history, and about the reality of the slave trade? Does she accept that they have to understand that they are not merely the passive recipients of charity from the majority community and that they can be the architects of their own fate?

Ms Butler: I agree with that wholeheartedly. I cannot stress too much the importance of teaching positive black history. If we do not teach it, we will be enslaving people all over again, a problem that my hon. Friend the Member for Hackney, North and Stoke Newington touched on with some eloquence.

Slavery was not just an event—it was a process of destabilising African societies. It produced negative self-image and African deculturalisation, and demonised all things black and all things African. That is what separates the slave trade from modern slavery. Modern slavery does not strip people of their culture and heritage, which is why it is important that black history is taught in schools.

Jeremy Corbyn: Will my hon. Friend join me in hoping that when the Government reply to the debate, or other debates on this subject, they will propose some changes in the national curriculum, so that our children understand the wider context of world history and colonialism, with rather less of the narrow bands of history that are far too often taught in all our schools, particularly at primary level?

Ms Butler: I agree. As I said earlier, I am an angry black woman because I was not taught my history in school. I hope that part of our legacy as a Labour Government will be that we have rectified that situation, so that when there are, as we hope, more black MPs they will be a little less angry.

This is the time to ensure that Africans rise through the ranks and that black people are encouraged. I want young black people to believe that they can achieve; I want them to pick up books, not dangerous weapons. I want them to know that the debt we owe those who gave their tomorrow for our today runs deep. Maya Angelou wrote:

"I am the dream and the hope of the slave".

We have a huge gap to fill.

We must look to emotional and spiritual reparation to repair minds. We must ensure that all our children know they can achieve great things, as my hon. Friend the Member for Hackney, North and Stoke Newington said. It is vital that we continue to strive to tackle modern-day discrimination and slavery in all its forms.

Mr. Khan: My hon. Friend may be aware that the Mayor of London is working to make 23 August a day when Londoners unite to remember and acknowledge the horrors of the slave trade. Will she work with the Mayor to make sure that the things she is talking about, such as black role models and the black heroes of yesteryear, are commemorated and celebrated on that day?

Ms Butler: Absolutely. The African emancipation day is an important date. I shall be working with the Mayor, who has come up with some fantastic recommendations in this bicentenary year. Although some parties have tried to reduce the funding for that day, I am pleased that it will be going ahead and I shall be working closely with the Mayor to make sure that it does so.

The Jamaican poet David Neita said that freedom is a right and not an end in itself. It is not a static process; we need to struggle constantly to extend freedom. Part of our freedom is the teaching of our story. As the late, great Robert Nester Marley said:

"Today they say that we are free

Only to be chained in poverty.

Good God, I think it's all illiteraci."

To put those words in a modern context, I welcome the announcement yesterday of an additional £6 million for extra tuition courses and the Chancellor's £10 million for the "Aimhigher" scheme. Such funding has led to a remarkable 93 per cent. of key stage 4 pupils at Copeland school in Brent achieving five or more good GCSEs. I am very proud of that result at my school. In the UK, we must continue to travel in that direction.

In Africa, we must continue to invest, because the economic exploitation of Africa continued long after slavery ended. The Labour Government have made historic commitments to ending poverty in Africa. After all, we have a huge debt to Africa, although in fact it can never be repaid. Those who doubt it need to be reminded, which is why I have been campaigning in Parliament for an annual remembrance day.

In the Deputy Prime Minister's opening speech, he said that the debate on slavery had been going on for a long time. Indeed, it has. In 2004, my hon. Friend the Member for Liverpool, Riverside (Mrs. Ellman) tabled an early-day motion on the subject, yet the Government are still not sure whether we should have a remembrance day. I say yes, we should—*[Interruption.]* For the record, Mr. Deputy Speaker, my right hon. Friend the Deputy Prime Minister also says yes.

Mr. Khan: That is a commitment.

Ms Butler: I believe that it is. I am sure we can iron out the details and date later—*[Interruption.]* I must continue, but I am glad that I have that commitment from the Deputy Prime Minister.

A commemoration day would mean that every year Britain could commemorate the heroism of those who struggled against slavery and injustice, whatever their background, and help our children understand its importance and legacy. It would show them that their responsibility in society runs deep and that they come from a seriously powerful race. It would promote all the unsung heroes we shall be unable to mention today—whether scientists, teachers, parents, politicians or preachers—who sacrificed their lives for our survival. It is important that we support each other and work together on that task. I hope we shall do so. I hope, too, that the Government will bring together grassroots organisations, schools and people such as Natasha Beckles from Brent who has produced a fabulous guide for schools, and hold a meeting here in Parliament to discuss appropriate dates, aims and objectives for an emancipation day.

Mr. David Wilshire (Walsall, North) (Lab): My hon. Friend is making a powerful speech. As she represents Brent, may I tell her, if she does not know already, that in 1960, before the amalgamation, Willesden council—of which I was then a member—was the first local authority to boycott South African goods? We demonstrated our complete hostility to the apartheid regime.

Ms Butler: I thank my hon. Friend for making that point. Brent is the most diverse constituency in the UK.

I want to end my speech by talking about the importance of women. They dominated the campaign to end slavery, which should come as no surprise as it was so well organised. Women had no vote, but they could make their voice heard through the campaign. It was one of the first ways in which they became involved in politics. The abolitionists were pioneers who helped to invent the political campaigning methods we use today. They collected mass petitions, organised hundreds of local societies, created a campaign logo and organised consumer boycotts. They calculated that if 38,000 families stopped using sugar, it would stop the slave trade altogether.

Nanny, a wonderful woman and a leader of the Maroons, was a symbol of unity and strength throughout the 18th century. As my hon. Friend the Member for Hackney, North and Stoke Newington said earlier, the Maroons were Africans who fled to the hills in Jamaica—where my parents are from—when the British invaded in 1655. Many were Rastafarians. They lived free and grew their own food, which we would now call organic, so we could say that they invented organic food—Ital food, as we like to say. They were skilled warriors, hunters and home makers. The British could not control or defeat the Maroons, however hard they tried.

The bicentenary is a major opportunity to consider both the legacy of the British slave trade and slavery in our modern society, and to explore the roots of the racism, prejudice and social stereotypes that continue to affect our local and global communities. Our aim should be to remember the slave trade and its cost to human life. We should remember the debt owed to African people and understand the importance of equal opportunity and respect for others. At every stage, we must challenge injustice and cruelty.

I have already mentioned Maya Angelou. I end with her words:

> "You may write me down in history
> With your bitter, twisted lies.
> You may trod me in the very dirt
> But still, like dust, I'll rise."

5.59 pm

Mr. Anthony Steen (Totnes) (Con): This debate pays tribute to a remarkable man. William Wilberforce's achievements were immense and have been recognised all over the country. However, they are overshadowed by what Anti-Slavery International, the world's oldest international human rights organisation, describes as the new form of slavery: human trafficking. I knew little about trafficking a year ago—I thought that it was something to do with Parliament square and the one-way system. I did not know anything about it until I read two sensational articles that appeared in *The Sun* and *The Daily Telegraph*, which brought to light the sex trade in Britain. The media have done an important job in exposing the problem. Now we need to focus less on sensationalism and more on what the issue is all about, how it works and how we can do something about it.

The new forms of slavery are different from the forms that were prevalent in the world 250 years ago. They could involve trafficking for sexual purposes, domestic servitude, forced labour or forced marriage, or, as has more recently been discovered, the use of Vietnamese boys in the suburbs—not the inner-city areas—to look after cannabis farms and to water plants. There is confusion about what is trafficking and what is smuggling. Trafficking is about being duped or deceived. Often victims of trafficking are offered what seems to be an appealing opportunity to go abroad. Thousands of girls and boys are driven away by violence, rape and murder in Africa.

I came back from Romania this morning, where I went underground to look at this whole subject and to see what drives women in some of the poorest areas in Romania away from those places. They live in the most squalid, appalling conditions—worse than I ever saw when I was a community worker in east London 40 years ago. I am talking about the kind of squalor that people in this country would not leave their animals in. There are mud floors, concrete walls that have split, rat-infested rooms, no electric lights, no fridges, no water and a lot of drink and drunkenness, which is driving young girls out of their homes into the arms of their lover boys, as they are called. They are then brought to Spain, Italy and the UK. It is an appalling picture. One of our EU countries—I have a lot of affection for Romania and Bulgaria—is a centre for such girls, who see no way out of their lives other than to be trafficked and to come to this country to be used for sex.

Those involved in trafficking are essentially business men, aiming to make profits by offering a product for sale where there is demand for it. People trafficking has grown and the demand is still growing. There seems to be an endless supply. As long as there is poverty and appalling abuse at the other end, girls and boys—Members should not think that it is just girls; it is boys too—will be trafficked through to the western areas.

To deal with this new scourge, a huge range of advisers, consultants, officials, fledgling international organisations and non-governmental organisations have grown up. I went to Vienna last year to a conference. I was the only MP there. There were 450 officials, and I do not think that any of them had ever actually seen a victim. They were most concerned with getting money for research. They were concerned about the legal aspects of whether countries could prosecute, and they loved attending conventions. It was like there was a huge circus-load of people who apparently went round the world attending conventions and making comments. There were always papers being given. Trafficking seems to have produced an awful lot of experts and, although some of them do a lot of good work, few of them are victim-oriented. They are just involved in the organisation and conventions.

The best way to halt the vile trade in people is to make life nasty for the traffickers. I welcome the fact that the action plan is coming out so soon—mind you, it was promised last summer, but it is good that it is coming out later this week. It has to make life nasty for traffickers. If traffickers do not have life made nasty for them, they will go on doing trafficking, because the demand is so great. If we make life nasty for them in this country, we have to persuade our European partners to make life equally nasty for them in their countries, otherwise those involved will just the switch

[Mr. Anthony Steen]

the location of their trafficking. If we can make it nasty enough, they will switch from human trafficking to other forms of crime, but at least we will have got human trafficking off the agenda.

We have to realise that Wilberforce's achievements have a shadow cast over them, because of these new forces of evil and slavery. I believe the best people to help to stop this new form of slavery are, first, the immigration services, then the police and the victim-based non-governmental organisations and shelters. Although there is plenty of law to shop traffickers, according to a parliamentary question that I asked on 23 October last year, as well as one that I asked on 9 January this year, only 30 traffickers were sentenced last year. I am not making any criticism of the Government at all, but it is an indictment that, in the context of the massive numbers of women involved, the thousands of traffickers, the hundreds of non-governmental agencies and this debate today, only 30 traffickers were sentenced. That requires some comment, or some thinking about. How are we going to improve that situation? There are thousands of traffickers living and working in Britain.

I hope that the Minister for Women and Equality will forgive me if I quote her. On 22 February, in answer to a question from my hon. Friend the Member for Hammersmith and Fulham (Mr. Hands), she said:

> "The Government are doing a great deal on trafficking, which is why cross-government work is going on. We have had successful operations in relation to people coming into this country, such as Operation Pentameter. We are leading Europe on providing for victims and ensuring that people are recognised at ports. This must be an international issue and it needs to be dealt with through international action. We are making great progress, and we are recognised as a leader in Europe."—[*Official Report*, 22 February 2007; Vol. 457, c. 403.]

I am not quite sure who recognises us as a leader in Europe. How are people going to be recognised at ports? Is this a sort of beauty parade? Will officials say, "There's another trafficker?" What do they do when they see the traffickers? If traffickers are recognised, what are we going to do with them? They may have served a prison sentence or have a criminal record, but we cannot just send them back if they are from EU countries. I am concerned, because how will immigration officers be able to do anything just because traffickers are recognised? Perhaps the Minister did not fully think through that remark.

How well are immigration officers doing? They are our front-line staff at ports of entry. What information do they receive and from whom, and when they get their information what can they do with it? Can they put somebody who has been convicted of trafficking back on the next plane? Have they got the power to do that? What about the human rights of the person who was guilty of trafficking some way back? Bad track records will not prevent other EU citizens from coming into Britain.

On my recent visit to Europol, in The Hague, it was stressed that there was indifferent communication and that there were different priorities between the 27 EU countries. The information provided by Britain was criticised. I am sure that the Minister will be concerned, as I was, that Europol was not entirely complimentary about the British approach to Europol and to providing information to it. There are 500 or so Europol staff and they are only as good as the questions they ask or the information that they are given. Until there is a minimum common standard in relation to the accuracy of fingerprinting, DNA, and photographic as well as gun profiles, the measures taken will be useless. There are 27 countries with 27 lots of criminals. Unless we get accurate information, people with appalling criminal records are going to come in and out of Britain.

I was particularly concerned about how, as a result of the action plan, criminals from those countries would be apprehended at Heathrow, and about whether they would be sent back, or followed. Are there teams of people in all ports of entry waiting to see who is coming through and do intelligence officers then follow that up?

The answer is that that does not happen. The fact that the convictions of only 30 traffickers have been managed should worry the whole House. If there has been a failure to apprehend the criminal gangs at ports of entry and there is no hope of apprehending victims of trafficking or slave children, what chance do the police have of finding either the victims or the gangs?

Although I have expressed concern about immigration officials, I make no criticism of them at all—they are powerless. The idea that we will stop trafficking through any of the ports of entry is pure moonshine. The gangs and victims are going through passport control and the immigration service, so the police have to chase everything up—when the horse has bolted, bring in the police.

Until the introduction of Operation Pentameter, which has received considerable and well deserved publicity, there was little focus in this country on the new forms of slavery. I pay tribute to Operation Pentameter. Every one of the 55 police forces was involved in the three-month operation during which 84 victims of trafficking were discovered, 12 of whom were minors. However, who are they? Where are they now? Why do we not have a permanent Operation Pentameter? Why is not every policeman trained so that he is aware of, and able to look out for, human trafficking? Should not every police force have a designated unit that focuses on trafficking? Should there not be a national focus under one commander? When the action plan is published, I am hoping to hear that something along those lines will be introduced, but the measure must be permanent. There is no point in having operations that last for three months and are then closed down because they are too expensive or difficult. Once the trafficked people are found, the problem is what to do with them.

One of the ways of getting a better sense of perspective about the scale of the trafficking problem would be to establish an independent national rapporteur or investigation bureau on human trafficking, as is the case in the Netherlands. I had the good fortune to visit that body recently and I was impressed by its independence. It conducts research on human trafficking in the Netherlands, produces statistics and figures and works with the police and Government agencies. The important aspect of the system is that the rapporteur is responsible for reporting on national statistics and emerging issues and the matter is debated annually in Parliament. There are thus actual figures to show what is going on in that

country, yet this country's Government are unable to answer my questions by giving me information because they do not have it. The establishment of such a body would be one way of producing statistics. I am thus sad that the Government have rejected such a proposal.

Where are the results of the Government's "good practice", to use the Minister's words? According to a written answer, the total number of people charged by the Crown Prosecution Service for the offence of human trafficking under the Sexual Offences Act 2003 was 132. However, let me cite further the reply, because it contained some rather interesting figures. I apologise for asking so many questions, but they show up the lack of available information. The reply said that the establishment of the United Kingdom human trafficking centre led to a multi-agency operation

"which aimed to tackle trafficking for sexual exploitation and which led to 234 people being arrested."—[*Official Report*, 20 July 2006; Vol. 449, c. 609W.]

However, of those 234 people, only 132 were charged, and we do not know how many were found guilty. After a massive operation and massive cost to the taxpayer, we got no results—*[Interruption.]* If the Minister thinks that I have got that wrong, I ask her to intervene.

The Minister for Women and Equality (Meg Munn): I was merely making the point that when someone is charged, there is a process to go through. Obviously it takes time before court cases come through and there are convictions. If we are not at the end of that process, we are not able to give results.

Mr. Steen: I quite understand that, but the point is that the numbers are trivial. Only 132 people have been charged with trafficking, yet we believe that tens of thousands of people have been trafficked. The can of worms has barely been opened. I find it difficult to be complacent about the situation and to suggest that the Government have a good track record. I am delighted that they have started to address the problem, but they have only just started. I am worried about the figures. While 132 people were charged, only 30 have been convicted, so we are talking about tiny numbers.

The fact that more people are charged with the trafficking of people under immigration legislation than the Sexual Offences Act is a good illustration that the Government see human trafficking as a problem relating to immigration rather than human rights. In answer to a question that I tabled in June 2006 on child trafficking, the Government said that at least 12 defendants were charged in three separate cases involving female victims of trafficking between the ages of 15 and 18. Ten of them were convicted and received lengthy sentences.

Malcolm Bruce (Gordon) (LD): The hon. Gentleman makes an important point. Does he share my slight puzzlement at the Government's hesitancy in signing and ratifying the convention? It seems that they are more worried about immigration issues than human rights abuses—the balance is slightly wrong.

Mr. Steen: The right hon. Gentleman puts that point very well. I do not mind about the signing too much, but I mind about the ratification because, as the Minister will know, 10 countries need to ratify the European convention before it can become effective. Only three countries have ratified to date—

Malcolm Bruce: Five.

Mr. Steen: The number is five now—I am grateful to the right hon. Gentleman. There are thus another five to go, and we are signing the convention only this weekend. However, I am glad that we are signing it because it is a good step in the right direction.

I do not know whether the House knows that no prosecutions under the trafficking legislation have taken place for cases involving African women or girls.

I pay tribute to the all-party group on trafficking of women and children, which I have the honour of chairing. It has a distinguished group of officers and members, including the right hon. Member for Birmingham, Ladywood (Clare Short) and my hon. Friend the Member for North-West Cambridgeshire (Mr. Vara). It is served by the well-known organisation ECPAT UK—End Child Prostitution, Child Pornography and the Trafficking of Children for Sexual Purposes—which has done a great service to this country.

The most important point arising from the intervention of the right hon. Member for Gordon (Malcolm Bruce) is that we must not only sign the convention, but practise and ratify it. I thought that it might be useful to the House if I were to say something about victim support. If the police are able to dig out the traffickers and get enough evidence—

Madam Deputy Speaker (Sylvia Heal): Order. Will the hon. Gentleman relate his remarks a little more directly to the subject under discussion? I hope that he is not going to stray too far on to victim support.

Mr. Steen: I will obviously follow your guidance, Madam Deputy Speaker. However, I hope that you will not think it disrespectful of me to say that I am straying no further than either of the Front-Bench speakers. In fact, at least 50 per cent. of hon. Members' speeches have concentrated on human trafficking and the new forms of slavery. I hope that I will not do anything other than they did. However, I am grateful for your guidance.

I want to talk for a moment about what would happen if the police were able to dig out the traffickers—this is about trafficking and slavery. It is worth mentioning that the real problem is getting enough evidence to pin a conviction on a trafficker. If traffickers were convicted, would they serve their sentence in their country of origin or at a cost to the British taxpayer—would we be expected to foot the bill?

What about the victims of traffickers? Every time that I ask a question about the new forms of human slavery, the anticipated answer is that the POPPY project is dealing with the matter. Let us consider the reality of the POPPY project. It is rightly given tremendous and continuous publicity. Every time a Minister answers a question about this issue from the Dispatch Box, POPPY pops up. I do not want to trivialise POPPY's achievements, but the project must be viewed in perspective. POPPY has only 25 beds, which are in London alone, and a further 10 emergency beds, if required. I am told that when Operation Pentameter was in force, POPPY's places were nearly full. However, once Pentameter ceased, the number of referrals fell. When I made an inquiry about four months ago, the number of women in the care of POPPY was down to 16 out of a possible 35.

[Mr. Steen]

There are a number of reasons for that. First, one has to be over 18 to go to POPPY; under-18s are turned away. Secondly, under-18s go into local authority care. POPPY deals only with trafficking or slavery for sexual exploitation. Victims of forced labour or domestic servitude or forced marriage are turned away. POPPY provides unconditional support only for a so-called reflection period of four weeks. It works only in London, so there is no equivalent POPPY project for people in Manchester, Birmingham or Sheffield. If I am wrong about that, perhaps the Minister can put me right. It works for a short period of four weeks and if support is to last any longer, the victim has to offer information about their traffickers; otherwise, they are asked to leave. I do not believe that that has been a very successful approach.

Up to 4,000 women a year are trafficked into the UK for sexual exploitation. The POPPY project mapping report, "Sex in the City", shows evidence of off-street prostitution in 22 London boroughs. An estimated 80 per cent. of people working in brothels, saunas and massage parlours are non-British nationals—80 per cent. of prostitutes come from abroad. It is rather like restaurants; people seem to want a choice, whether it be Indian or Chinese. They go for a range of people who have been trafficked into this country.

What happened to the women in the POPPY project? Nobody knows. Have they been sent back home or integrated into this country; and what has happened to the 277 referrals? Nobody knows. I must say that I am increasingly concerned about where all the women have gone to. What about the 3,800 whom POPPY did not deal with? What has happened to them? POPPY says that it is looking after as many people as it possibly can, but the attitude in Britain towards trafficked people is very different from that in Holland or Italy. As Britain is about to sign the Council of Europe convention on action against trafficking in human beings, should we not be planning a slightly more constructive approach?

The Minister boasts that the POPPY project provides protection and assistance to adult victims, safe accommodation and a range of support services, but I wonder whether the House knows that women in the POPPY project who have entered the UK illegally do not have access to medical care. They are not entitled to any medical care whatever if they are illegal entrants. Many face multiple problems, including physical ones, and sexually transmitted diseases, yet they are not entitled to medical facilities. Does the Minister know that; will she deal with it in her winding-up speech?

Finally, I want to look into child slavery. What did the Deputy Minister for Women and Equality have in mind when she said that we were leading Europe in providing victims of human trafficking with protection, particularly under-aged victims? When she said that, was she aware that 4,885 girls aged between 15 and 19, and 6,170 boys sought asylum in the UK in 2005—about 11,000 children? According to the Home Office website, in 2005, out of 2,835 decisions, 700 were refused. I am not sure what has happened to the other 7,000. The numbers do not add up. No one is sure whether victims of trafficking who are under 18 have right to remain in the UK, or whether some of the thousands of children missing are just shipped out of Britain again. Who is responsible for those children? Who looks after them and who cares for them? Do they have a guardian ad litem? Are they fostered to families who will care for them? Do they go to school?

On 20 December last year, I asked the Home Secretary how many children had been trafficked into the UK, and the answer was that he had no idea. When I asked how many unaccompanied children had come into Britain, he had no idea of that either, so I asked how many had been returned to their country of origin as a result of failed asylum. The answer was again that there was no information, so no one knows what happens when the children reach 18 if they are still in this country. Will failed asylum seekers be sent back to their country of origin?

Mrs. Curtis-Thomas: I would like to offer the hon. Gentleman some reassurance. I received a letter this morning from the director of children's services in Liverpool, telling me that Liverpool is one of two centres in the UK to take unaccompanied children coming into this country to seek asylum. I was informed that there was a panoply of provision for those children that was equal to anything that we would provide for our own children. The director of children's services wrote to ask me for further assistance, but he also took the opportunity to outline the Government's plans for a network of centres throughout the UK for these children in order to ensure that when they arrive they are adequately taken care of and protected.

Mr. Steen: That is very reassuring, but it cannot be reassuring to the boys who were watering the cannabis plants, because they were illegal immigrants. They were failed asylum seekers and they were not going to be looked after. The problem is that we are talking about 10,000 children who applied for asylum, but the figures do not square up. I am delighted to hear what the hon. Lady says, but the figures do not square with what the Government are producing in relation to where these young people are. The truth is that nobody cares about them because they have no family or friends here. They are victims and it is up to us to ensure that they are protected.

The outcome of the recent ECPAT UK report on missing children worried me. The report highlighted the 80 children known or suspected of being trafficked into the UK for sexual exploitation, labour exploitation and forced marriages, but 48 of them have gone missing. This is a highly recognised and responsible organisation and its report appeared in all the national newspapers for one day, but where have those 48 children gone? We need to do some detective work. I am delighted that some are being looked after, but an awful lot of them are not, and when they go missing they get re-trafficked. I do not believe that we can be recognised as a leader in Europe in this respect.

The Government state that they will do anything to tackle the problem and to prosecute the traffickers, but the public authorities are already failing to protect minors when no one knows where they are. Few traffickers have been apprehended in spite of sensational stories about sex trafficking, and comparatively few women have come forward. The problem is that the full

picture is obscured. We do not have a clue what is going on, which is why I have spent the past year trying to find out.

I have visited a safe house outside Rome where I met and talked with girls trafficked into Italy from Romania and Bulgaria, some as young as 10; I have met traffickers in a high-security prison in Bucharest; I have been to Europol and hostels in Holland; and I have spent time in the most deprived cities in Romania. I met some of the top professionals—from police chiefs to mayors—trying to get to grips with the problem, which remains intangible.

What could the Government do? For starters, they could withdraw their reservation in respect of immigration and nationality on the 1989 UN convention on the rights of the child. In an answer to my parliamentary question of 26 February 2007, the Home Secretary stated that the Government believed that without the reservation on the UN protocol, the interpretation of the convention might come into conflict with domestic legislation on migration—but that does not square with signing up to the European convention, whose purpose is to protect children.

What this debate should achieve is the highlighting of the extent of the problem in Britain. What we know about trafficking leads me to believe that we have seen a tip of an iceberg. Although we should certainly congratulate the Government and the Minister for Policing, Security and Community Safety—unfortunately, he has just left the Chamber and did not hear my compliment—who is responsible for trafficking, my conclusion is that there still an immense amount of talk and a large number of meetings, but little to be seen on the ground.

The fact that up to 800,000 people each year are trafficked in one way or another; the fact that Lithuania says that Britain is a No. 1 destination for sex trafficking; the fact that 48 children can go missing in the care of local authorities; the fact that Operation Pentameter found 84 women in three months; the fact that 15-year-olds from Vietnam, who got into Britain illegally, are growing cannabis in the suburbs of our towns; and, finally, the fact that Britain has been unable to mount very many successful prosecutions all highlight the fact that human trafficking is still way ahead of the Government. The traffickers must be splitting their sides with mirth at the pedestrian, clumsy, inflexible and bureaucratic way in which the Government, the police and immigration officers are proceeding. When the Minister publishes his action plan, can we be sure that he will make life as difficult as possible for traffickers and better for victims, and that he will decide how we should respond to the trafficking of children into Britain?

Where are we, 200 years after abolition? We have got rid of the old form of slavery—lifelong deprivation of rights and freedoms—but today we have a new form of slavery that is growing fast. It is related to ever increasing demand from an affluent society that is prepared to buy children for sex, domestic slavery, begging and the growing of cannabis. While society may have outlawed traditional slavery, the new forms of exploitation prey on the most vulnerable, the poorest and the least educated. All the evidence suggests that trafficking in human beings is now more profitable than arms dealing or drug trafficking. It is a criminal abuse by human beings of other human beings. It is an assault, both physical and mental, on those who are least able to care for themselves. If ours is a country that believes in human rights, we should be at the forefront of tackling this issue rather than just talking about it.

6.30 pm

Ms Diana R. Johnson (Kingston upon Hull, North) (Lab): I pay tribute to the excellent and powerful speeches made by my hon. Friends the Members for Hackney, North and Stoke Newington (Ms Abbott) and for Brent, South (Ms Butler).

The House has three Hull Members. Each of us is very proud that William Wilberforce is probably the most famous son of the city, and that he played such an important role in the abolition of the slave trade. I was heartened when the hon. Member for South Staffordshire (Sir Patrick Cormack) said that Wilberforce was an independent rather than a Tory, because we do not really have Tories in Hull. I also pay tribute to my right hon. Friend the Member for Kingston upon Hull, East (Mr. Prescott), the Deputy Prime Minister, who has played a pivotal role in ensuring that the bicentenary is properly marked and that a range of events throughout the year will record its importance.

Late in 2005, soon after I became a Member of Parliament, I initiated a Westminster Hall debate on the abolition of the slave trade, because I wanted to know how the Government planned to mark this important anniversary. It was an interesting debate, to which my hon. Friend the Member for Tottenham (Mr. Lammy) responded. He described the plans for the celebration, and also agreed to visit Hull to see what we planned to do there. He did so in 2006, and I think he was impressed by the range of events that we had planned for 2007.

The right hon. Member for Richmond, Yorks (Mr. Hague) gave a very full historical account of William Wilberforce and the history of the abolition movement. I shall say a few words about the role of women in the abolition campaign.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): It should be borne in mind that there were other Members of Parliament before Wilberforce. Many people forget that we nearly abolished slavery during the English civil war. Another character who presided here for a long time, and who was responsible for stopping the movement towards the abolition of slavery, was Oliver Cromwell. When he became Protector of England he saw the commercial opportunities presented by slavery, and persuaded the House not to abolish it. Many of the early slaves were white, and many were from Ireland.

Ms Johnson: I am grateful to my hon. Friend. That is another part of the great history that surrounds today's debate. I am learning an enormous amount that I did not know before.

I want to say a little about the bicentenary celebrations in Hull, and also about the present situation in relation to slavery. First, however, let me say something about William Wilberforce.

[Ms Diana R. Johnson]

Wilberforce was born in 1759, in a house in the high street in Hull. His father died when William was quite young, so he spent much of his early life with his aunt, who was under the influence of John Wesley and the Methodist movement. It is significant that the religious element continued throughout Wilberforce's life.

At 17 Wilberforce went up to St John's college, Cambridge. Reading a bit about that time, I noted that he was shocked by his fellow students' hard drinking. Not much has changed about young people going up to university! He went on to represent the city of Hull as its Member of Parliament, having been elected in 1780 at the tender age of 21. It was a hard-fought contest, and Wilberforce's election cost the exorbitant sum of £9,000. I found that interesting, especially in the light of Hayden Phillips and our current discussions of how elections are paid for.

When Wilberforce entered the House he supported the Tories, although he was an independent. In 1784 he converted to evangelical Christianity, and joined the "Clapham sect" referred to by the right hon. Member for Richmond, Yorks. At that point he decided to follow the social reform agenda in Parliament, and was asked to campaign particularly against the slave trade. It is estimated that between 1776 and 1807 Britain trafficked about 1 million people. Wilberforce had a huge issue to tackle, and was up against the establishment view. That was described eloquently by my hon. Friend the Member for Hackney, North and Stoke Newington when she spoke of banks and Members of Parliament with an interest in the slave trade. The Society of Friends had been campaigning against the trade for some time, and had presented petitions in 1783 and 1787. Wilberforce introduced his Bill against the trade in 1791, but it was easily defeated.

We must not dwell only on Wilberforce, however, because many other parliamentarians—and people outside Parliament—were instrumental in the abolition campaign. In an intervention on the right hon. Member for Richmond, Yorks, I mentioned the sugar boycott. That was of particular interest to me because Hull contains Wilberforce House, the first museum in the world to be dedicated to the anti-slavery movement. It is about to be reopened following the investment of a huge amount of money to prepare it for the 2007 celebrations. There is a stand providing information about the sugar boycott and the role played by women in choosing not to buy or cook with sugar. Thomas Clarkson, whom many Members have mentioned, said that when he travelled around the country,

"there was no town, through which I passed, in which there was not some one individual who left off the use of sugar".

That shows that action was not taken just in Parliament, and that ordinary people, when they heard the facts about the slave trade, were so appalled that they wanted to do their bit. For the first time, a campaign for the boycotting of a commodity was initiated by ordinary people. Of course, it was to happen again in years to come: I remember the boycotting of products from South Africa in the 1980s in support of the anti-apartheid movement.

The success of the sugar boycott eventually led to the establishment in the 1820s of female anti-slavery groups in many British cities, involving notable female abolitionists such as Elizabeth Heyrick, who called for a total ban. The slave trade was abolished in 1807, and a month after William Wilberforce died in 1833 Parliament passed the Abolition of Slavery Act, which gave all slaves in the British Empire their freedom.

As well as campaigning against slavery, Wilberforce had a range of other interests, including animal welfare. He was involved in the setting up of the charity that is now known as the Royal Society for the Prevention of Cruelty to Animals.

Having described William Wilberforce's role as a Hull MP and his pivotal role here in Parliament, I want to say something about Hull. As a port city with a strong maritime and trading background, it has always had an eye to the rest of the world. William Wilberforce stood up to the slave trade, but Hull was different from Bristol and Liverpool, much of whose wealth was built on the trade; Hull did not have that slave-trade background, so it came to the issue with clean hands. Obviously, that might be because Hull is on the wrong side of the country, but I like to think that there was some principle behind that, too. Those principles have been followed in some of the work done in the past few years.

In 1982, Hull became the first city in the west to twin with a third-world city, Freetown, in Sierra Leone. My right hon. Friend the Deputy Prime Minister talked about his recent visits to Sierra Leone and what is going on there. The right hon. Member for Richmond, Yorks, mentioned that the world's first colony for free Africans was set up in Freetown in 1792. To return to Hull in the 1980s, the then leader of the council, Alderman Patrick Doyle, thought that it was important to build a link with Sierra Leone, and so he twinned Hull with Freetown. That link has gone from strength to strength over the years; eight of our schools are now actively twinned with schools in Freetown, and there are further links with churches and hospitals.

Hon. Members will know that Freetown is still recovering from a lengthy period of considerable turmoil, and there is much scope for development in Sierra Leone. Later, I shall talk about one of the projects taking place in 2007 to link further children and young people in Hull with those in Sierra Leone. Hull was the first local authority to sign up to Amnesty International, and Desmond Tutu and Nelson Mandela are freemen of the city.

Mrs. Curtis-Thomas: I should like to put it on the record that what Hull has achieved is wonderful. It is really remarkable, and I wish that other authorities throughout the country would follow the lead of its authority; if more authorities did so, we would all be in a much better place. My own local authority resisted any such twinning on the basis that there was no economic parity between the two communities. If twinning just comes down to economic parity, we will not go anywhere. There is so much that we can learn culturally, and my hon. Friend is demonstrating that in her speech.

Ms Johnson: I am grateful to my hon. Friend, and she is absolutely right—if we considered the issue purely on grounds of economics, perhaps it would not be the route to take, but we all recognise that we have an international responsibility. Hull has been proactive in looking further than the end of its nose.

For several years, William Wilberforce lectures have been held in Hull. Last year, James Coleridge Taylor, head of the National Commission for Democracy and Human Rights in Sierra Leone, was the key speaker. The Wilberforce lectures celebrate Kingston upon Hull's historic role in combating the abuse of human rights, as personified in the work of William Wilberforce. This year, there are a number of lectures; this Sunday, there will be a lecture by the Prime Minister of Barbados, who is coming to Hull, and later in the year the Archbishops of Canterbury and of York will take part in the lectures.

The fair trade movement is a key way of trying to deal with the factors that allow slavery to continue today. A few years ago, I attended a meeting about young children who were slaves in the cocoa-growing industry in Africa; fair trade and the work done by the makers of Divine chocolate and other products are really important. It is about consumers making a positive choice to put their principles into practice. Hull was awarded Fairtrade city status in March 2005, and that was achieved through the hard work of grass-roots people in Hull—the Churches, the schools, the One World shop, and the university. That sent the signal that Hull is serious about marking its proper place in the world, and behaving properly and responsibly towards the rest of the world. I am proud that we have a strong fair trade tradition in Hull.

My right hon. Friend the Deputy Prime Minister mentioned the Wilberforce Institute for the study of Slavery and Emancipation, or WISE, which has been established at the university of Hull. Its patron is Desmond Tutu, who said of it:

> "It is exemplary that the university should build on the history of the city and one of its most outstanding citizens. Tragically, slavery and the violation of human rights are still with us in the 21st century. The institute will be a beacon that will continue to throw a light on issues that are too often overlooked."

The institute brings together the study of history, law, politics, anthropology, medicine and genetics. Its funding launch was held at Downing street and was hosted by Cherie Booth, and it was opened in 2006 by the President of Ghana. We in Hull are very proud of that institute.

Hull is holding 34 weeks of celebrations to mark this important anniversary. We started off with the fair trade fortnight at the end of February, and the celebrations will run all the way through to October, ending in black history month. As I have mentioned, one of the main events, the opening of Wilberforce house after a £1.6 million refit, will be held this weekend. It is a wonderful building, and it now has an education unit to allow schoolchildren from the area to attend courses in the house, and I am proud of that. I looked at Wilberforce house's website just before this debate, and it says that all the courses for this year are solidly booked; there is no space at all. It is heartening that all schoolchildren in Hull will be able to access the museum. One of the lectures is titled "William Wilberforce—the role of the individual", and it is interesting that one individual can change history. We often hear young people saying, "Well, it doesn't really matter. We can't do anything," but actually they can.

I want to mention Cafesociety.org, a project in Freetown. It has made a range of short films with young people in Sierra Leone that focus on a diverse range of topics, and include films about the role of football in post-civil-war Sierra Leone, the story of a former child soldier, and the life of the city's market traders. The films will be shown by the British Council in Freetown and in Hull. Work is under way with one of our secondary schools, the Winifred Holtby school, and real links are being built between young people in Hull and Sierra Leone. It will mean young people from different parts of the world talking to each other, but having so much in common.

I should mention the Wilberforce Women event. At the end of 2006, women in Hull were invited to attend photography workshops and submit photographs that they had taken, or that had inspired them. The pictures were made into greetings cards, and the women wrote personal messages inside. In February, the cards were personally delivered to women in Freetown, Sierra Leone, which, as I have mentioned, has important links to Hull. The process is now being repeated; women in Freetown are submitting their photographs and personal messages, which will be hand-delivered in Hull. Local Hull photojournalist Lee Karen Stow and fine art photographer Fiona Caley will spend two weeks delivering basic photography skills to the women of Freetown. The finale will be an exhibition of all the photographs and messages sent between the women of the two cities at the Ferens art gallery in Hull in October 2007.

There is a lot going on in Hull; there are events in the city and between countries. I must just mention that the guest beer in the House of Commons last week was the William Wilberforce Freedom ale. There is also William Wilberforce Freedom fair trade coffee, which is produced in my constituency of Hull, so there are commemorative projects of that kind, too. Finally, I point out that the local paper, the *Hull Daily Mail*, is running a petition on some of the issues on slavery that we still face today. The petition reads:

> "I urge governments and international bodies to work together to better understand the Transatlantic Slave Trade, address its impact on countries and communities around the world, and work to end slavery for all time."

There are already more than 3,500 signatures on that petition, and I hope that many more people will sign it during the year. It is important that we mark this important anniversary.

I am proud that we are doing so much in Hull. Bristol and Liverpool are hosting events to mark the abolition of the slave trade, but Hull has a particular role to play as the place from which William Wilberforce came. Despite everything, it has remained true to the principle of an international perspective—a belief that we are all brothers and sisters in the world together.

6.50 pm

Mr. Malcolm Moss (North-East Cambridgeshire) (Con): May I begin by saying that it is a pleasure to follow the hon. Member for Kingston upon Hull, North (Ms Johnson), who spoke with great pride and passion about her constituency? I am particularly pleased that she spoke in great detail about William Wilberforce, because that gives me an excuse to wax lyrical about one of the famous sons of my own constituency. May I congratulate the Government on finding time for this important debate? I congratulate

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the Deputy Prime Minister on his role in it and on making sure that the celebrations this year are as good and wide-ranging as possible.

The debate has been marked by a number of excellent speeches, including the historical tour de force by my right hon. Friend the Member for Richmond, Yorks (Mr. Hague). He has an advantage over most of us, because he has written a book on William Wilberforce and thus researched the subject. My hon. Friends were a little unkind in asking him penetrating, detailed questions that they would not put to a professor of history, but it is a mark of his great talent that he could deal with them brilliantly. I was taken, too, with the forthright, informative and thought-provoking contributions from the hon. Members for Hackney, North and Stoke Newington (Ms Abbott) and for Brent, South (Ms Butler).

It is right that we should hold this debate to celebrate—that is the key word—the bicentenary of the Abolition of the Slave Trade Act 1807, but what, in fact, are we celebrating? First, and obviously, we are celebrating those men and women who made individual contributions to the great cause of the 18th and 19th centuries—people such as William Wilberforce, Granville Sharp, James Ramsay and Thomas Clarkson, as well as thousands of ordinary people, many slaves and freed slaves who supported the campaign against the slave trade. They had the moral passion, the sheer tenacity, dedication, fortitude, vision and single-mindedness to overcome tremendous odds and setbacks too numerous to mention to achieve their goals. When they started their campaign, nothing was inevitable or predetermined. They campaigned to abolish the slave trade—that took them 20 years to accomplish—then they went on to abolish slavery throughout the British colonies, which took them a further 26 years. Secondly, we are celebrating places with connections to those great social pioneers—the towns and villages the length and breadth of the country that take immense pride in their famous sons and daughters. The obvious example is William Wilberforce, with his roots in, and political representation of, the great city of Kingston upon Hull, but there are many others—notably Thomas Clarkson, who was born and raised in Wisbech in the Isle of Ely in my constituency of North-East Cambridgeshire.

As well as spatial connections, there are connections primarily among Christian groups and denominations, which came together in common cause and buried sectarian differences to provide a united and coherent front. Chief among those denominations, as we have heard many times in the debate, were the Quakers, whose selfless and self-effacing devotion to the campaign cannot be overstated. They were closely followed by evangelists and Anglicans such as Thomas Clarkson. Indeed, the first meaningful and formal anti-slavery group—the committee for effecting the abolition of the slave trade—was established in 1787 and was composed of nine Quakers and four Anglicans. In an intervention, the hon. Member for Rhondda (Chris Bryant) told the House that all Anglican bishops were against abolition, but my research did not show that that was the case. The bishops may have opposed abolition, but many ordinary Anglican communicants, including Thomas Clarkson, were very much involved in the movement.

The formal birth of the campaign in 1787 was probably one of the first examples of political campaigning and lobbying as we know them today. At the time, however, there were no easy and fast means of communication, let alone decent overland transport: no telephone, no photography, no television, no telegraphy or e-mail; no trains or automobiles—just a slow and rudimentary postal service, horse-drawn coaches and one's trusty nag. We should certainly celebrate the incredible fortitude of all those involved who overcame those massive challenges to persuade others and change public perceptions. We should celebrate, too, the role of our fledgling parliamentary democracy in that process. Although the campaign was unacceptably protracted in today's terms, it was nevertheless one of the earliest examples of public opinion overcoming powerful vested economic interests through the use of petitions and lobbying—a point well made by the hon. Member for Hackney, North and Stoke Newington. Finally, we should celebrate the forerunner of human rights pressure groups and mark the establishment in 1823 of the Society for the Mitigation and Gradual Abolition of Slavery, which later became the Anti-Slavery Society.

There is therefore much to celebrate in this bicentenary year, but paramount is the contribution of the key players. Abolition was without doubt a people process, and although much of the praise has rightly gone to William Wilberforce, I trust that the House will forgive my indulgence if I share with it the massive contribution of Thomas Clarkson, who was born in 1760 in Wisbech in my constituency, the son of John Clarkson, headmaster of Wisbech free grammar school. Thomas Clarkson is, without doubt, that Georgian gem of a town's most famous son, and Wisbech town centre is dominated by a 70 ft-high monument to him, which was designed by Sir George Gilbert Scott and erected in 1881 following public subscription.

Thomas Clarkson showed immense intellectual promise as a young man at St. John's College, Cambridge university, which is my alma mater. By strange coincidence, as the hon. Member for Kingston upon Hull, North said, it is the college that William Wilberforce attended. I do not know whether Wilberforce and Clarkson knew each other at college, but it is remarkable that the two central figures in the campaign went to the same Cambridge college. Clarkson entered a Latin essay competition in 1785. The essay question was, "Is it lawful to make slaves of others against their will?" The research that he did for the essay changed Clarkson's life, as it challenged him to consider the question of the slave trade. After winning the prize, he decided to go to London to have the essay translated and printed in English. When he stopped at the village of Wadesmill, which is now on the A10 somewhere in Hertfordshire, he experienced what he called a spiritual revelation from God. He wrote:

> "A thought came into my mind that if the contents of the Essay were true, it was time some person should see these calamities to their end".

It was that experience that "ordered" him to devote his life to abolishing the trade.

Clarkson's work on the issue in the early years brought him into contact with influential men such as

James Ramsay and Granville Sharp. In May 1787, Clarkson was one of the three pioneering Anglicans, along with Granville Sharp and William Wilberforce, who formed the committee for effecting the abolition of the slave trade— a small non-denominational group that lobbied for greater public and parliamentary support. Clarkson agreed to play a leading part in the affairs of the committee, and he took responsibility for collecting information and researching the issues to support the committee's case. He faced much opposition from supporters of the trade in the many of the cities that he visited, as the slave traders were an influential group and the trade itself was seen at that time as legitimate, lucrative and responsible for the prosperity of ports such as Liverpool and Bristol. Indeed, on an early visit to Liverpool in 1787 he was attacked and nearly killed by a gang of sailors who had been paid to assassinate him. He only just escaped with his life. In the same year, 1787, Clarkson published his pamphlet, "A Summary View of the Slave Trade and of the Probable Consequences of its Abolition."

Clarkson was very effective at giving the committee a high public profile, spending the next seven years riding around England promoting the cause and gathering evidence. The sheer magnitude of this endeavour takes one's breath away. He covered some 35,000 miles, mainly on horseback. History does not tell us whether it was the same horse, but I doubt it, poor thing—I am sure he changed horses frequently. In the course of his journeys he interviewed almost 20,000 sailors and people involved in the trade. He obtained equipment used on the slave ships, such as iron handcuffs, leg shackles, thumb screws, instruments for forcing open slaves' jaws, and branding irons, which he showed in his publications and at the many public meetings at which he spoke.

Mr. John Hayes (South Holland and The Deepings) (Con): My hon. Friend is giving a superb account of the work of Clarkson. Will he, as suggested by my constituent, Mrs. Joan Woollard, encourage Wisbech and neighbouring fenland constituencies, such as mine, to make something more of Clarkson during this bicentenary year?

Mr. Moss: Mrs. Woollard has also contacted me and I have replied to her. We cannot claim to be doing as much as Hull, but perhaps the resources of Fenland district council and Wisbech town council are not of comparable magnitude. However, there is a programme ably run, mainly by the Wisbech Society. There are church services, including one a week on Sunday, and there will be other events throughout the year.

I thank the hon. Member for Islington, North (Jeremy Corbyn) for his congratulations to the Wisbech and Fenland museum on the loan of Clarkson's chest, which he used to transport his artefacts and visual aids around the country. Perhaps he had another horse to carry that—it must be huge. That chest will form the centrepiece of the exhibition in Westminster Hall, which opens on 23 May. It might also interest the House and my hon. Friend the Member for South Holland and The Deepings (Mr. Hayes) to know that the renowned brewery in Wisbech, Elgoods brewery, which brews an extremely palatable real ale, will brew a special ale to be known as the Brookes ale, named after Clarkson's ship which he drew and took round to show people how the slaves were packed into such vessels. The ale will be launched at the same exhibition opening on 23 May and will be available to all quaffers of such ale in the bars of the Palace of Westminster from 23 May till the end of our summer term. I am afraid we have not got as far as brewing something for the lady Members who do not drink beer. I will mention that to Elgoods—*[Interruption.]*

Sammy Wilson (East Antrim) (DUP): I think they do.

Mr. Moss: That is all right, then. We are indeed promoting Wisbech and Thomas Clarkson and doing our bit for the Westminster Hall exhibition.

Clarkson copied out the muster rolls at the Merchants hall. He got together a support group to initiate a huge signature gathering operation for petitions to Parliament, and he met local newspaper editors to persuade them to print articles against the trade. All the time he continued to write against the slave trade, filling his works with descriptions that he had heard first hand from sailors, surgeons and others who had been involved in the traffic, such as the account of a sailor who had served aboard a slave ship, which was published in 1789 as "An Essay on the Slave Trade".

In the previous year Clarkson had published his "Essay on the Impolicy of the African Slave Trade", which was printed in large numbers. These works provided a firm basis for the first and ground-breaking abolitionist speech that William Wilberforce made in the House of Commons on 12 May 1789, which was mentioned by the Deputy Prime Minister and by my right hon. Friend the Member for Richmond, Yorks. It was Clarkson's research that formed the basis of the 12 propositions in Wilberforce's speech.

As the House heard earlier in the debate, Wilberforce introduced the first Bill to abolish the slave trade in 1791, but that was easily defeated by 163 votes to 88. As he continued to bring the issue of the slave trade before Parliament, Clarkson continued to travel and write anti-slavery material, and played a huge role in generating favourable public opinion towards the Bill.

This was the beginning of a protracted parliamentary campaign during which Wilberforce introduced a motion in favour of abolition almost every year. Between them, Clarkson, Wilberforce and the other members of the committee and their supporters were responsible for generating and sustaining a national movement which mobilised public opinion as never before. Parliament, however, refused continually to pass the Bill, and the outbreak of war with France effectively prevented further debate for many years.

By 1794, Clarkson's health was failing and he was suffering from exhaustion. He retired from the campaign and spent some time in the lake district, where he bought an estate at Ullswater and became a friend of the poet William Wordsworth, by an incredible coincidence another old Johnian. In 1804, when the war with France appeared to be almost over, the slave trade campaign revived again. After 10 years, Clarkson's temporary retirement was also over, and he once again got on his horse to travel all over Great Britain to canvass support for the measure. He seems to

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have returned with all his old enthusiasm and vigour, and was especially active in persuading MPs to back the parliamentary campaign.

After the passage of the Slave Trade Act in 1807 Clarkson's efforts were directed mainly towards ensuring the enforcement of the Act and seeking to further the campaign in the rest of Europe. He travelled to Paris in 1814 and Aix-la-Chapelle in 1818, with the aim of arriving at an internationally agreed timetable for abolition. After 1823, when the Society for the Mitigation and Gradual Abolition of Slavery, later the Anti-Slavery Society, was formed, Clarkson once again travelled the length of the country, covering some 10,000 miles, activating the vast network of sympathetic anti-slavery societies that had been formed. This resulted in 777 petitions being delivered to Parliament demanding the total emancipation of slaves. When the society finally adopted a policy of immediate emancipation, he and Wilberforce appeared together for the last time to lend their support.

In 1833 the Slavery Abolition Act was finally passed. Wilberforce died just three days afterwards, knowing that his life's work had come to fruition. Clarkson lived on for a further 13 years. Although his eyesight was failing, he continued to campaign for the abolition of slavery, focusing on abolition in the United States. At the grand old age of 80, he was the principal speaker at the opening of the anti-slavery convention in Freemasons hall, London in 1840, attended by 5,000 people, where he was accorded a silent standing tribute. With typical modesty he told the audience:

"I stand before you as a humble individual whose life has been intimately connected with this subject. I can say with truth that though my body is going to decay, my heart beats as warmly in this sacred cause as it did at the age of 24 when I first took it up, and I can say further with truth, that if I had another life given to me to live, I would devote it to the same object".

Possibly because of a public spat with Wilberforce's sons after Wilberforce's death, and perhaps because one of his later books rather over-egged his own contribution to the abolition movement, Clarkson's place in history seemed to be completely eclipsed by that of Wilberforce. However, in 1996, 150 years after his death, a fitting monument to him was unveiled in Westminster abbey—most appropriately, next door to that of his lifelong friend and colleague, William Wilberforce.

As many Members have said, slavery is still with us today in forms such as human trafficking, the sex trade—for which we learned that Britain seems to be the No. 1 destination—bonded labourers, and more. We need more Thomas Clarksons in this legislature and many others throughout the world to step forward to complete his work.

There are those who say that we should apologise for our pivotal role in the slave trade, but I say that we should not. It took place at a time in history when the majority of people worldwide were ignorant of its true nature or saw no moral wrong in it. Its economic success—I say that because it provided a lucrative trade and business for many people over about a century—was based on co-operation with Arab traders and some local African tribes; we now learn of the role that the Ashanti tribe played in this grotesque trade in modern Ghana. Are they all going to apologise as well? I think not. However, it is right to express our sincere regret and to acknowledge that we have learned important lessons about attitudes to racism and racial stereotyping.

We should be thankful for, and celebrate wholeheartedly, the fact that it was our country that produced the moral giants of their time—our countrymen and women who, against all the odds and with incredible dedication, changed society fundamentally and irreversibly for the better. We owe them a deep debt of gratitude. Their moral fortitude is something that we modern politicians should return to before too long.

7.12 pm

Mrs. Claire Curtis-Thomas (Crosby) (Lab): I should like to share with the House two perspectives on slavery that relate to my own spheres of activity as a Member of Parliament. I start by paying tribute to my right hon. Friend the Deputy Prime Minister. I am absolutely delighted that he has encouraged the House to spend time discussing this important matter and supported it in doing so.

Sitting for a Merseyside constituency, I feel that it is important not to let this occasion pass without the House stopping to consider the city of Liverpool's connections with the European slave trade. Indeed, many of my right hon. and hon. Friends and other Members have already mentioned it. No city can claim to have been more inextricably linked with that abhorrent practice. At its height, Liverpool controlled 80 per cent. of the British slave trade and 40 per cent. of the European slave trade. Considering those figures, it is no exaggeration to say that Liverpool was one of the forces that drove the entire transatlantic slave trade. London, Bristol and Hull played an important role, but Liverpool was in a league of its own. That trade penetrated every aspect of city life and every level of society—16 of Liverpool's mayors were slave traders.

Liverpool built, owned, manned, insured and repaired the ships that took African people from their homes and families, transported them across the seas and sold them into a life of servitude. Liverpudlians and their countrymen enjoyed the tobacco, sugar, cotton and coffee that those ships brought with them on their return voyages. The merchants and business men grew wealthy through that shameful trade, fuelling the growth of the city and the region. Several Liverpudlians, including John Newton, went on to play a prominent role in the abolition of slavery, but it is important to remember that Liverpool continued to profit from the slave trade long after 1807. Once established, many of the trading posts in west Africa went on to serve Liverpool as she became the second city of the British empire. During the American civil war, cotton from the southern plantations was so important to Britain that ships were built in Liverpool for the Confederate navy so that they could run the Union blockade of the south.

The slave trade is not merely a matter for Liverpool's history; it has left its mark on the present city in so many ways. We cannot—and indeed should not—forget it, because there are so many visible reminders everywhere. Liverpool Lime Street railway station was

built on the profits of slavery to facilitate the transport of cotton from the docks to the mills of Manchester. The design of the town hall incorporates a frieze with depictions of Liverpool's trading connections, including motifs depicting African people—not shown as ambassadors of their respective states, but as commodities available for sale in our city. Earle street, New Bird street, Dorans lane and numerous other streets are named after slave traders. Even Penny lane, made famous throughout the world by the Beatles, is said to be named after James Penny, who owned slave ships and vocally opposed abolition.

What of the legacy? This year, Liverpool celebrates its 800th anniversary and prepares to became European capital of culture next year. We have many wonderful things about the city to celebrate: the iconic waterfront, the magnificent twin cathedrals, a proud shipping heritage, successful football teams, the Beatles, and the musicians and poets of the 1960s. However, we are what we are because of the slave trade. We have become a world-class city on the back of the strength and intellectual acumen of people from another continent, and we owe a great debt to the people of Africa.

How does a nation repay that debt? Liverpool has come some way towards acknowledging the part that it played in the slave trade. In 1999, the city council passed a motion formally apologising for it. A museum and study centre dedicated to the subject will open in the city later this year. All our children need to know where they came from and must be encouraged to reach out and share what we have with those from whom we have taken so much.

That brings me on to my second area of interest as chair of the all-party group on the west African Mano river region, which is principally concerned with the development and welfare of the five countries along the banks of the Mano river in west Africa: Sierra Leone, Côte d'Ivoire, Guinea, Senegal and Liberia. It was from that part of Africa that the slave traders took so many individuals from their families and communities, and it was that part of Africa to which freed slaves were later returned. However, just as Liverpool continued to profit from the slave trade long after it was abolished, so west Africa continued to remain impoverished and exploited.

The country that I have had most involvement with is Sierra Leone, which I have visited on five occasions. Slaves freed by Britain initially returned to Africa through that country—many chose to settle there. From the appropriately named port of Freetown, the Royal Navy conducted its anti-slavery patrols; indeed, it continues to patrol the seas off Sierra Leone today. Unfortunately, life for the former slaves in Sierra Leone offered little comfort, and that prospect has remained largely unchanged for their descendents. There exists a direct relationship between prosperity and poverty. In such places, where so many still have so little, people are cheap enough to buy. They are bound by the shackles created by their own poverty. It was only when I visited Sierra Leone that I began to understand for myself that slavery was still very much alive 200 years after it was supposedly banned. Sierra Leone is recovering from a wretched war; unemployment is rife, at 90 per cent; and there are thousands of abandoned children roaming the streets. The reality in impoverished countries is that the only commodity that is readily available is a body, and bodies are cheap. Unfortunately, child prostitution is rife. It is immensely distressing to visit that beautiful country and look beyond the facade of sewage-strewn streets to see beautiful faces who daily pay the price of the rape of their nation that took place centuries ago.

If anyone wishes to deny the historical relevance of the transatlantic slave trade or seeks to downplay the continuing existence of slavery today, I tell them to go to Freetown. Children there have asked me to take them home, and they would be sent here willingly by many parents who are bereft of the opportunity to feed and clothe their own offspring. Liverpool city council is managing hundreds of children who are sent to this country unaccompanied to seek asylum. As a parent, I can understand why mothers in Sierra Leone and other desperately poor countries would want to send their children here. Here, children can go to school, and can expect to eat each day and to receive health care. In Sierra Leone, a quarter of children die before they reach the age of five.

Our challenge as a Government and a nation is to return the wealth gained on the back of the African continent to the descendents of those African nations, not just through our money, but through our skills and intellectual property. Sending money is easy, but we must all invest our time as well. We must sign a commitment pact to give something back.

The British Government are doing truly marvellous work in Sierra Leone, which is recovering from the violence and devastation of war and instability. They responded to President Kabbah in 2002 when he called for assistance to bring an end to the civil war that had seen tens of thousands of Sierra Leoneans mutilated, murdered and raped. Our Government have said that we will retain a presence in the country until 2015. We need to stay to send a clear signal to the despicable rebel leaders, who chose to exploit their own people for their own ends, that the country is protected.

The House might already be aware of the work of the British Council, which facilitates projects to share expertise and skills between different countries. Under its global skills partnership, 900 schools in the UK have been linked with counterparts in 80 different countries. This year, one of its themes is slavery. Some school twinning programmes are relatively straightforward. However, twinning in some countries is incredibly difficult, as communications, visits and security all militate against a successful twinning. Despite that, the British Council is working with communities across the UK to form strong links between our communities and those challenged countries in Africa.

I said earlier that giving money was a comparatively easy solution. The Government and the people of this nation want to do a lot more. I am sure that many of us who watched "Comic Relief" last week were not at all surprised to see that more than £40 million was raised in one evening. Sixty per cent. of that fund will be spent on supporting projects throughout Africa that are designed to protect and educate children and their mothers. Thousands of people in this country have decided to make a much bigger commitment, however, and to respond personally to the expressed needs of different African countries. That desire extends to people in my own constituency. It has been pointed out

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today that the slave trade was brought to an end not only by politicians, but through the will of the people. The delivery of Africa will be brought about by its own people raising their voices, and we have a duty—not only as politicians but as individuals—to support them.

In 2002, I travelled to Sierra Leone as part of a Commonwealth parliamentary delegation, under the chairmanship of Wyn Griffiths, the former MP for Bridgend. I had never been to Sierra Leone before, and it was a profoundly distressing experience. I saw the unimaginable deprivation common to the most challenged countries on the planet. The desperately poor people, the thousands of raped women and the 30,000 child soldiers were among the legacies of 15 years of civil war. I doubt that I could have survived such calamities had I not asked the head teacher of a local school how he managed. He replied, "Life happens. Life goes on." And it does.

During my stay in Sierra Leone—with the support of the British Army, and particularly Lieutenant Colonel Steve Cook—I visited Waterloo, a great little town three miles outside Freetown. From that visit, the Waterloo Partnership was born. The partnership brings together the people of Waterloo in Sierra Leone and Waterloo in Liverpool. The two communities have made a 20-year commitment to each other and, unlike aid agencies or Governments, we will remain together come what may. None of us is paid, and we choose to work together in the one hope that together we will grow closer and stronger because, irrespective of where we are and who we are, people throughout the world have the same aspirations. We want the same things: a good education for our children; sufficient food to eat; and the means to support ourselves. That does not include selling our bodies.

So far, the Waterloo Partnership has raised £150,000. Crucially, we have sat down together to talk about the projects that we can achieve together, and about how we can tackle the problems that we face so that we do not return to the past. In partnership, there must be equal giving and taking. We can learn so much from our brothers and sisters in Sierra Leone about tolerance, forgiveness and living in religious harmony, and about teaching and farming practices.

The Waterloo Partnership is facilitating a cultural and educational exchange. So far, 11 teachers from Waterloo have travelled to Sierra Leone on the first of many school exchange visits. That will be the basis of our schools twinning programme. We want to twin all our schools, and we want all our children to learn about each other. We want them to understand their common roots.

In addition, we have involved the business community in helping us to deliver some of the bigger aspirations of our brothers and sisters in Waterloo, Sierra Leone. Those include equipping all the schools there. That is beyond the means of the Sierra Leone Government—only a third of the children in Sierra Leone go to school at the moment—but it is not beyond the means of Colin Crooks and his great team at Green-Works. Colin rang me after hearing a BBC World Service broadcast covering one of the Waterloo Partnership visits. He is in the fortunate position of receiving thousands of chairs and desks from some of the leading companies in the UK that prefer to recycle them rather than send them to landfill. He came with me to Sierra Leone last month, and surveyed every school in Waterloo. He has now put together a business plan to produce bespoke furniture for the schools there. Crucially, that project will generate vitally needed employment.

I must take this opportunity to thank the Deputy Prime Minister for his support; he is a wonderful socialist. He came out to Sierra Leone last month and visited Waterloo. He was received by thousands of delighted residents, children and representatives of different community groups, including the Waterloo Handicapped Association. That marvellous group of men, most of whom are wheelchair-bound, subsequently wrote to my right hon. Friend to thank him for his time and for sharing with them his stories about his disabled father. In their letter, they also expressed their profound hope that he could help them to find work. Generating employment lies at the heart of the work of the Waterloo Partnership, because without work, people become vulnerable to being traded, just for their bodies.

In addition, the Waterloo Partnership is seeking to build the largest library in west Africa. This was a good idea put forward not by the Waterloo Partnership in Liverpool but by the good people in Sierra Leone. I was interested in helping them with a capital project of their choosing. However, they did not choose a project involving sewerage or water; they chose a library, because a generation had missed its education. Many of us regard people in Africa as belittled and cowed by their experience, but they are actually just like us. They have huge aspirations and desires, and those will be accomplished by their ambition for a library. When asked for such a comparatively small thing, who would not rise to the challenge? I am proud to represent a community of people who really want to deliver the largest library in west Africa. We want to deliver a facility that we would be proud of in this country, because our brothers and sisters over there deserve no less.

Given that, 200 years ago, Merseyside helped to rob Africa of some of its best bodies and minds, it is fitting that, 200 years later, its descendants are doing something to help that same part of the world and, perhaps, to absolve the sins of our ancestors. They can never be absolved completely, however; they were mighty sins. But we do not do this merely to appease guilty consciences. I believe that reaching out is important if we are to create communities with integrity and cohesion at home. We are living in a globalised world in which issues such as slavery, prostitution and the trade in drugs, weapons and people are fundamentally linked with matters concerning economics, population, immigration, labour supply and the state of our society.

I am proud to be a member of a party that, in government, has done more than any other to tackle the problems of international development. It has created a Department for International Development at Cabinet level, and it is working with our partners to improve access to medicines, to combat AIDS and to fight corruption. It is also taking a lead on the world stage by doubling aid and writing off debt.

We cannot undo the past. We will never know what course Africa's development might have taken had it not been for the transatlantic slave trade. The victims

and the criminals of that trade will never see justice, but, given the problems faced by the countries of Africa—and our comparative prosperity—I am pleased that we now have the collective resolve to address the wrongs of the past by working together to build a better future.

7.29 pm

Malcolm Bruce (Gordon) (LD): The range of speeches in the debate has shown a balance between dwelling on the offence and commemorating its abolition. I was born within 5 miles of Pier Head, I lived briefly in a tobacco baron's house in Glasgow, and I now represent a constituency in Aberdeenshire, from which some of the richest plantation owners originated. I guess that I have made a journey through the UK that has quite a lot of close connections with slavery and the slave trade.

In light of the speeches made by the hon. Members for Brent, South (Ms Butler) and for Hackney, North and Stoke Newington (Ms Abbott), it is worth recording that, in 1796, 30 per cent. of the estates in Jamaica were owned by Scots. In 1817, 10 years after the abolition of the trade, 32 per cent. of the slaves in Jamaica were owned by Scots. We must acknowledge and face up to that. On the back of that trade, Glasgow claimed to be the second city of the empire, but I guess that, in that context, it is a pretty close call between Liverpool and Glasgow. Subsequently, Glasgow became one of the great powerhouses of the campaign to abolish slavery altogether, so there was some recognition among the population of Scotland that abolishing the slave trade was not enough; the condition of slavery needed to be abolished. It is a slight irony that some of the campaigners—not Wilberforce—wanted to abolish the slave trade only because they thought that the lack of supply might make the slave owners treat their slaves better. I guess that one must start with half the argument before the other half becomes the logical conclusion.

Having read up on the subject, it is probably worth putting on record some of the arguments put forward. James Ramsay, a cleric, made the following ironic comment against slavery:

"Had nature intended negroes for slavery, she would have endowed them with many qualities which they now want. Their food would have needed no preparation, their bodies no covering; they would have been born without any sentiment for liberty; and possessing a patience not to be provoked, would have been incapable of resentment or opposition".

Because they are just like us, however, they did not comply and fought for and ultimately won their freedom, as has been pointed out.

The arguments put forward in the campaign still make pretty harsh reading. The committee on behalf of the plantation owners stated:

"the African trade is so blended with our commerce, and so interwoven with our general interests, that if at any time, through neglect, mismanagement, or misfortune, this nation should be deprived of its benefits, it will then suffer a very great and irreparable loss, a maim in its commerce, dignity, and power, of which it is impossible it can ever recover."

That is a damning comment, and it was an argument put forcefully in defence of slavery and the slave trade at the time, with, I guess, campaigning zeal. That shows why it took more than 20 years to secure abolition.

Like other Members, I am grateful that Scotland is acknowledging its role, and that several events are taking place in and around Glasgow and my city of Aberdeen that will enable the present generation to focus on that.

Another legacy of the way in which African slaves were treated is racism. They were treated as sub-human: the animals were probably better looked after than the slaves in transit. It is heartbreaking to read that not only were the conditions abominable but that family connections and loyalties were totally disregarded: families were split up, sold and moved around different plantations, never to see each other again.

Slavery has a long history. Greek and Roman civilisation—in which the origins of European civilisation lie—were founded on slavery and slave ownership. It is probably true that Aristotle and Socrates would not have had the time to think their philosophies through if they had not had the labour of slaves. We must acknowledge that.

Sadly, as others have said, slavery has not been abolished. The United Nations estimates that 27 million people are effectively enslaved today. The International Labour Organisation says that 12.1 million people are in forced labour of one form or another. In the spirit of the commemoration, we must take that issue forward and give a lead on it.

With regard to trafficking, a lot of the focus, as the hon. Member for Totnes (Mr. Steen) pointed out, is on the sex trade and sex traffic. In fact, about 50 per cent. of those who are trafficked are men and 50 per cent. women. In the sex trade, it is 98 per cent. women and 2 per cent. men. Men and boys are still being sold into slavery in a variety of different ways, and that needs to be addressed. Clearly, however, this country is at the receiving end of a great many women who have been trafficked or sold into slavery.

It is shocking to read that women from eastern Europe and the Balkans, including places such as Moldova, have effectively been sold into slavery for cash by their own families—their brothers, fathers and supposed husbands. That is knowingly done on the clear understanding of what is happening. The girls are deceived and told that they are going to take up a job or opportunity. Only when it is too late do they realise into what they have been sold. In some cases, they might have had a good idea that they were being sold into some dubious activity, but they probably thought that they would have free choice and opportunity, not be imprisoned, brutalised, beaten and denied any of the revenue generated. Even worse, they can effectively be sold into slavery and then be told that they owe the slave owner money for the cost of getting them where they are and for their keep. Therefore, all the money that they earn is taken, and their reward is to be beaten, raped and denied their basic requirements.

I do not wish to be misinterpreted, but I want to press the Government a little harder on the issue of the UN convention on trafficking in human beings. As the Deputy Prime Minister knows, the cross-party advisory group that he has put together discussed the importance of signing that convention. It would be impossible to commemorate the abolition of slavery and not be a signatory to the convention. Forty-six or, if we count Montenegro, 47 countries are potential

[Malcolm Bruce]

signatories. At present, 34 have signed, and Britain is one of those countries that have not. It is true that only five countries have ratified, and that 10 are required to do so for the convention to be implemented. If one looks at the countries that have not signed, however, one sees that we are not in the best of company. The major countries that have not signed are Russia, the United Kingdom and Spain. France, Germany, Italy, all the Scandinavian countries and most of the countries where the trafficking originates have signed.

I very much welcome the fact that we are going to sign the convention, but having tried to find out exactly what the Government's reservations are, I hope for clarification soon of their timetable for ratifying and of the final legal framework. Until the convention is ratified, people who are trafficked do not appear to have any recourse. They are constantly told that they are illegal immigrants and have no rights, and that is one of the threats used to keep them quiet. They are told, "No one is going to help you, because you should not be here anyway." They need to know and understand, if we can communicate with them at all, and if they can gain any information, that the United Kingdom has ratified a treaty that gives them rights: at least 30 days' grace plus, possibly, reflection time, and no conditions on whether they testify about to how they are treated. It would be helpful if the Minister were able to tell us a little more in her reply. We need to find out shortly what the conditions are and what will be the passage of time between the signing and ratification of the convention by the United Kingdom. That would make a good and sound connection between the commemoration and the current situation.

The parliamentary campaign that led to the abolition of slavery has rightly been acknowledged as a model, which has probably never been equalled. It required such extraordinary expenditure of effort that perhaps it inevitably gained a resonance, whereas nowadays there are so many campaigns and means of campaigning that it is difficult to raise one above the rest and achieve such change. Nevertheless, engagement that involves people on the ground matters more than anything if a campaign is to be effective.

Points have been made about the inequalities that persist between Britain and Africa, and the descendants of slaves and the countries in which slavery operated. Much remains to be done. The International Development Committee, which I chair, had an informal briefing this morning from the Strategic Foresight Group. Its ideas about and analysis of the causes of division, terrorism and extremism are interesting. It also makes some practical suggestions about tackling that. It pointed out that in the United States, which, as nobody needs telling, is the world's largest economy, a significant proportion of households in 29 states have an income of less than $25,000—a per capita income of $10,000 to $15,000. Of course, the group acknowledged that that would be a high salary in African terms, but it is a low income in the United States. The group made the point that Pentecostal Christianity and white supremacist groups have grown in precisely the states where such pockets of low-income earners are abundant. That shows that the legacy of slavery survives where there is racial discrimination and deprivation.

We heard the example of the British version of the free-trade state, next door to the American version, which has also been racked by a destructive civil war. It can be difficult to know where blame lies when there is poor quality local leadership. I believe that we should apologise unreservedly and show shame for our actions, but that we must also challenge, and acknowledge that the world cannot go on trading apologies instead of delivering leadership and action that move things forward and create change. There must be a partnership between us and the leadership in the communities that we are considering. Our approach is not to tell countries what to do—we are not neo-colonialists—but to work with them and help them achieve what they want to do. That requires integrity, good governance and transparency. The good news is that, where that exists, we are beginning to see benefits.

Some countries in Africa clearly provide the beginnings of potentially sustainable growth. I hope that that example will persist, and that people perceive the benefits of a partnership that provides real money from developed to developing countries, gives genuine ownership to developing countries and adds to open, transparent good governance, so that those countries that do not benefit realise that they must follow the same route. We cannot have a position whereby people are enslaved by their leadership and the elite does not understand the need to share and include.

One of Africa's tragedies is that it remains probably the richest continent on the planet yet it has a high concentration of the world's poorest people. More poor people live outside Africa, but the proportion of the population of Africa that is poor is much higher than elsewhere. Those people live in the middle of great wealth, which is not properly shared in some African countries. Partnership between the Department for International Development and other international agencies will flourish only if we get the balance right.

One of the least edifying spectacles in the world at the moment is the continual bickering between the two great developed trading blocs about who is to blame for the failure to deliver a trade deal that constitutes a development round for the poorest countries. The best testament to the end of slavery that we could provide is to drop our protectionist barriers, if we genuinely believe in free trade, and open our markets. We should also provide the capacity, through aid for trade, for developing countries to flourish in their own way so that they can access their markets in real terms, not only in theory. That means delivering the Doha round. If that does not happen, we must find another, better way of ensuring that such partnership can continue.

Whether the colonial legacy or that of slavery is to blame, we cannot look at the state of Africa and feel anything other than shame. It may not be all our fault—I believe that we have now got our approach right—but we must deliver our part of the bargain before we can honestly expect the countries of Africa to get their fair share of the world's resources and an ability to participate as full and growing partners who are not dependent on aid. Dependence on aid is neither in their interests nor in ours. Escape from aid dependency restores dignity, and the restoration of dignity abolishes aid dependency. It is a perfect circle, if we can only break the current cycle. It is up to us to deliver—we have not yet done so.

7.46 pm

Mary Creagh (Wakefield) (Lab): It is an honour and a privilege to speak in the parliamentary debate on such a great historic occasion. I found the speeches of my hon. Friends the Members for Hackney, North and Stoke Newington (Ms Abbott) and for Brent, South (Ms Butler) deeply moving. I am sure that their ancestors will be looking down with pride on their great-great grandchildren.

I pay tribute to the right hon. Member for Richmond, Yorks (Mr. Hague). His exposition of the life of Wilberforce was a tour de force. I thought for a moment that I had strayed into a viva voce examination for a PhD thesis, such was his aplomb in dealing with interventions on all sorts of historic details. I hope that I shall not be tested on my historical knowledge to the same extent, and that I shall not be found wanting.

I should like to speak briefly about the issue that the hon. Member for Totnes (Mr. Steen) raised, and that confronts us today in the United Kingdom and Europe—the modern-day slave trade of human trafficking. Through the phenomenon of globalisation, victims are lured to this country by promises of work. They are then effectively enslaved into sex work. The Home Office figure for the number of women and girls who have been trafficked here is estimated to be 4,000. The Home Office probably minimises the figure, so perhaps the true number is much higher. One of the problems with ascertaining figures is that we are considering a secret trade. That makes it hard to glean numbers.

I pay tribute to the Government for agreeing to sign the Council of Europe convention against human trafficking. It is the first step to according victims the status of victim rather than that of immigration offender. However, unlike 200 years ago, when Wilberforce and Parliament led the world, today we lag behind other parts of Europe in our treatment of victims. As we heard from my right hon. Friend the Deputy Prime Minister, they are certainly victims. He cited the tragic case of the 15-year-old Lithuanian girl who was lured by the promise of a summer job selling ice creams in Sheffield but was then sold on and on, and brutally raped on many occasions.

Last year, I hosted the launch of an Amnesty International report entitled "Stolen Smiles". It catalogues the abuses suffered by women trafficked for sexual slavery across Europe. The author, Cathy Zimmerman of the London School of Hygiene and Tropical Medicine, had interviewed 207 women in 14 European countries, aged between 15 and 45. The majority were between 18 and 25. I was deeply shocked by the report. To my surprise, a huge number of the women had suffered serious head injuries from brutal beatings by the people who imprisoned them. Another interesting finding showed that 60 per cent. of the women had been physically and/or sexually abused in their home country before being trafficked. That perhaps indicates that the trafficked women who arrive on our shores and at our airports were already vulnerable women in their home countries. We are not talking about well educated girls and women—those with college degrees and experience of the world. We are talking about women who come predominantly from rural areas where huge numbers of people are unemployed. That is one of the factors that push women out to seek a better life for themselves.

However, to return to the figures, 95 per cent. of such women are physically and/or sexually abused during their trafficking experience. Let me list some of the examples of suffering that were given to the researchers. Some were kicked while pregnant. Others were burned with cigarettes. One was choked with fire. Another had a gun held to her head. We simply cannot imagine what that must feel like, or the physical and psychological damage that those women endure on their journeys and at their destination in this and other countries.

It is unsurprising that those women suffer long-term physical and psychological consequences. More than half of them had symptom levels suggesting post-traumatic stress disorder—levels that we normally see in people who have suffered extreme terror or extremely violent events. They suffered headaches, fatigue, dizziness or memory loss equivalent to what the most acute 10 per cent. of sufferers in the population experience. One interesting aspect of the research was that they were re-interviewed and that that showed that their physical health improved after between 30 and 60 days in the care of non-governmental organisations or medical services and social services, but that it took longer for their mental health to improve. It improved after 90 to 100 days—after about 3 months in care.

That research is vital if we want to know about what the practical realities of ratifying the convention will be. Clearly, if such women are so psychologically and physically damaged, there will be implications if we want them to participate in the legal and administrative process by, for example, naming their attackers or enslavers and by co-operating with the authorities in order to bring those evil people to justice. Such women need time to recover their faculties and their emotional strength. Specialist health services are needed, too, as these women are a unique type of victim of crime.

Last year, the Joint Committee on Human Rights, of which I was then a member, conducted a major inquiry into human trafficking. The subsequent report was published in October 2006, and I recommend it to Members. One of the recommendations was to do with the signing of the convention, of course, but the report also stated that we should look beyond the minimum reflection period of 30 days, and the Amnesty report gives us reasons why these women need more time to learn to trust the authorities.

One of the issues that the inquiry uncovered was the lack of specialist legal advice and, in the case of children, the lack of specialist support for "an appropriate adult"—to use the legal term. We found that there was a wide variety of organisations and people—NGOs, police officers, Home Office officials and immigration officials—who could deal with people who had been trafficked, but that there was a lack of a joined-up and co-ordinated approach from those different agencies.

We also heard that during Operation Pentameter—the big police operation of last summer—there was unequal protection for victims. We heard anecdotal evidence that European Union citizens who had been trafficked were able to receive housing benefit, unlike

[Mary Creagh]

victims from non-EU countries, and that people from outside the EU had to claim asylum in order to get the minimum level of support.

There is a lack of awareness among immigration staff. Some of the people who were being picked up were being treated as immigration offenders, instead of victims of this vile crime. When we sign the European convention, repatriation will breach the principle of non-return under articles 13 and 14 of the convention.

I am curious to hear from the Minister about the statistical research, and specifically about the 4,000 figure given by the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling (Mr. Coaker). As far as I can see, that has not been formally published, and I think that everyone involved in this debate would be interested to know about the statistical basis on which such figures have been extrapolated.

Meg Munn: I understand from my hon. Friend the Under-Secretary that that figure is now some years out of date. Greater numbers of people are being trafficked. Clearly, getting the statistical information right is very important.

Mary Creagh: I thank my hon. Friend for that reply. That figure was first announced in a meeting with the Joint Committee only in March or April last year. That was the best available evidence at that time, and I am sure that the situation has moved on since then. It is hard to estimate the numbers of unaccompanied minors, people in private fostering arrangements and children. The police told us that 10 years ago 85 per cent. of sex workers working in brothels in the United Kingdom were from the UK. That has now been completely reversed: 10 years on, 85 per cent. are from outside the UK.

We visited the POPPY project. I agree with the hon. Member for Totnes that it is a wonderful project, but it is also far too small to cope with the huge demand and the huge and complex needs of the victims. I hope that the signing of the convention will mark the beginning of the end of such problems.

The UK is doing some things to combat the modern-day slave trade of human trafficking. I mentioned in my intervention on the right hon. Member for Richmond, Yorks the fingerprinting work done by consulates and embassies in highly vulnerable countries. That fingerprinting—and the collection of other biometric data—gives the UK authorities something to go on; if a child presents themselves to social services, we can trace them back to their country of origin.

I am also interested in the work that the Home Office has done with PunterNet, a website for men who use prostitutes. I must admit that until I participated in the inquiry I was not aware that such sites existed, and I have not dared to surf for it on the internet because I am worried that access might be denied on the parliamentary network. Conflicting advice is coming from the Home Office—on the one hand men who have sex with women who have been trafficked and therefore do not consent could be prosecuted for rape, while on the other there is an encouragement on PunterNet to men to come forward if believe that the women they are sleeping with may have been trafficked. That is a confusing situation to put such men in, and we need clarification so that more so-called punters come forward.

I pay tribute to the Home Office for setting up Reflex, the multi-agency task force to tackle immigration crime, as well as the human trafficking centre and the Serious Organised Crime Agency. However, more victims in the recent period have been arrested and deported than traffickers have been prosecuted. Recommendation 136 of our report is that more should be done to bring such people to justice and to seize the assets of traffickers. There is nothing more criminal than profiting from the trade in, and movement of, another human being. There is also no central database of victims and no clear statement of what should happen to them once identified. When our action plan is published, I hope that it will deal with many such issues.

We met the women at the POPPY project. They talked to us about what happened when they were involved in the court process to bring their attackers or imprisoners to justice and they were promised that they would be able to give evidence from behind a screen: in one case, the judge decided not to use a screen and the victim, who had been forcibly imprisoned, had to give evidence facing her enslaver, which was highly traumatic, of course. I also ask the Government to look at making trafficking one of the police performance indicators. We all know that what gets measured gets done.

Italy provides a shining example of what can be done, with good will and with investment, to tackle the trade and to stem it. We have heard a lot of analysis of some of the problems, but when we visited Italy we heard the beginnings of some of the solutions in terms of tackling the modern-day slave trade. Italy has a convention called Article 18. It is a legal framework that gives victims protection under the law. It was introduced in 1998, so Italy has had almost 10 years of offering, effectively, asylum—a residency permit for six months—to people who come forward and co-operate with the police, and provide information about their captors.

The Italian authorities have a centralised database, so they were able to tell us that between 2000 and 2004, more than 7,000 women claimed a residence permit under the scheme. That is a huge number. Some 4,000 gained a permit, and nearly 6,000 got vocational training. The authorities were also able to tell us the country of origin of these women: 52 per cent. were from Nigeria, and the rest, as we would expect, were from Romania, Moldova, Albania and Ukraine. Interestingly, the authorities said that the women from Africa and Nigeria were the least likely to co-operate with the police in bringing their attackers to justice. I do not know whether that is for cultural reasons, or because of a particular power in their home country, but there certainly seemed to be a problem with getting women from Nigeria to co-operate.

In 2003, the Italian authorities also increased the legislative penalty for "selling or purchasing slaves", as they call it, from eight to 20 years in prison. That penalty can be increased by up to 50 per cent. for trading in minors aged under 18. We have heard today from Opposition Members about the number of such

people arrested in Italy. In 2004, there were 412 arrests, and in 2005 there were 356 arrests. There is a single, central, national free-phone number for victims—or to enable ordinary citizens to provide information—which is printed on bus tickets. More than 500,000 calls have been made, but more than two thirds of them have come not from victims or punters, but from ordinary citizens. Such people include those living in apartment blocks who have seen or heard something, or those who have done so while driving past, and who believe that some form of dodgy dealing is going on behind closed doors or on the streets, and that that information should be passed on to the police. That shows us what ordinary citizens can do when the authorities empower them to show awareness and to say, "We will have zero tolerance of trafficking—this modern slave trade—and we will have justice and social justice for victims."

That advice line gives 24-hour legal, psychological and medical information, and it monitors what happens to such people after the calls are made. Help is also provided by the International Organisation for Migration in the form of grants to help victims return home. However, it is very important that those women should not be sent home and straight back into the hands of their traffickers. While we were there, we heard some anecdotal evidence. When the UK was deporting nationals, the police would be phoned at the airports. Sadly, however, in some of the countries to which we were deporting people, the traffickers would be telephoned to be told that a particular person was on her way back. She would then be met at the airport and her bonded debt would be paid out in a brothel in Albania, Romania or Moldova.

We also saw the various awareness campaigns that were being run. Such campaigns are happening in the UK, which is also funding them in the countries of origin. Super-8 film clips are shown of children growing up and being looked after by their mothers. The mothers are then shown standing on the streets of Rome in their underwear. Such footage is very hard-hitting. The campaign slogan was, "Don't burn your life". Research was also conducted in the countries of origin. Of course, nobody thinks that they are going to be a victim of traffickers; however, it emerged that 85 per cent. of women did think that they would travel to another country and get a job there. Given the huge numbers of people who are looking for work in western Europe, they are extremely vulnerable.

When the Joint Committee was in Italy, the hon. Member for Oxford, West and Abingdon (Dr. Harris) and I went for a night out with a local non-governmental organisation representative in Rome, a city in which I lived for a year as a student. I know some of the main prostitute runs in Rome, and in fact, I was propositioned myself as a 19-year-old, standing on the main Christopher Columbus boulevard outside Rome. There is a long tradition in Rome of street prostitution, and as a 19-year-old it was terrifying to have someone stop in a car next to me and invite me to accompany him.

What shocked me on my recent visit to Rome was the situation regarding children. I went out on the streets with three people—a driver, a social worker and a cultural mediator. Such mediators come from eastern Europe or from Africa, and they talk to women from their home country, reassure them and discuss living in Italy with them. We went out with a big box of condoms, and leaflets printed in every African and eastern European language that one can think of that gave the addresses of sexual health clinics. However, that is a "softly, softly" approach to these women and girls. When they go to the clinic in town, they are immediately told, "You have rights under article 18. You can claim residency and social justice in this country." They can claim protection, and many of them do.

We also heard what happens to such women afterwards. They are given shelter in a network of safe houses and, crucially, information on finding work. Most of them have transferred to the work permit scheme. So Italy adopts an holistic approach to the victim, and it offers the UK and the rest of the Europe the beginnings of a model. However, investment and commitment are also needed, and it takes a long time to gain the trust of these women.

Each generation and century has its own challenges and has to defeat the dark forces that challenge our common humanity. Wilberforce, as we have heard, introduced his first Bill against the slave trade in 1791—in the 18th century. It took him 16 years finally to get the slave trade abolished, in 1807, but even that Act did nothing to free those who were already enslaved. They had to wait until 1833—until the Slavery Abolition Act, which granted freedom to all slaves in the British empire—another 26 years. Between 1791 and 1833, a whole generation of people were enslaved, born into slavery, and lived and died in slavery before Wilberforce's great achievement and the achievement of the 1833 Act.

Human progress may be slow, but when it comes, it comes for good and stays for good. In the 20th century, it took the campaigner against genocide and holocaust survivor Raphael Lemkin many years before his term for the great crime against humanity—genocide—was accepted by the new United Nations and recognised and confirmed in law in 1951. He wanted to impose on nations a duty of responsibility to protect those who suffer genocide, and a responsibility on other UN nations to protect them. Yet still no action has been taken collectively by that body on all the huge and terrible genocides of the 20th century—be it Cambodia, Rwanda or Bosnia—or of the 21st century, in Darfur. Will human trafficking be the great challenge to our still young 21st century? The forces of globalisation of trade, and the availability of ever easier and cheaper flights, raise endless possibilities for communication and leisure, but also for abuse, criminality and modern slavery.

If human trafficking is not to define our century as slavery defined the 18th and 19th centuries and genocide defined the 20th, we must act now. Strong laws, strong protection and recognition of our shared and common humanity across borders, gender and race are indeed principles of which Wilberforce himself would have been proud. They are the principles of human progress, for which Members in all parts of the House will doubtless continue to fight.

8.8 pm

Sir George Young (North-West Hampshire) (Con): It is a pleasure to follow the hon. Member for Wakefield (Mary Creagh). She made a thoughtful speech that examined some of the challenges of 220 years ago and

[Sir George Young]

put them in a modern context, and she outlined the challenges that remain. I apologise to the House for not being here for the opening speeches. I want to make a brief contribution to what has been a moving debate.

Thanks to the diligence of the Library, I discovered that one of my ancestors played a small part in the parliamentary proceedings leading to the abolition of slavery. The report of our proceedings on 18 April 1791 has a speech by William Wilberforce in which he says:

"An honourable baronet, Sir George Young, and many others, had said they saw the slaves treated in a manner which they were sure their owners would have resented if it had been known to them."

There have been six Sir George Youngs between that one and this one. That one was serving in the Navy; he went on to become an Admiral. In a letter dated 14 October 1787, he says:

"From the present appearance of War, I am induced to request, you will please to acquaint My Lords Commissioners of the Admiralty, that should such an event take place, I should wish to be employed in a more active situation than that of Commander of the Royal Yacht."

In fact, following an Order in Council dated 11 Feb 1788 concerning

"the present State of the Trade to Africa, and particularly the trade in slaves; and concerning the effects and consequences of this trade, as well in Africa and the West Indies, as to the general commerce of this Kingdom",

he was examined before the Bar of the House on the African slave trade and, we are told,

"gave evidence of its evils, not less valuable because temperately worded."

I hope that that gene has survived.

Sir George Young gave evidence which was summarised in the Committee's report, which stated:

"By the evidence of Sir George Young. He...observed that they"—

the slaves—

"were so crowded, particularly on Board of one ship, that the stench of the hatchway was intolerable."

He also said that

"the men slaves were chained"

but

"the women were at liberty".

He went on board a ship of 300 tons, in which there were 520 slaves.

Sir George was cross-examined by their Lordships about the stock of slaves in the West Indies. He replied that

"by putting an end to polygamy, and by releasing the women from field labour and confining them to domestic work and by shewing proper attention to them when pregnant, the stock might not only be kept up but would be increased. But, he added, the planters did not seem desirous to encourage the breeding of slaves, but thought it cheaper to purchase."

That was an inhuman attitude, treating people no better than cattle.

What appalled my ancestor was not just the overcrowding of the slaves, but the poor treatment of the sailors—

"They were half starved, ill-cloathed and inhumanly treated by their captains. The reason assigned by the sailors for this ill-treatment was to induce them to run away in the West Indies and forfeit their wages."

Elsewhere in his evidence, he calls them "Emaciated wretched objects". He also said:

"A guinea ship seldom returns with more than half her complement and the annual loss of seamen sustained by the nation by the guinea Trade amounts to the manning of two ships of the line."

He was concerned that, at a time when we were heavily dependent on the Navy and on sailors, the reserve of manpower was being seriously depleted by the irresponsible behaviour of those owning the ships in which the slaves were transported.

The right hon. Member for Gordon (Malcolm Bruce) mentioned some of the excuses that were put forward to justify the trade. A report was made to Mr. Speaker in 1789 by a joint council, which concluded:

"It is notorious our slaves in general are not only treated with kindness and humanity, but they are also protected by law from immoderate chastisement or cruel treatment, and enjoy more easy, comfortable and happy lives, than multitudes of the labourers in Great Britain."

The subtext was why should people worry about exploitation in the West Indies when there was worse exploitation somewhere else. Another pretext was the financial consequences of abolition. The joint council said:

"On the faith of an Act of Parliament, passed on purpose to make the receiving of six percent on colonial securities lawful in Great Britain, great numbers of persons at home, as well as the subjects of foreign states, have likewise embarked considerable sums on mortgages. Now, the Slave Trade being the source of every West Indian improvement, its abolition must inevitably diminish the value of all such securities, and drive the creditors to use every means in their power to extricate their property from such a precarious situation, to the immediate distress of the planters and their families."

Happily, that special pleading was swept aside and there is no longer any moral debate about slavery, although—as many contributors to this debate have said—the practical application of slavery remains a problem. In some of the arguments that were put forward 220 years ago, we see precursors of other debates, such as poverty wages for suppliers of imported goods. It is still argued that if we do not import them someone else will. On CO_2 emissions, people ask why we should cut our emissions when others do not. The same moral argument is made about the export of land mines: if we do not sell them, someone else will.

It struck me, listening to the debate this evening, that we need the moral certainty and conviction of Wilberforce, who recognised that something was wrong and had the stamina and the courage to continue until he won the argument. I hope that, in 220 years time, when the descendants of those who take part in this debate look at *Hansard*, they will find that some of us have said something useful and on the right side of the argument.

8.15 pm

Ann McKechin (Glasgow, North) (Lab): Those of us who have been present in the Chamber today have enjoyed an informative historical analysis of slavery

and our country's part in it. The right hon. Member for Gordon (Malcolm Bruce), a colleague of mine on the International Development Committee, mentioned the role of my city, Glasgow, in the slave trade. Any hon. Members who have visited Glasgow will probably have attended or at least passed by the impressive neo-classical façade of our gallery of modern art in Queen's street. The building has had a varied history. Until a few years ago, it was the Stirling library and it has also been a telephone exchange, a bank and a stock market, but when it was originally built in 1778, at the then staggering cost of £100,000, it was the town house for William Cunninghame, a prominent Glasgow tobacco baron.

Cunninghame headed one of the three major syndicates that controlled the flow of tobacco into Scotland. He developed a string of outlets and representatives in the tobacco colonies, which bought tobacco from the planters and stored it until his ships arrived. His trading system was one of the most efficient and swift in the north Atlantic and it yielded enormous profits. The tobacco barons of Glasgow were the London billionaires of their day. Cunninghame's mansion is one of Scotland's finest houses, but it stands today as a reminder of our city's links to tobacco cultivated by enslaved people, and the profits tobacco yielded to the major Scottish merchants who dominated the trade throughout western Europe.

At the beginning of the 18th century, Glasgow was a poor town on the wrong side of a poor, isolated country on the fringes of Europe. Scotland's main trading partners were the Baltic states across the North sea and Scotland's ruling classes had been bankrupted by their investment in the disastrous Darien scheme in 1690. But by the end of that century Glasgow was transformed into the second city of the empire, at the forefront of the new industrial society.

The greatest rate of development, outpacing anything seen in the rest of the United Kingdom, occurred between 1740 and 1790, when Glasgow found its niche in the business of slavery. Slaves were never auctioned in Glasgow, but the city benefited by directly supplying the American colonies with manufactured goods, linen cloth and iron, without which they could not survive. The ships then returned to the UK with colonial goods, mainly tobacco from Maryland and Virginia, but also sugar and other exotic products from the Caribbean. For that, the traders had the Navigation Acts to thank, which were the backbone of the British empire until they were repealed in 1799. Essentially, all manufactured goods to be consumed in the British empire had to be produced in Britain and conveyed between Britain and its colonies in British ships. In that fashion, British shipping and British industry were promoted to the detriment of the colonies, which was one of the main reasons behind the American revolution.

Streets in Glasgow, such as Glassford street, Buchanan street, Virginia street, and Jamaica street, are all named after either tobacco merchants or colonies. Even today, the city centre is still dotted with the mansions of tobacco merchants. Glasgow and Scotland's wealthy pre-eminence in the world was based firmly within the British empire system. Far from being involved in the slave trade to a lesser extent than England, Scotland's smaller size and greater levels of poverty meant the impact of that obscene and wealthy trade was actually greater on Scotland than anywhere else in the country.

All the components—huge disparities in wealth, unfair trading rules with heavy protectionist policies and exploitation of labour without protection—were present to permit slavery on an industrial scale for the dawning of a new industrial age. Slavery in the horrific form known in 1807 may be in our past, but those components of exploitation are still with us in the modern age, aided by globalisation and modern day conflicts. Until we tackle all those injustices, we will not see an end to the modern versions of slavery in this world.

Just as in the 18th and 19th centuries, we have a tendency to view the problem through the prism of a few world leaders or western campaigners, and we do not recognise that many of the advances of recent times are due to the struggles of thousands of ordinary people throughout the developing world. In her excellent contribution, my hon. Friend the Member for Hackney, North and Stoke Newington (Ms Abbott) pointed out that a truly grass-roots campaign for change took place, both in the colonies and in this country, with hundreds of thousands of people participating. Today's debate gives us an opportunity to recognise and salute their invaluable contribution, both now and in the past. We must examine how we need to change if we are truly to give freedom to everyone.

As has been noted, some of the symptoms of modern-day slavery are not hard to find. Sadly, human trafficking is evident in just about every town and city in western Europe. The figures that we have discussed today are probably only very rough estimates—700,000 people affected by slavery worldwide, with perhaps 4,000 adults and up to 5,000 children in the UK at any one time. What is clear, however, is that the problem has been escalating at an incredible rate over the past 10 years.

The Government's response over the past 12 months shows that they are stepping up to the mark. They have agreed to sign the European convention, and they have also put in place the new human traffic incentive in Sheffield, the home city of my hon. Friend the Minister for Women and Equality. I am sure that she will say more about that when she winds up the debate.

The success of the Pentameter operation in a few short months last year showed the scale of the challenge. As a nation, we must devote suitable resources—and time—to the problem, through our public and voluntary agencies. I also welcome the announcement that the Home Office is due to make later this week about a UK-wide assistance scheme. I want to recommend to Ministers, and especially those in the Home Office, the success of the individualised-case approach that has been taken in Glasgow. The Trafficking Awareness Raising Alliance project is a partnership initiative involving Glasgow city council, Strathclyde police, the Scottish Executive, the voluntary sector and the Home Office.

In many ways, the Tara project mirrors the POPPY project that was mentioned earlier. As my hon. Friend the Member for Wakefield (Mary Creagh) said, both projects give women a reflection period, in which they can recover and consider their futures. They also allow

[Ann McKechin]

those women to assist the police authorities, and all that is vital if we are to have any way of tackling the problem effectively. I also want to reiterate what my hon. Friend said about the good examples in Italy, Germany, Belgium and the Netherlands, where reflection periods are standard and there is much greater access to refuge assistance. Higher rates of prosecutions and convictions are secured in those countries, but it is inevitable that the trade will continue to flourish here if we do not put in place adequate deterrents.

However, by its very nature, trafficking is hidden. There is increasing evidence of people being trafficked to work as domestic slaves, which makes detection even more fraught. I share the concerns that the Government's plans to prohibit migrant domestic workers from changing employers may aggravate that problem. When they announce the plans later this week, I hope that the Government will take account of the effect on other policies, and ensure that more barriers are not put up to giving the most vulnerable people in our country adequate protection.

We also need to ensure that all our public agencies are made aware of trafficking. I was interested to hear about an experiment in Edinburgh, where airport parking attendants have been trained by the police to spot trafficking gangs hanging around, waiting for their next human collections. The attendants have passed on valuable evidence to the police, and I hope that a similar system could be developed at all our airports and ports, to make use of the knowledge that staff have of the way that people travel in and out.

I turn now to something that has been mentioned in the debate already, but which I believe is very well worth saying again. We need to drive home to the clients of prostitutes the sort of abuse that they may be maintaining. There is no supply without demand, and we need to alter the focus of prosecution. The clients of prostitutes should know better: they should know that the people involved—many of them under the age of 18—are often in abusive relationships, or suffer dreadful abuse.

However, slavery is not confined to western Europe or the west in general. Last month, I visited Ethiopia with the International Development Committee, and one of the local organisations that we visited carried out work to protect young children from poor rural areas who had been sent to towns and cities in the hope of a better life but who had often ended up as mere chattels. Child labour and bonded labour are still prevalent in many areas of Africa and Asia.

We need to continue to assist the Governments in the countries involved, and organisations such as the International Labour Organisation and the Institute of Migration, to find ways to tackle the abuses effectively and to change the way that society tolerates such behaviour. People need basic labour rights, but we have to put in place the mechanisms to enforce them. Free and independent trade unions were an essential component in our own development as a democracy, but too frequently they are overlooked as a means of tackling abuses such as trafficking.

Earlier in my speech, I mentioned the economic components that drove the slave trade 200 years ago. They are still to be found, and it is the disparities and lack of economic opportunity to which they give rise that create so many opportunities for the human traffickers. Despite the fine words of the past few years following the start of the World Trade Organisation's Doha round, we are still far away from delivering even a small amount of trade justice to the poorest nations. Time after time, we create or sustain systems that have been used to exploit. They have exploited the weaknesses in regulation in the poorest countries, the tax havens that take billions of pounds away from the world's poorest, and the dumping of our unwanted food. Those systems have also enjoyed the fruits of the "brain drain" or been used to support corrupt and undemocratic regimes. Some western Governments are already shying away from the aid commitments that they made in 2005, claiming that they are too expensive—but the question surely is, too expensive for whom?

This week's anniversary reminds us that slave trading was once the status quo, as the right hon. Member for North-West Hampshire (Sir George Young) correctly pointed out. We used every type of excuse to justify its existence. Today, we are being asked to challenge and change our version of the status quo, and to acknowledge that all of us still benefit economically from coerced or exploited labour somewhere on the planet.

Rather than throwing up the walls of protection and trying to isolate ourselves from the suffering caused by abject poverty, we need to work towards a global economy that places priority on providing meaningful employment for all, not just for a chosen few. We need a global economy in which labour rights are fully respected, and where nations have a fair chance to trade and to retain the fruits of their labour.

8.27 pm

Mr. Tobias Ellwood (Bournemouth, East) (Con): I greatly enjoyed the contribution of the hon. Member for Glasgow, North (Ann McKechin), who wove aspects of Glasgow's role in the slave trade into some of the modern challenges we face, and on which I hope to comment.

I pay tribute to my right hon. Friend the Member for North-West Hampshire (Sir George Young) who paid tribute to his ancestors—I hope that many more George Youngs will grace the Chamber talking about this and other subjects.

The debate has been comprehensive, enjoyable and informative, although I was sceptical about participating in it. After I heard the Prime Minister apologise for the slave trade, I wondered what else we might need to apologise for. Should we apologise for the Croke Park stadium massacre in Ireland, or the Rorke's Drift incident? Should the fire brigade apologise because the Pudding lane fire in 1666 was not put out in time and led to the great fire of London? Political correctness seems to creep in occasionally. However dark our history, is it for today's leaders to apologise for events with which they have no direct connection? Perhaps the symbolism attached to such events makes it appropriate to comment on them. We certainly have much to learn about them.

The debate is certainly worth having; it is not only a reminder of what has been achieved over the past 200 years but a stark reminder of how far we still have to go. Passing a law to abolish slavery shows a nation's intention, but implementing it shows a nation's commitment. When I was researching for the debate, I found—no doubt like other Members—interesting references and snippets of information. We have just celebrated St. Patrick's day. St. Patrick was a slave. He was born in Roman Britain and taken to Ireland as a slave. He must have grown accustomed to the place because he returned and was involved in the Church, and is remembered on 17 March. Aesop is another slave who has not yet been mentioned in the debate. The inspiration for his famous fables was drawn from his period of slavery.

Many historical incidents reflect aspects of slavery and the slave trade, but the most important thing to remember is that slavery is not just connected with Africa. It forms a darker chapter in the development of every world civilisation. In the book of Exodus, which may be one of the first detailed accounts of a movement to free slaves, we read how Moses led the Israelite slaves from ancient Egypt. Other Members have mentioned that slavery formed part of life in the ancient Egyptian, Greek and Roman empires. Even the Vikings participated in slavery. Japan had advanced laws governing slavery from the eighth century.

In all those civilisations, there were common factors in slavery. Enslavement could be the punishment for a crime or the consequence of a debt. Prisoners of war could be enslaved. Even more seriously, some people were born as slaves and grew up already part of the slave operation. As Rome expanded, entire populations were enslaved and we pay tribute to many people who opposed their slavery. The name of Spartacus will be familiar—he led the revolt in the third Servile war—but we should pay tribute to many others across the globe.

The middle east is probably responsible for one of the oldest slave trades. Male slaves were used as servants, soldiers or labourers by their owners and the practice continued until the 20th century. Closer to home, although slavery in the form of the trade of serfs was made illegal in England in 1102, it was used as a punishment by Cromwell's new model army to deal with Catholics in Ireland. Their land was confiscated and they were sent to the West Indies. Serfdom resurfaced when "personal servants", as slaves were called, were brought from Africa in the 18th century—the aspect on which most of the debate has focused.

We stand alongside many other European countries, including Portugal, Holland and France, as the main perpetrators of slavery, robbing Africa of its people and developing what is now referred to as the triangular trade that linked Europe, Africa and the new world. As has been said, until 1772 the legal status of slaves was unclear. The first challenge came from James Somerset, a runaway slave whose owner wanted to pack him off to Jamaica. However, because he had been baptised in England, he could take his case to the courts and the judge decided that under common law slavery had no legal status, which meant that the 14,000 or so slaves in England at the time were emancipated.

The British anti-slavery movement, under the Quakers, did not begin until 1783. In May 1787, the committee for the abolition of the slave trade was formed, and included various people we have already heard about today—Joseph Woods, William Wilberforce and Granville Sharp. From 1789, abolition Bills were repeatedly proposed until eventually George III approved one on this day 200 years ago. But, of course, the measure did not free the slaves. It simply made the slave trade illegal. As has been mentioned, slaves were not freed until 1833. It is interesting to note that the Church was not exempt from participating in the trade. In 1834, following the emancipation of slaves under an Act of Parliament, the Bishop of Exeter received compensation of £100 per slave. He was forced to set free 665 slaves.

The supply of slaves, mostly from Africa, and the demand in the Americas is at the heart of today's debate. It is estimated that about 15 million people were shipped from Africa. Sadly, about 15 per cent. of them died while being captured or on route. The great majority were shipped to the Americas. When I visited the national museum in Tobago quite recently, I was astonished to read some of the extracts and accounts not only from some of the slaves that had been freed, but, more hauntingly, from some of the traffickers and the traders, who had labelled slaves in various groups—almost like cattle stock. They referred to the slaves' strengths, co-operativeness, brains and so forth, depending on what part of Africa they had come from. That is how advanced the trade had become.

The growth of the colonies fed the appetite for slaves. Jamestown led the way by writing into law the rights of slave ownership. With Canada and Mexico banning slavery in 1810, a complex network of escape routes to allow slaves to depart from the colonies, either north or south, was created by people who were trying for abolition. Harriet Tubman was one of the founders of what was called the underground railway, which allowed slaves to move either north or south and get away from their owners. The slavery issue was not reconciled until the American civil war. There are many factors that one could say led to the dividing of the nation.

I was pleased to hear the Deputy Prime Minister pay tribute to the replica of the Amistad, the slave ship that sailed in 1839, with a host of slaves on board. That replica is coming to the United Kingdom shortly. The original ship set out from the African slave factory in Lomboko, which is now Sierra Leone. While it was heading towards Cuba, there was a mutiny and the slaves took over the ship. They did not know where they were going. They wanted to return to Africa, but they were misled by the Spanish who were still on the ship and ended up heading up the coast of the United States. The ship was eventually stopped by the USS Washington—by the American navy. There followed a long and public battle, which eventually led to a judgment by the Supreme Court. Thanks to a former President, John Quincy Adams, that represented a major breakthrough for the abolitionists.

It is interesting to look at the views of the sitting President, Martin Van Buren. I managed to get an extract from the *Hartford Courant*, which was obviously the Bournemouth *Daily Echo* of its day. It states:

"Martin Van Buren addressed a letter to the Judge recommending and urging him to order the Africans to be taken back to Havana in a government vessel, to be sold there as

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slaves—and...about the same time the U.S. schooner Grampus was ordered to New Haven for the purpose of receiving them...Surely Martin Van Buren is playing the part of a tyrant with a high hand—else why this tampering with our courts of justice, this Executive usurpation, and this heartless violation of the inalienable rights of man?"

It is a welcome sign of the times that the press in that day had the freedom to make such comments, but the extract is also an indication of the society of the day, in which slavery was so accepted that the President wanted to interfere with a court case simply to ensure the status quo.

Such events cut the nation in two and clearly led to the civil war. It was not until after the civil war, under Abraham Lincoln, that the 13th amendment was signed to declare slavery unlawful. However, although the law changed, attitudes did not, and from that time blacks were considered to be second-class citizens. As we know, there was segregation, and it was not until the civil rights movement of the 1950s and 1960s that blacks obtained legal protection from racial discrimination. Sadly, the slow speed of reform is perhaps at the heart of the problems that exist in the United States, which have galvanised attitudes.

Of course, the oppression of individuals, countries and races is not limited simply to blacks. We should pay tribute to those who were caught up in the Japanese labour camps, such as those involved in the Burma railway, the concentration camps in Nazi Germany and the Russian gulags. We should not forget the heroes who fought and, in many cases, died to challenge the regimes that advocated those forms of slavery.

Let me move on to the challenges that we face now. I pay tribute to my hon. Friend the Member for Totnes (Mr. Steen), who spoke with passion about the problems of human trafficking, as did other hon. Members. The idea of slavery has not disappeared; it has simply gone underground. Despite various acts by the United Nations, including drafting article IV of the universal declaration of human rights, which explicitly bans slavery, it is still a problem today. A UN report suggests that the victims of slavery come from some 127 countries throughout the world. The major destinations of victims include wealthy countries in western Europe, north America and the middle east. As has been said again and again, women make up 70 per cent. of worldwide trafficking cases and sexual exploitation is a factor in 87 per cent. of those cases, while forced labour is another factor.

People are encouraged to leave their home countries under false pretences. They are enticed by being told that a better life is ahead of them. They are promised work in the hospitality or domestic work industries, but once they reach their destination, their official documents are removed and they are forced into either bonded labour, or prostitution. I understand from the police that about 4,000 people are involved in some form of forced prostitution in the United Kingdom at any one time. The gangs behind the trade buy and sell women for between £2,000 and £8,000. Even though the individuals are given a small amount of money, they are hugely in debt, so they can never get out of the circle of distress in which they find themselves.

I am pleased that the Government have taken a number of initiatives. The Sexual Offences Act 2003 introduced a new offence of trafficking someone into the UK for the purposes of sexual exploitation, while the Asylum and Immigration (Treatment of Claimants, etc.) Act 2004 criminalised the trafficking of people for any form of exploitation. Although I was encouraged by the words of the Deputy Prime Minister, we must—this has been repeated time and again—finally ratify the Council of Europe convention on action against trafficking in human beings. Ratification is long overdue. The convention addresses the standards of living that are capable of ensuring individuals' subsistence, access to emergency medical treatment, translation and interpretation services, and counselling and information. We should be providing such vital things, given that our colleagues across the water in Europe have already agreed to do so.

The Conservative party is in tandem with other parties on this matter. We have made major announcements on tackling human trafficking, as my right hon. Friend the Member for Richmond, Yorks (Mr. Hague) pointed out. We not only want the Council of Europe convention to be signed, but believe that we need to establish a UK border police force with expertise in intercepting traffickers and victims at our borders. We think that there should be separate interviews at all airports for women and children travelling alone with an adult who is not a parent, guardian or husband. We should strengthen co-ordination among the relevant Government Departments and the Serious Organised Crime Agency to tackle the problem. We should also ensure that every police force has a strategy to deal with suspected victims of trafficking.

In conclusion, it has been a sobering debate, allowing us to reacquaint ourselves with the challenges of the future as well as to celebrate some of the successes from the past. Britain can certainly be proud of its actions in righting many of those wrongs, but let us not forget that slavery takes many forms and that, despite the progress made in removing the legitimate and overt forms of slavery, it is now the illegitimate and covert exploitation of slavery that still exists.

There is much work to be done and if Britain is to continue as a beacon for human rights, we must recognise the advances in transport and communication that have led to the development of a truly global challenge in respect of the trafficking of humans. If we are finally to stop the appalling trade of human traffic, we must have an international effort. We celebrate the anniversary of the abolition of the slave trade, but let us use this opportunity to recommit ourselves to tackling slavery in the horrible and horrendous form that it has taken—and always will take.

8.46 pm

Sammy Wilson (East Antrim) (DUP): I am grateful for the opportunity to participate in the debate and to welcome, on behalf of my party, the opportunity to remember an historic decision taken by this House, which removed a blemish on our history. We have listened to descriptions of the treatment of fellow human beings—the numbers in the trade who died, were abused, lost their dignity and freedom, were hurt or damaged, and those who live today with the consequences. We cannot run away from the fact that it

was a blemish on our history, but it is important that we remember it, because it is part of this country's history.

On the other hand, I want to make it quite clear that I agree with the hon. Member for Bournemouth, East (Mr. Ellwood) that there is no cause for apology. I note that the Secretary of State for Northern Ireland, when visiting America recently, apologised on behalf of the people of Northern Ireland for the part that it played in the slave trade. There is an irony, of course. Although Belfast was well placed as a port on the right side of the United Kingdom to have benefited from the slave trade, because of the strong evangelical Christian influence in Northern Ireland at the turn of the 18th century, it did not do so. Indeed, there was a very strong lobby against slavery in that part of Ireland—northern Ireland—at that time. There are certainly plenty of other things that, if he had wanted to, the Secretary of State could have apologised for, but I will not go into those tonight, Mr. Deputy Speaker, as you would probably call me to order for digressing.

The historic decision that was taken illustrates the role that can be played—and was played—by someone who was strongly motivated and able to use the advantages of the climate of the time in which he lived and the support that he gained. Much has been said in the House today about William Wilberforce, but as has been pointed out, he was not alone. At the age of 10, he was influenced by his meeting with John Newton, the slave trader turned parson. Then he met Thomas Clarkson. I cannot provide the same detail about Thomas Clarkson's life as the hon. Member for North-East Cambridgeshire (Mr. Moss), but one thing that we do know is that at a time when much that happened in the slave trade was buried beneath the surface—we did not have the media of today—he risked life and limb to find out about the methods and facts of the trade, which he brought to Wilberforce's attention. Wilberforce studied those reports to establish the effect of the trade first on the slaves themselves, and secondly on Africa and the colonies to which they were taken. He then made up his mind to oppose it in the House of Commons by means of parliamentary procedure.

Wilberforce was helped by a strong evangelical Christian climate. There were the Quakers—who have already been mentioned—the Methodists and, in the Church of England, the Clapham sect, all of whom created a climate that encouraged people to abhor the slave trade and the way in which it denigrated and damaged fellow human beings. Wilberforce was also helped by the courage of Africans who used the opportunities available to them. We have heard today about Sam Sharpe, the Baptist preacher in Jamaica who persuaded slaves there that it was not right to lie down under slavery, and about Equiano, who wrote an autobiography that had a great influence in the United Kingdom. Wilberforce was not alone, and those who were with him used all the methods that have been described today: lobbying, slogans, trade bans and, indeed, propaganda. Clarkson recognised more than anyone else that a human interest story, a story of individuals and the way in which they had been affected, could capture people's hearts.

Twenty-odd years before he succeeded in his aim, Wilberforce stood in the House of Commons and said:

> "So enormous, so dreadful, so irremediable did the trade's wickedness appear that my own mind was completely made up for abolition. Let the consequences be what they would, I from this time determined that I would never rest until I had effected its abolition."

That determination and strength of character enabled Wilberforce to take on the establishment. As we have heard, Lord Mayors of Liverpool benefited from and lobbied for the slave trade. Members of Parliament were bought by the colonists, who spoke of economic ruin if the trade was not allowed to continue.

It is significant that Wilberforce succeeded in persuading the House to act against the economic and political interests of our country in order to do away with a great evil. A mere Back Bencher, described by the hon. Member for South Staffordshire (Sir Patrick Cormack) as an independent, was able to have that degree of influence because of the determination with which he had set his face against the slave trade. I wonder whether today—given that the House of Commons has handed much of its power to other bodies in Europe and elsewhere, and given that even the power that does rest here has been absorbed into the Executive—it would be possible for a campaigning Back Bencher to turn around the country's economic policy in the face of established interests. I doubt it very much.

As other Members have pointed out, slavery is still with us. As long as there are people who are strong and people who are weak, there will be opportunity for slavery. Human beings and human nature being what they are, those weaknesses will be exploited. When we go on holiday and see the great pyramids in Egypt, we are seeing monuments to slavery; indeed, we can see monuments to slavery in our own civilisation, built by people who were enslaved and used as economic tools at various times in world history.

Today, of course, there are still strong people who exploit and take advantage of those who are weak. Numerous examples have been mentioned, but I shall give just two. The first is pertinent to Northern Ireland. When the Select Committee on Northern Ireland Affairs looked into the subject of organised crime, it considered the role that paramilitaries play in exploiting people who are trafficked into the United Kingdom and who are either used for cheap labour or sexually exploited.

Of course, the problem is not unique to Northern Ireland—organised criminals are doing the same in other parts of the United Kingdom—but if we are to convince people in Northern Ireland that there will be an end to paramilitarism, and that the ill-gotten gains of paramilitarism will not remain with people who exploit human weakness, we must robustly take those people on, whether they have political influence or not. It may mean making hard decisions in the so-called peace process, but it is important that the message goes out that people who engage in such activity will face the full brunt of the law and will lose their ill-gotten gains.

On that point, I hope that the change in the organisation of the Assets Recovery Agency will not diminish the ability of the authorities in Northern Ireland to take away from those who gain from the sex trade and from using trafficked individuals. I hope that it does not concentrate its activities on the bigger

[Sammy Wilson]

players in the organised crime market and leave those at a lower level, who nevertheless gain from such trade. We seek assurances from the Government that that will not be the case. Of course, sentences must be severe, too.

My second example is a form of slavery from which we in this country benefit to a certain extent. It is indentured labour, which is sometimes found in this country. For example, in the Morecambe bay incident, in which people brought into the country by gangmasters were exploited for very low wages, we saw that people can become victims of what is virtually a slave trade. We also benefit from cheap consumer goods, and some good investigative reporting has been done on that subject; sometimes, people work in conditions that are little short of slavery. I listened to what the hon. Member for Glasgow, North (Ann McKechin) said about free trade, but if there are no conditions attached to trade, it can help to further exploitation, because it gives freer access to western markets, and provides an even greater incentive to those who want to exploit labour in third-world countries—it encourages them to do so.

There is one other form of slavery that I want to mention, but I do not want to detract in any way from the suffering of people who have been subject to slavery through the ages. Slavery means the weak, the vulnerable and the desperate being exploited, and I believe that the Government have created a climate in which many people in this country will find themselves enslaved, not by having their freedom taken away from them, but by the addictions to which they are prone. Opportunities are being put in their way. Powerful arguments have been made by Government Members for 24-hour drinking and a casino-type society. We are providing opportunities, because of the powerful economic arguments that have been advanced, for people to become enslaved to their addictions.

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. The hon. Gentleman is pushing the limits of the debate further even than I could have believed possible, so I offer him a word of warning.

Sammy Wilson: I thought that you might warn me, Mr. Deputy Speaker, so I shall move on.

I simply wish to say that we must be vigilant, as there are all kinds of ways in which the weak and the vulnerable can be exploited by the economically powerful. Whether it is trafficking, whether it is bonded labour and the way in which it is used to reduce costs and so on, or whether it is the things that I have just mentioned, it is important that Government policy should aim to ensure that the mistakes of the past are not repeated.

9.1 pm

Martin Linton (Battersea) (Lab): It is a pleasure to take part in this debate, and to follow many good speeches, particularly the opening speeches by my right hon. Friend the Deputy Prime Minister and the right hon. Member for Richmond, Yorks (Mr. Hague). I am not nearly as much of an expert on the life of William Wilberforce as the right hon. Gentleman, but I want to pay my own small tribute.

Although William Wilberforce was born in Hull, and was Member of Parliament for the city, he campaigned in Clapham and he spent most of his life in Battersea in my constituency. He had a large house—Broomwood house—on land that now occupies a whole ward of my constituency in the area known as "Between the commons", which accommodates 800 houses. In those days, however, there was a single house, the site of which is commemorated by a plaque at 111, Broomwood road. The gardens, however, were far larger. On Friday, I shall visit a local school that is located where those gardens used to be, to talk to year 5 children about the history of slavery. I will be able to speak in local terms, because one can almost imagine William Wilberforce in the oval library in Broomwood house—sadly, it no longer exists—persuading many of the people with whom he campaigned and talking about tactics. That is where he plotted most of the campaign.

William Wilberforce is remembered in Battersea in the Wilberforce estate, which includes Wilberforce house, Clarkson house, which commemorates the great extra-parliamentary leader of the abolitionist movement, and Buxton house, which commemorates the later leader who achieved the abolition of slavery. Pitt and Burke houses commemorate Tories involved in the campaign, and Sheridan house commemorates a Whig involved in the campaign. It is a paradox that Wilberforce was a Tory. He was the son of merchants in Hull, but most of the Tories opposed his campaign to abolish the slave trade, and he had to rely on the Whigs for support. Having enlisted their support, he drew inspiration from Christians in the Clapham sect, which was centred on Holy Trinity church. He provided inspiration for Battersea's early socialists, who were proud of the fact that he lived in the area. Battersea produced the first black mayor in this country—John Archer, who was the grandson of a Barbadian slave and became mayor of Battersea in 1912. The area also produced the first black Labour MP, Shapurji Saklatvala, some 10 years later. It is an area that is proud of its association with William Wilberforce and it has done its best to take forward the tradition that he established.

The Clapham sect was involved in far more than the anti-slavery campaign, although that dwarfs all the other issues on which it campaigned. It is interesting to know that members of the sect won their campaign to abolish bear baiting and bull baiting. They campaigned for village schools, with some success. They were the first prison visitors. They campaigned against pornographic books. Their campaign for smallpox vaccination had almost as much effect as their most famous campaign. Later they founded the colony of Sierra Leone, which became a home for freed slaves. William Wilberforce was their parliamentary leader and the towering figure in the anti-slavery campaign, but many other well known figures such as Thornton were members of the Clapham sect, who deserve to be remembered for their part in the great campaign.

As we have heard many times, the slave trade was abolished in 1807, but it took until 1833 before slavery itself was abolished. William Wilberforce died only three days after the abolition of slavery, but he had time to record his disgust at the fact that £20 million, which must have been a huge amount in those days, was paid in compensation to slave owners. That was the price that Parliament paid to get rid of slavery.

From what I know of Wilberforce's life—I have much more to read, I am sure—we could do with more politicians like him. As the hon. Member for East Antrim (Sammy Wilson) said, he was a Back Bencher. It would be good to think that Back Benchers could achieve even a small part of what Wilberforce did, with no ministerial career behind him and no great weight of authority in the House, only his own passion and conviction. Rather than a politician, he was a campaigner of pure heart. He never demonised the slave traders themselves. Most of us, and certainly I, if I were involved in a campaign against the slave trade, would demonise the slave traders, but William Wilberforce said:

"I mean not to accuse any one, but to take the shame upon myself, in common, indeed, with the whole Parliament of Great Britain, for having suffered this horrid trade to be carried on under their authority. We are all guilty—we ought all to plead guilty, and not to exculpate ourselves by throwing the blame on others; and I therefore deprecate every kind of reflection against the various descriptions of people who are more immediately involved in this wretched business."

I cannot think of anything said in a greater spirit of selflessness. I very much hope that we can emulate Wilberforce's contrition.

The hon. Member for Bournemouth, East (Mr. Ellwood) spoke about all the things that the Prime Minister made apologies for, suggesting that that was becoming too politically correct, but he cannot have thought for a moment that it was some kind of political correctness to make an apology for the slave trade. We need only look back at the words of William Wilberforce to see that we should conduct the debate in the spirit of contrition for what is past and of determination to make sure that we in Parliament play our part in ending slavery for good.

9.9 pm

Stephen Williams (Bristol, West) (LD): It is interesting to follow the hon. Member for Battersea (Martin Linton), who was quite parochial in his remarks about various personalities from his constituency who played their part in historic events years ago. I will be similarly parochial about the role that the city of Bristol, which I represent in Parliament, played in events 200 years ago. The hon. Gentleman mentioned one of my predecessors, Edmund Burke, who bravely spoke against slavery while being the Member for Bristol, which was one of the reasons why he had to flee the city in 1780 and not contest an election again in that particular seat.

The question of slavery is undoubtedly an emotive issue for present-day Bristolians, and its legacy has been much discussed in the city. Bristol was one of the country's three principal slaving ports. Once the royal monopoly on slavery that restricted the slave trade to London was lifted in 1698, Bristol merchants entered into the slave trade with some enthusiasm, I have to acknowledge, although by the middle of the 18th century the city was overtaken by Liverpool as one of the principal slaving ports in the country. As well as the slave trade itself—in economic terms, it is a moot point as to how much prosperity the slave trade brought to the city, because many slaving voyages ended in a net loss—the city prospered from the trades associated with it, such as sugar, tobacco and brass. Many of the slave plantation owners in the West Indies had a direct link to Bristol and contributed much to the city's wealth. Ironically, the compensation that they received once full emancipation took effect in 1838 contributed further to the city's prosperity.

Contrary to what many people believe, very few slaves passed through the city of Bristol, although many became servants there. In north Bristol, in Henbury churchyard, there is the grave of Scipio Africanus, who is buried there. In the city centre, we commemorate one of the few known slaves apart from Scipio Africanus, who was known as Pero and was the slave of a West Indies plantation owner who lived in the Georgian House in the centre of my constituency.

St. Paul's, in my constituency, has the one of the oldest communities of West Indian origin in the country. The legacy of slavery and the racism that is associated with it is a very hot topic in my constituency at the moment; indeed, it has been a big topic of discussion in the city for many decades. Some significant progress has been made. The hon. Member for Battersea said that the first black mayor was in his borough. Bristol can claim the first Afro-Caribbean lord mayor—Jim Williams, who was a Labour councillor and became lord mayor of Bristol in 1990. I was pleased to play my part in the election of the city's first black Afro-Caribbean-origin lady councillor—Shirley Marshall—in my constituency in 2003.

The question of how to commemorate the events of 200 years ago has been the subject of much debate in the city. How do we balance a recognition of the shame of the city's association with slavery, which is much referred to by people from outside the city, with a commemoration of the blow for civil rights and human dignity that this Parliament made in 1807? In fact, the city and people of Bristol played a role in both aspects.

In the mid-1990s, when I was a councillor for the city centre of Bristol, a couple of Labour councillors and I mounted a campaign to ensure that the city owned up to its rather shameful past as regards its association with the slave trade, because there was nothing to be seen in the city's museums that reflected it. That led to an exhibition in the Georgian House, which has been open to the public for about a century and was owned by the Pinney family, who were big plantation owners in Nevis in the West Indies. That led to a larger exhibition in the Industrial museum, which will lead in turn to an exhibition later this year in the British Empire and Commonwealth museum next to Bristol Temple Meads station. The new city of Bristol museum, for which I have campaigned for about 15 years, will open in 2009, on the back of investment from the city council and the national lottery. It will have a permanent gallery showing the warts-and-all story of Bristol's role in the slave trade.

Mr. Steen: Has the hon. Gentleman any idea of how much new slavery there is in Bristol? Has he any idea of how many women and children there are who have been trafficked? I am not in any way demeaning what he is saying, but slavery is not dead, and it is certainly pretty active in Bristol.

Stephen Williams: I am not sure whether slavery is pretty active in Bristol. I heard the hon. Gentleman's speech and his earlier interventions on other Members,

[Stephen Williams]

and I recognise his passionate commitment to raising the issue of human trafficking. He and other hon. Members have mentioned prostitution, and that is certainly an unfortunate feature of a major city such as the capital of the west of England. In my constituency, unfortunately, there are women of various nationalities who are there, either because of their drug dependency or no doubt because they have been trafficked into the area, to satisfy the quite awful needs of some men in the city of Bristol. That is a matter of shame for all of us, and a reminder of the lack of human dignity that some people have to face.

How Bristol should face up to the events of 200 years ago is a matter of great debate there. Some people wish to erase all memory of the city's role in the slave trade by altering street names and the name of our concert hall, and by not allowing a shopping centre to make even a convoluted reference to merchants. The hon. Member for Islington, North (Jeremy Corbyn), who is no longer in his place, mentioned the role of Edward Colston in the city of Bristol, and that, too, is a topic for debate at the moment. I believe, however, that the way to deal with the past is not to erase it from our memory but to recognise it, debate it and interpret it wherever we find an association with the past that is linked to slavery, be it a statue, a hall or a shopping centre. Wherever we find a link, however tenuous, we should interpret it so that people can understand the issues of the past, deal with them and relate them to what is happening today.

The hon. Member for East Antrim (Sammy Wilson) mentioned the apology that the Secretary of State for Northern Ireland had made on behalf of all of us in this regard. The question of an apology has also been a topic of debate in Bristol. I do not believe that the present generation of Bristolians or their elected representatives can apologise for the actions of people who were alive in the city 200 years ago. We cannot transfer guilt on to those people, particularly as only a minority of the citizens of that time participated in the slave trade or had a direct interest in the West Indies. Moreover, many ordinary Bristolians campaigned against the trade. It is better to recognise all facets of the trade and to understand our legacy. The city council has, none the less, debated the question of an apology and issued a statement of profound regret, which was in a tone similar to the one issued by the Prime Minister on behalf of the nation.

I want to talk briefly about the role of the city in the events of 200 years ago. As early as 1783, the Society of Friends in Bristol first mounted a campaign against the slave trade in which some Bristolians were engaged. On 27 June 1787, Thomas Clarkson first arrived in Bristol to gather the evidence that many hon. Members have referred to today. That evidence was subsequently used by Wilberforce in his parliamentary campaign. Clarkson's 1808 two-volume account of his campaign was entitled "The History of the Rise, Progress and Accomplishment of the Abolition of the African Slave-Trade by the British Parliament", which was rather a long title for a series of memoirs. In it, he noted that Bristolians were not at all proud of the trade that was taking place in the city. He said that

"every body seemed to execrate it, though no one thought of its abolition."

In Bristol, aided by Mr. Thompson, the landlord of the "Seven Stars" pub, which still exists in the city centre, Thomas Clarkson was escorted around the public houses where seamen were recruited to go on slaving voyages. That formed the basis of the evidence that he gathered to campaign against the slave trade in the country, and which he fed to Wilberforce for his campaign in Parliament. The evidence of maltreatment of the seamen aroused almost as much moral outrage at the time as that of the maltreatment of the captives. There were tales of floggings, burnings with hot pitch, branding with tongs and throwing people overboard.

In 1787, a local committee was established in Bristol for the abolition of the slave trade, bringing together Quakers, Anglicans and dissenters, as well as leading public figures in the city. Clarkson then left to gather further evidence in Liverpool. In Bristol, the debate raged for the next 20 years between the abolitionists and the West Indian interests that wished to perpetuate the slave trade. I have to say that my parliamentary predecessors did not play a particularly distinguished role in 1807 in the passing of the Act that we are commemorating tonight. The 1830 election, however, was fought directly on the issue of the continuance of slavery, and competing Whig candidates—one for emancipation and one against—stood. Sadly, the forces of emancipation were defeated—though certainly not disgraced—by 3,378 votes to 2,843. Of course, that was on a very limited pre-1832 franchise. The Act to emancipate slaves became one of the first passed by the reformed House after 1832.

The abolition of the slave trade in 1807 is arguably the first blow for human rights by any national Parliament on behalf of the peoples of other countries. In opening the debate, the Deputy Prime Minister referred to the teaching of history in our schools, as did other Members. I have spoken on black history month a couple of times since being elected a Member of Parliament, and I share with the hon. Member for Brent, South (Ms Butler), who is not currently in her place, the hope that black history issues will be integral to the new history curriculum, and I am assured that that has been the case in Bristol schools for many years. I shall invite all the schools in my constituency to come and see the exhibition in Westminster Hall. Cabot school in St. Paul's in my constituency has already had an exhibition and commemoration of present-day and historical black heroes.

There is much cynicism about politics, but 2007 provides an opportunity for us to remind people of the good that politics and Parliament can do, as well as to remind them of how much good can be achieved by those who campaign outside Parliament. When I studied history in school, I learned of the success of the Anti-Corn Law League compared with the failure of Chartism. I was not taught at the time of the success in 1807 of the campaign from outside Parliament to end the slave trade. On Sunday, in Bristol, as in Hull and Liverpool, there will be a service in the cathedral to commemorate the events of 200 years ago. Across the city, the bells will be rung, by contrast with when they were rung on the many occasions that Wilberforce's attempts to abolish the slave trade were defeated. When those bells fall silent, all of us in Bristol will have an opportunity to have a period of quiet contemplation

and reflection on the events that have taken place in the city's past, and on how we face up to the legacy of slavery in today's society.

9.24 pm

Alistair Burt (North-East Bedfordshire) (Con): It is a profound honour to wind up for the Opposition in a debate that has never failed, in any speech, to be interesting and informative. Members of the House have displayed terrific knowledge of and commitment to the issues. This is an especially proud moment for me as a council member of the Evangelical Alliance, which represents 1 million Christians in the UK, all of whom are immensely proud of the evangelical William Wilberforce.

Whatever our individual backgrounds, few of us, when we contemplated a parliamentary career, were unmindful of the history of this place. For whichever side of the House we were destined, we were moved by the thought of being physically connected, through our mere presence as Members, to some of the Acts and events that shaped the country's destiny.

Among those Acts, the measure that we remember tonight takes its place as one of a series in the 19th century that would change us as a people and a society for ever, etching compassion for the victims of a new and harshly constituted urban environment into law for our towns and cities, workplaces, prisons and schools. However, the fact that the measure that we remember tonight holds a special place in our history recognises its reach beyond these shores and celebrates the character of the man most associated with it—William Wilberforce.

Before I speak about William Wilberforce and his achievements, let me acknowledge some key themes of the debate. I welcome most warmly the opening speeches by the Deputy Prime Minister and my right hon. Friend the Member for Richmond, Yorks (Mr. Hague). Both spoke with commitment. The Deputy Prime Minister spoke from deep knowledge of his constituency and of what Wilberforce means to him. My right hon. Friend gave a remarkable performance, even for him, demonstrating complete mastery of his special subject. Anyone who took him on about Wilberforce on "Mastermind" would come off second best. Two fine opening speeches were followed by a series of others.

Praise for William Wilberforce is not a zero sum game. It neither denigrates him to recognise that he was not alone in the quest to rid our country and the world of an evil trade, nor does it devalue the efforts of others to appreciate that his importance as the right man in the right place at the right time changed history faster than it might have been changed. We do not need to justify our opinions of Wilberforce and his role in the abolition movement by trying to defend him against charges that he never heard or by feeling aggrieved that others are not mentioned in the same breath when the roles of those most involved are discussed.

We have been right during the debate to pay tribute to those—known and unknown—who played a significant part in the abolitionist movement. They include: Thomas Clarkson, the choice of my hon. Friend the Member for North-East Cambridgeshire (Mr. Moss) for his eloquent eulogy; Hannah More; Granville Sharp; Olaudah Equiano; Ottabah Cugoano; John Newton; the Clapham sect; William Knibb, and Elizabeth Heyrick, who led the Leicester sugar revolt and appeared from time to time as a representative of the thousands of women in this country who supported the abolitionist movement. Thousands of nameless people responded to petitions and the work throughout the country. We also heard about the Maroons in Jamaica. All are valued and honoured in the House. We acknowledge that the culmination of William Wilberforce's life and work could not have happened without the contributions of many others, for whom he was an outstanding focus and catalyst.

The hon. Member for Hackney, North and Stoke Newington (Ms Abbott) made, even for her, a wonderful speech. It was considered, well rounded and not only displayed a knowledge of the miseries of slavery, which she conveyed, but made a thoughtful contribution on its legacy. We are in her debt and I hope that she chooses it as her speech of the week on Mr. Andrew Neil's programme in a couple of days. She and the hon. Member for Brent, South (Ms Butler) spoke with a particular understanding, which—forgive me—I cannot reach, not only because of what they said and how they said it, but because of who they are and whom they represent. The fact that the House includes them and others who have their background is a great honour for us. They both conveyed that in a remarkable way, for which I thank them.

Both hon. Members referred to those who had joined William Wilberforce, as did the hon. Member for Islington, North (Jeremy Corbyn), who spoke of those outside this place who contribute to democracy. It is a continuous theme of his life and work in the House—he is a bit of grit in the oyster, but always for the right reasons. He described some of the messiness involved—how the Royal Navy simultaneously patrolled the seas to stop the slave trade and took part in quelling the slave rebellions in the islands. Life is not consistent, and it is messy.

My right hon. Friend the Member for North-West Hampshire (Sir George Young) gave an extraordinary contemporary account, drawing on his own relatives' experience, of some of the problems to do with slavery that he had encountered. We are thrilled—but not surprised, knowing my right hon. Friend—that he was on the right side of the debate.

Our debate today is not a celebration—and it is certainly not a celebration of the end of slavery. Many colleagues have spoken knowledgeably and movingly about the tragedy that is modern-day slavery in all its many forms. It never went away. Slavery is not simply an act or a series of acts that physically enslave or control. Slavery begins in the mind. It is an act of oppression and domination springing from a perversion of the human spirit which, cruelly, can only value the freedom in one if it deals in the loss of freedom in another. That is why the slavers of today have simple common cause with those of yesteryear, and that is why, sadly, slavery crosses all human boundaries—race, faith, colour and nation. It is everywhere.

My hon. Friend the Member for Totnes (Mr. Steen) mentioned human trafficking and the problems associated with it. He asked a series of questions which I know the Minister will respond to as effectively as she can. He asked whether, despite our recognition of

[Alistair Burt]

trafficking and our understanding of where it begins, enough is being done. That was also asked by the hon. Members for Wakefield (Mary Creagh) and for Glasgow, North (Ann McKechin), both of whom made reference to the worries that they have and wondered whether operations such as the Poppy project are doing enough—and whether we can ever do enough. Have we perhaps found the answer to the question that is so often posed in schools: "If William Wilberforce were alive today, what cause would he be involved in?" Perhaps the answer to that is human trafficking, and making sure that our policies deal with it a lot more effectively. My hon. Friend the Member for Totnes raised the issue of human trafficking with great passion, and I hope that he will receive proper replies to his detailed questions, either in the debate or by letter if they cannot be answered tonight.

Sadly, we could have picked up on other examples of slavery. We could have pointed to the problem of child soldiers around the world, and particularly in Africa. In 2006, the United Nations estimated that more than 250,000 children were actively involved in armed conflict. That problem is most critical in Africa where up to 100,000 children, some as young as nine years old, were estimated to be involved in armed conflict in mid-2004. Forcible abductions, sometimes of large numbers of children, continue to occur in some countries. We could also have picked up on any number of examples of people—children especially—being taken into work, such as starting as domestics and being put into bondage and slavery, or being fooled into taking a job and then finding themselves involved in prostitution.

CHASTE—Churches Alert to Sex Trafficking Across Europe—is run by the Reverend Dr. Carrie Pemberton, with whom I am speaking on the replica Zong on Monday, with the Minister as well, I think. *[Interruption.]* Perhaps she will not be there. The Minister has already met my friend. CHASTE is having a day of action on 20 May called "Not for sale Sunday", in which it will try to tackle demand, which was mentioned by many Members, and to raise awareness of the problem of sexual exploitation in the UK and the number of women who are brought in to service that appalling trade. The many Members who spoke about that with passion and concern made their points very well, particularly my hon. Friend the Member for South Staffordshire (Sir Patrick Cormack) who, sadly, cannot be with us as his wife was taken a little ill at a reception at Buckingham palace tonight. We understand that she is perfectly well, and we wish Lady Cormack well.

It would be remiss of me in concluding not to pay particular tribute to the man without whom we would certainly not be commemorating this particular night.

That the slave trade would have ended I have no doubt, but the merest glimpse into William Wilberforce's personal history is enough to convince even the most cynical of today's cynical age that his character was of such strength that his drive for this cause hastened the end of an evil trade in the British empire.

The hon. Member for Kingston upon Hull, North (Ms Johnson) spoke eloquently about "her Wilberforce" and his legacy in that town, as did my hon. Friend the Member for South Staffordshire and the hon. Member for Battersea (Martin Linton), who also spoke of Wilberforce's connections with the Clapham sect—of whom more in a minute.

Wilberforce was a brilliant man who fancied a career in politics and was clever and wealthy enough through family to buy a seat in the Commons. So far, so corrupt—like virtually any other of his age. Had he simply latched on to a cause in order to make his name and used this cruel trade for his own advancement and enrichment, we would be right in being embarrassed at the attention paid to him and his role, notwithstanding his success. However, that is not the case. Even in that age, as now, that an able politician should give up the chance to get on in the party and aspire to office seemed decidedly odd. As we know from our own experience, the able colleague who leaves mid-career to "spend more time with the family" appears to be using code that the Westminster village understands all too well. They are either up to something, have been up to something, or were never up to the job in any case.

That is why Wilberforce was so special. All the evidence suggests that here was a man who had a wonderful political career and future, but who changed his life completely, and with it the course of history, because of Jesus Christ and a profound process of conversion. It is well documented—there is evidence from Wilberforce himself, and from contemporaries hostile and friendly—that his process of conversion included a period of reflection, familiar to millions around the world, on the point of life and the use of his talents. As his character changed, his attention turned to slavery, and he spent more and more time with those of similar mind. He resolved to take up in Parliament the cause of ending the slave trade, which was a necessary precursor to the abolitionist's aim: ending slavery itself.

The passage of time should not dim our understanding of what an undertaking that was. The wealth of more than one great city, as we have heard from a number of Members today, was built on cruelty to others. Throughout the attempts to end the trade, the serious impact on the country and on individuals was used as a counter-argument, in a way not dissimilar to the use of tariffs today to protect the European Union or the United States from the impact of the trade in goods from poorer countries. There is always a good argument for profit. This was a grown-up debate, in which Wilberforce was on the "wrong" side. He was more than a maverick—he was a dangerous one. There was no political gain to be made, as has been mentioned. There was no certainty of a happy ending when he took on the fight; no suggestion that, as in a film, he would triumph for right in the final reel. He faced, as nameless others did in that cause—and as nameless others have done since in every cause worth fighting against tyranny—a failed career and an unsung death.

However, Wilberforce carried on, and it was 20 long years before he succeeded. He succeeded not only because his cause was just, although it was. He succeeded not only because he was a great orator, although he was. He succeeded not simply because he and his friends had mobilised hundreds of thousands of people in a mass campaign in a manner never seen before, although they did. He succeeded because of his

personal conviction, as an evangelical Christian, that his faith was not a matter for Sundays only—that it must be carried into every part of his life, and that his talents were to be set apart for God and his purposes, for the good of society around him.

Wilberforce was not alone. He was surrounded by those who led him spiritually and shared his faith. However, this, too, was an act of courage. The Christian Church in this country did not have clean hands. Good Christian men and women turned their backs on those in need, and Wilberforce's bravery in confronting them was as profound as was his bravery in politics. The achievements of the Clapham sect and of the evangelical movement in reforming social conditions have had a profound influence on the nation. Shaftesbury, Fry, William Booth, Barnardo and the unsung who worked with them and inspired them deserve their commemoration and thanks, too.

I turn finally to legacy. The hon. Member for Kingston upon Hull, North told us about what is happening in Hull and its commitment to fair trade; what a remarkable way to build on a legacy. The hon. Member for Crosby (Mrs. Curtis-Thomas), in a moving and wholly compelling contribution, described not only what her city has been through, but, through its twinning with Waterloo, what it is doing for the future. All those who listened to her will be pleased that they did. What a remarkable way to carry on from that past.

The right hon. Member for Gordon (Malcolm Bruce) raised the issue of Doha, as did the hon. Member for Glasgow, North, and how that could be an adequate legacy if we could take on the need for trade. The hon. Member for Twickenham (Dr. Cable), in his contribution from the Front Bench, dealt with the elephant in the room—the difficult issue of an apology—and several other colleagues also mentioned it. I take the view that it is very difficult to apologise on behalf of others. If people do not want to apologise for the slave trade and the shame that it brought on this country, they must come from another planet, but the issue is not the words used or who apologises to whom. It is about what we do with what happened, and about responding with sincerity and integrity to the shame of the past. More than one hon. Member got the balance right.

The hon. Members for Brent, South and for Hackney, North and Stoke Newington talked about the need for a greater pride in black history, and perhaps the dangerous legacy left from slavery in the culture of young men and violence. That took the debate into difficult, but typically brave territory that needs to be confronted in a society such as ours. If only all the legacies of slavery were dealt with by the good hearts of people in places such as Waterloo and if only it were not as difficult in some areas as it is. The hon. Member for East Antrim (Sammy Wilson) made a strong contribution, as did the hon. Member for Bristol, West (Stephen Williams).

It is not the knowledge of history that shames us. When people talk about whether we should have this debate and remember slavery, it is the lack of knowledge that shames us. We are not responsible for the past, but we are responsible for what our children learn now. With an understanding of the trade, its rise, fall and rise again, they will learn that the attitudes behind it are not past attitudes, but present-day ones. Greed is predominant. There is money to be made from exploitation and cruelty, so support those who fight against greed and exploitation wherever it arises—from children kidnapped into sex slavery in eastern Europe to Chinese workers who give their life savings to agents who see them dead in the back of a wagon or on the sands of Morecambe bay. As my hon. Friend the Member for Bournemouth, East (Mr. Ellwood) noted, slavery is oppressive and knows no bounds, no race, no colour and no country.

I conclude with the words of Wilberforce himself. In a speech on 24 February 1807, described in *The Parliamentary Register* as

"distinguished for splendour of eloquence and force of argument",

he concluded that the House must

"shew to the people, that their legislators…were forward to assert the rights of the weak against the strong; to vindicate the cause of the oppressed, and that where a practice was found to prevail inconsistent with humanity and justice, no consideration of profit could reconcile them to its continuance."

Would that all of us in this place would have those words of William Wilberforce as the epitaph for our work.

9.43 pm

The Minister for Women and Equality (Meg Munn): This has been an extraordinary debate and I am deeply honoured to respond to it on behalf of the Government. We have heard 16 speeches by Back Benchers and I will try to do justice to the points that hon. Members have raised. In the time available, I may not be able to be as thorough as I would have liked.

It is also a pleasure to follow the hon. Member for North-East Bedfordshire (Alistair Burt) and to endorse many of his remarks. I also entirely agree with him about the opening speeches from my right hon. Friend the Deputy Prime Minister and the right hon. Member for Richmond, Yorks (Mr. Hague)—two Yorkshire MPs, and here we have another one replying to the debate. I have also been supported today by the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling (Mr. Coaker), who has responsibility for the issue of human trafficking and has responded to previous debates on that important issue, and by the Under-Secretary of State for Culture, Media and Sport, my hon. Friend the Member for Tottenham (Mr. Lammy), who has also responded to previous debates on the issue of the bicentenary.

The contributions made by hon. Members during the debate illustrate that the passing of the Abolition of the Slave Trade Act 1807 200 years ago was a landmark event in the struggle for the equality, dignity and liberty of all people. To commemorate the year, the Government have a range of activities planned that complement the events planned by, and within, communities. There are three main phases to our activity in 2007. The first involves raising awareness of the bicentenary and the transatlantic slave trade, and also of Britain's role in both the trade and its abolition. I believe that today's debate has played an important part in that.

[Meg Munn]

The second phase of activity involves the commemoration of those who suffered as a result of the slave trade, those who struggled for abolition and those who ensured that the new laws were enforced. The third phase involves tackling the legacy of slavery, with issues arising from the slave trade including poverty and inequality on the African continent, contemporary slavery in its various forms, and inequality and discrimination in Britain today.

I shall deal with those three phrases in more detail. Slavery has long existed in human societies, but the transatlantic slave trade was unique in terms of the destructive impact that it had on Africa. It is estimated that more than 12 million people were transported, and that some 2 million died due to the inhuman conditions in which they were transported and the violent suppression of any onboard resistance.

It is tempting just to stick with the statistics and to skate over the barbaric practices that were integral to every part of the slave trade. We must also recall that the slave trade brought huge wealth to this country and caused terrible suffering to the slaves taken from Africa and to the communities left behind, with effects that still live on today.

I am indebted to my hon. Friend the Member for Hackney, North and Stoke Newington (Ms Abbott), who went into some of the details of the slave trade and what it meant. It is important that we recognise what went on, and her speech was very moving. As other hon. Members have said, it brought home to us the connection between today and the slave trade of previous centuries.

Professor James Walvin has written extensively on slavery. He has stated:

> "From first to last, slavery was a system characterised by brutality...that had far-reaching ramifications for three continents: for the Americas, whose economic potential was tapped by generations of imported Africans, for Europe, which orchestrated (and benefited) from the whole system, and of course Africa, for which massive loss of population, with attendant violence and upheaval, caused incalculable and long term damage. But Atlantic Slavery had even more profound consequences....for it was...the means by which the West emerged to a position of unrivalled economic and political dominance."

The passing in Parliament of the Abolition of the Slave Trade Act in 1807 marked the beginning of the end of that barbaric trade. The Act was the result of a long and often fraught parliamentary battle by committed parliamentarians supporting the abolitionist cause. However, that battle would not have been won without the efforts of the enslaved Africans and the ordinary citizens who fought for abolition. It is also important to recognise the efforts of the men of the Royal Navy, some of whom were freed slaves. They enforced the Act, and some of them gave their lives in that enforcement.

To raise awareness of the suffering caused by this barbaric trade—and of the efforts of those who struggled for abolition and ensured that the new laws were enforced—the Government have a range of activities planned throughout 2007. My hon. Friend the Member for Brent, South (Ms Butler) made a moving and important speech, in which she spoke about the curriculum, and I can tell her that the Department for Education and Skills is running a national competition for schools. Entitled "Understanding Slavery: The Big Conversation 2007", the competition is designed to educate children about the slave trade and abolition. We are also looking to embed teaching about the slave trade in the curriculum permanently. The Qualifications and Curriculum Authority is currently consulting on a new draft secondary curriculum which, for the first time, will include the slave trade as a compulsory element in the key stage 3 history curriculum.

My hon. Friend the Member for Islington, North (Jeremy Corbyn) also asked about education matters, but I am afraid that I do not have time to give a detailed response this evening.

Jeremy Corbyn: I thank my hon. Friend for giving way. Any education about the slave trade is obviously very welcome, but can she go a bit further? The point is that black history and the history of Africa, in a world sense, need to be developed in both primary and secondary schools.

Meg Munn: That is precisely the sort of detail that I should have liked to have had time to go into, but I promise to write to my hon. Friends the Members for Brent, South and for Islington, North about these matters. The Department for Education and Skills is very concerned about this issue, and that is why it has asked Sir Keith Ajegbo to write a report about it. I shall be happy to supply more details about that in writing.

Although the passage of the 1807 Act was an historic national event with international significance, it was primarily the result of local agitation, community activity and dissent.

The emphasis on community-based activity and commemoration is very much at the heart of the Government's approach to the 2007 bicentenary. We have worked to facilitate and support a range of local commemorative events across the country to pay tribute to both those who suffered as a result of the slave trade and those who struggled for abolition and ensured that the new laws were enforced. Much of the commemorative activity centres on Britain's port cities—Liverpool, London, Hull and Bristol—which were the focus of the slave trade. We have heard from Members from Hull and from the hon. Member for Bristol, West (Stephen Williams) about what is planned in those cities.

There will be a range of activities, including the opening of an international slavery museum in Liverpool in August, commemorative services at Bristol cathedral and Liverpool cathedral, the reopening of the Wilberforce museum in Hull in March, and an exhibition at the Royal Naval museum in Portsmouth on the role of the Royal Navy. A number of national commemorative events are planned. As has been said, there will be an exhibition in the Houses of Parliament, and I pay tribute to all those involved in preparing it. A national commemoration service will be held next week at Westminster Abbey.

It is right that in this debate we commemorate the parliamentary process. I find myself in the strange position not only of sharing my birthday with William Wilberforce, the most well known of the parliamentary

campaigners, but of having been born exactly 200 years after him. I reflected on how I would be feeling if something I had campaigned on for nearly 20 years was at last to be achieved. I do not share the same length of time in Parliament as William Wilberforce, but my experience gives me an interesting perspective.

The abolition committee was created in 1787, as Members have said, and was made up of opponents of the slave trade including the Quakers, with William Wilberforce as its parliamentary champion. It included Thomas Clarkson, about whom we learned in more detail from the hon. Member for North-East Cambridgeshire (Mr. Moss). In 1789, Wilberforce made his most famous abolition speech in which he used powerful, passionate and emotive language to put his case forward, shaming Parliament for allowing that inhumane trade to occur in its name. I shall not quote extensively from the speech, because other Members, including my hon. Friend the Member for Battersea (Martin Linton), have beaten me to it, but Wilberforce ended it by saying:

"A trade founded in iniquity, and carried on as this was, must be abolished, let the policy be what it might, let the consequences be what they would, I from this time determined that I would never rest till I had effected its abolition."

Wilberforce introduced motions on the abolition of the slave trade almost every year until the Act of 1807 and, as the right hon. Member for Richmond, Yorks told us, at 4.30 in the morning, on Second Reading, the Commons voted by 283 to 16 to abolish the slave trade. What shines through reports of the debates is the emphasis on justice and humanity.

Not only should we admire Wilberforce for his persistence in continuing his campaign year in, year out, we must commemorate, too, the resistance of those who were enslaved. There is no doubt that the role they played in seeking to gain their freedom was crucial. The autobiography of the former slave, Olaudah Equiano, written in 1789, furthered the cause of abolition.

Yesterday, I was in Birmingham and was privileged to spend some time looking at the archives and the materials on the slave trade compiled by Dr. Andy Green. The role of the Quakers was central to the fight for abolition and many other Christians were involved, particularly those in the non-conformist churches. That was certainly true in Birmingham. There is also evidence of how visits to the city by former slaves, black abolitionists, influenced public opinion.

Today, we have heard today stories from around Britain. My hon. Friends the Members for Battersea and for Glasgow, North (Ann McKechin) and the hon. Member for East Antrim (Sammy Wilson) all spoke of their experience in their area. I, too, have looked into experiences in my city, Sheffield. Many local merchants profited from the trade by manufacturing metal chains and shackles and agricultural equipment for the slaves to work the land in the plantations. However, Sheffield also voiced its strong opinion for the abolition for the slave trade. The city sent two significant petitions to Parliament: one in 1789 involving over 700 metal workers, and one in 1793 involving 8,000 signatures, which amounted to between 25 and 30 per cent. of the local adult population—an enormous feat by any standards. I pay tribute to the staff of Sheffield archives, especially Ruth Harman, who provided me with that information.

The 1807 Act was a significant achievement, making the trade in slaves illegal on British ships. Slavery, of course, remained a reality in British colonies. Campaigning for the abolition of all forms of slavery continued up and down the country, including through co-ordinated boycotts of trade products, petitions and so on—something that my hon. Friend the Member for Kingston upon Hull, North (Ms Johnson) described vividly. Both Sheffield and Birmingham had ladies anti-slavery societies, which were very active. The ladies of Sheffield have certainly continued to be active, as I am sure hon. Members will know. Their techniques included writing poems and hymns, and, in Birmingham, selling bags into which they put information about the reality of slavery. They collected a large amount of money.

In 1833, the emancipation Act was passed, but a further period of apprenticeship followed, with many slaves only finally free some five years later. It is incredible that slave owners were compensated with £20 million, while the slaves received nothing. It is important to note that the slavery societies continued. I looked yesterday at records from the Birmingham society from 1918-19, when it was still campaigning on this issue throughout the world. Although the passing of the Act abolishing the slave trade 200 years ago was a landmark event, it was not the end of slavery.

I now come to the issue of human trafficking. Human trafficking is one of the main forms of modern slavery. It is an appalling crime, where people are treated as commodities and traded for profit. The problem is extensive. That was rightly raised by the hon. Member for Totnes (Mr. Steen), my hon. Friends the Members for Wakefield (Mary Creagh) and for Glasgow, North, and the hon. Member for South Staffordshire (Sir Patrick Cormack). As with the abolition of the transatlantic slave trade, the British Government are seeking to lead the way in tackling the problem, both domestically and internationally. We have a comprehensive approach to human trafficking, involving legislation, enforcement, international co-operation and support for victims.

I should tell the hon. Member for Totnes, who asked a lot of questions, that the UK human trafficking centre, which is based in Sheffield, was established in autumn 2006 to support the overarching aim of moving the United Kingdom on in its prevention and investigation of the trafficking in human beings. It is built on the approach that developed through Operation Pentameter, to which a number of Members have referred. It will provide a response to trafficking on a national level and consists of a multi-agency representation. It will work with police forces and other agencies, while also working with the Serious Organised Crime Agency, which will combat trafficking on an international level.

Hon. Members asked about the level of support. Many are familiar with the POPPY scheme, which provides secure accommodation. I reassure hon. Members that we have given additional money to the POPPY project to develop further outreach measures. As my hon. Friends are now aware, the Government will sign the Council of Europe's convention on human trafficking and will publish their own action plan. A number of issues will be addressed when that action

[Meg Munn]

plan is published this Friday. That issue was raised by the right hon. Member for Gordon (Malcolm Bruce).

Within the plan, we set out what we seek to do, but it does not represent a final position. We recognise that there are ongoing problems and concerns. We want to work with other countries and to learn from practice elsewhere. We want to have the best possible response to the dreadful crime that was so well described by so many hon. Members today. The Government take the issue seriously and have wanted to be in a position to have a plan to move towards ratification. Clearly, I cannot give the right hon. Gentleman any further details on that today, but we take seriously signing such a convention and are doing it with the intention of being able to ratify it as soon as possible.

Ms Abbott: Will my hon. Friend respond to the query put by my hon. Friend the Member for Brent, South (Ms Butler) about introducing a national remembrance day for slavery?

Meg Munn: I certainly will. My right hon. Friend the Deputy Prime Minister said clearly—I think that it was on the record—that he is in favour of that. The Government are open to hearing people's views. The issue can be debated throughout the UK during this year and we want to hear as many views as possible.

I wanted briefly to talk about poverty in Africa, but I am running out of time. Hon. Members have mentioned the importance that we place on providing support there. The contribution on this issue from my hon. Friend the Member for Crosby (Mrs. Curtis-Thomas) was enormously important.

One thing that emerges from the history of the abolition of the slave trade and the abolition movement is that Parliament matters; it makes a difference. The passing of the 1807 Act on the abolition of the slave trade marked the beginning of the end for the transatlantic slave trade. It was not only parliamentarians, but enslaved Africans and ordinary citizens throughout the country, who brought about the change. However, the passing of the Act was not the end of slavery. Although the legalised trade in human beings has been abolished, it persists today in contemporary forms such as people trafficking.

It being Ten o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Better Healthcare Closer to Home Project

Motion made, and Question proposed, That this House do now adjourn.—*[Steve McCabe.]*

10 pm

Mr. Paul Burstow (Sutton and Cheam) (LD): I am grateful for the opportunity to raise the future of the "Better Healthcare Closer to Home" project. The purpose of the debate is to enlist the Minister's support in bringing to an end more than a decade of limbo in the national health service in my constituency of Sutton and Cheam and the wider south-west London area. That decade of limbo has compromised improvements in services and undermined investment in the local NHS estate. In particular, it has delayed the long-overdue replacement of St. Helier hospital, which is in the constituency of my hon. Friend the Member for Carshalton and Wallington (Tom Brake). That hospital was conceived in the 1920s and built in the 1930s, and it is not fit for the 21st century.

How have we come to this particular pass, and why have we been stuck in limbo for so long? There are many aspects to the situation, but I want to trace events back to the publication some years ago by the Epsom and St. Helier University Hospitals NHS Trust of what it called a clinical services strategy. The strategy envisaged shaking up the way in which services were provided to safeguard accreditation by the royal colleges. It involved closing maternity services in Epsom hospital and moving them into St. Helier hospital, which became a particular focus of the plans and, especially, of public opposition to them. Suffice it to say, these plans received a lukewarm reception within the trust and a hostile reception from my constituents, which led to the review sinking without trace.

After several years of reflection and the coming and going of three chief executives of the trust, new plans started to take shape. They were entitled "Better Healthcare Closer to Home", and, in 2004, a consultation process started, which involved a succession of stakeholder events and pre-statutory consultation on a grand scale—so grand, indeed, that many of the meetings took place at the Epsom grandstand itself. The proposals were groundbreaking. They envisaged a new model of care in which more health care would be delivered through primary care. The idea was to invest in primary care, establish a network of local care hospitals and build a new critical care hospital to replace the existing Epsom and St. Helier hospitals. However, a lack of detail about the purpose of the local care hospitals, the services that were to be provided in them and their locations left the spotlight on the location of the critical care hospital.

Throughout the process, other Members of Parliament and I questioned the affordability of the whole enterprise and whether it would be possible to make the sums stack up so that it would be possible deliver the vision of the "Better Healthcare Closer to Home" project. At the end of 2004, the majority of respondents to the consultation exercise backed St. Helier as the site for the critical care hospital. At that stage—after, rather than during, the consultation—the possibility of the Sutton site in my constituency becoming the preferred site started to emerge.

Over the Christmas period in 2004, a report was written by the project manager who had been leading the process. In January 2005, it went to the boards of Sutton and Merton primary care trust, East Elmbridge and Mid Surrey primary care trust and the Epsom and St. Helier University Hospitals NHS Trust. I cannot help but conclude that it went to those bodies so that they could rubber-stamp the decision, rather than listen clearly to the many voices and representations opposing the recommendations in the report.

The "Better Healthcare Closer to Home" project was approved. It envisaged five local care hospitals, with a critical care hospital on the Sutton site. That decision was reached despite the report itself, which showed that the economics of the plan did not stack up, with more patients and income being lost by locating it at the Sutton site than would have been lost if it had been located at the St. Helier site.

There then followed a year of work, drawing up the detailed business case, including the commissioning of the Prince's foundation for the built environment to embark on a community engagement and planning project, costing in the region of £60,000—probably more—to devise a plan for the Sutton site. It was an attempt to cajole the local community to buy into something that it did not wish to accept. At the same time as the local NHS was pressing ahead with the detailed business case, the Department of Health was considering what to do with the request from the London borough of Merton to call in the decision.

Finally, in December 2005, the Secretary of State gave her answer to the question. She issued a direction to the local NHS to draw up plans for a critical care hospital to be located at St. Helier. "Hallelujah" was the cry at the time, but it was a very short-lived cry of good cheer, because another year went by and although the local NHS was initially suffering from shock from the Secretary of State's decision, it soon regrouped. After five months, it told the Secretary of State that, for planning and legal reasons, the St. Helier option could not be pursued.

Siobhain McDonagh (Mitcham and Morden) (Lab): I apologise to the hon. Gentleman for not having asked him earlier whether I could intervene. Is he also aware that through a freedom of information request, we discovered that the health service never accepted the Secretary of State's advice about St. Helier? Quite the contrary: right up until the decision was finally withdrawn by the Secretary of State, building surveyors and structural and engineers were being instructed to go ahead with the Sutton site—the Secretary of State's suggestions were flagrantly ignored.

Mr. Burstow: I am grateful to the hon. Lady, who I know has also campaigned on this issue for a number of years. She is right to highlight the ignoble nature of the conduct of some local elements in respect of decisions about this issue and the attempt to thwart the wishes of local people and the Secretary of State's direction by pursuing a completely contrary course of action. The freedom of information request provides clear evidence of that. Frankly, the planning and legal obstacles put in the way of the people's wishes and the Secretary of State's direction were red herrings. They were a distraction from what should have been happening.

By August 2005, NHS London entered the stage and the planning and financial issues came to the fore. Those were cited yet again as a reason for revisiting the whole matter. At that point, the Secretary of State agreed to withdraw her direction and hand the matter back to the local NHS for a review of the affordability of the whole plan. That review has now reported and it concluded that the "Better Healthcare Closer to Home" project was not affordable. Indeed, when set againstthe backdrop of payment by results, practice-based commissioning and the introduction of independent treatment centres, it is hard to see how the local health economy could ever have afforded those proposals.

The review now proposes a smaller number of local care hospitals, centred on existing NHS estate, and a local general hospital rather than a critical care hospital. Furthermore, the review is now to continue through to June to recommend the preferred location for the general hospital somewhere within the London borough of Sutton—either at the Sutton or St. Helier site.

The review raises a number of questions, though not necessarily questions for the Minister to answer tonight. I wish to lodge those questions with him, but I am also posing them for the people, who have conducted the review. For example, will the new plans be viable, given that Surrey primary care trust is no longer seen to be part and parcel of driving the changes forward and is not expected to commission services arising from the project? Indeed, will the income and activity generated from within Sutton and Merton PCT be enough to ensure the sustainability and deliverability of the proposals under the guidelines issued by the Department in respect of the use of the private finance initiative and capital funding?

There are further questions. If the St. Helier site does emerge as the preferred site for a general hospital and a local care hospital is co-located there, what happens to the Sutton site and the range of services, including mental health services, currently provided there? Is there a spectre of that site being disposed, perhaps without regard to the longer-term needs of the community for community-based facilities, particularly health care facilities? Is the outlined coverage of local care hospitals right, given that the plans envisage moving from five to four such hospitals, leaving the south and west of the borough—and particularly my constituency—largely uncatered for?

Finally, and most important, there is the future of accident and emergency services. The review envisages an A and E department that does not deal with major trauma, but it is far from clear where it will sit on the emergency care spectrum. Indeed, at present it is not clear what the emergency care spectrum looks like, so it is hard to enter into a meaningful debate about where A and E will sit on that spectrum.

Many of my constituents are alarmed at the prospect of St George's taking on the role of a major trauma centre. They draw attention to the congested road network, fearing delays as their loved ones are carried in ambulances past St Helier to St George's. The evidence will have to be compelling and the case persuasively made if my constituents are to be convinced of the need of a change of status for the accident and emergency department.

[Mr. Burstow]

After 10 years or more of uncertainty and limbo, we face a further period of uncertainty over sites and the configuration of health care services in my area, followed by yet another round of consultation ending in a further outline business case submission to the Department.

I said that my purpose in seeking the debate was to enlist the Minister's assistance. Given the Secretary of State's previous involvement, I hope that he will be prepared to do three things. First, I ask him to meet me, and other local Members of Parliament on both sides of the House, to explore further how we can ensure that the NHS is not left in limbo for another 10 years, or indeed for another year or more. Secondly, I ask him to act expeditiously, and not to let a year go by between local decisions and the Secretary of State's intervention in or confirmation of such decisions. Finally, I ask him to recognise that there are lessons to be learned from this sorry saga about effective consultation, board-level accountability and decision making.

As I go around my constituency consulting people about the proposals, I often ask those who might be expected to have some knowledge of the workings of their local health service questions such as, "Who is the chief executive of your local trust? Who is the chair of your local trust board? Who are the members of your local trust board?" No one knows. Who are these people who make decisions on our behalf, behind whom many hide and who are ultimately not accountable to us, the local people, for decisions that affect our lives?

The fact that the review of "Better Healthcare Closer to Home" has concluded that the proposals for a critical care hospital are not sustainable—and, I dare say, were never sustainable—calls the whole process into question. Hundreds of thousands, if not millions, of pounds have been spent on consultation, consultants, stakeholder events, staff salaries, public meetings and citizens' juries—and for what? There should be an inquiry into just how much has been spent and how much time has been wasted on this enterprise to date. I ask the Minister to consider that request seriously.

I hope that after waiting for so long, my constituents and hard-working NHS staff will see light at the end of the tunnel, and that rather than its being a train coming down the track towards them, it will be a new hospital and better health care closer to home, which is what they all want.

10.13 pm

The Minister of State, Department of Health (Andy Burnham): I will begin with the last point made by the hon. Member for Sutton and Cheam (Mr. Burstow). I think that he described what everyone seeks to achieve: the best possible outcome for his constituents, and for those of my hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh). I pay tribute to both Members. I congratulate the hon. Gentleman on the measured way in which he spoke on matters which are hugely significant to his constituents, and also on his balanced approach to bringing a long-running issue to a satisfactory conclusion.

Some of the matters raised by the hon. Gentleman have a long history, to put it mildly. He referred to "a decade of limbo", but I hope that that description is not entirely accurate, for I see signs of progress and development. I trust that the hon. Gentleman can at least vouch for us in the Department when people claim that we push decisions through without adequate consultation. There has certainly been plenty of that.

As we can see, the issue of change in the health service gives rise to a huge amount of debate and a great deal of passion among communities across the country. At times, it can be difficult to accept change, and because of the difficulty of the arguments, the subject can provoke powerful reactions from key stakeholders and members of the public. In the face of uncertainty and anxiety in our communities, all of us Members of Parliament face a duty to grasp the difficult issues of health service change. We do our constituents a disservice if we do not tackle the issues head-on, particularly when doing so may lead to health progress and human progress in our constituencies. A different configuration of health services can lead to better health care and more lives being saved, so the issues are very difficult.

Of course, we must not jump to conclusions, and we must ensure that there is a thorough process, but I think that the hon. Gentleman would agree that there has been no jumping to conclusions in the case that he raised. Nevertheless, a process is under way. I will come on to the specifics that he raised in a moment, but first I want to put it on record that when we talk about the reorganisation of health services, people jump to the conclusion that it is all about money. That is the characterisation, but it is important to point out that many of the changes that we consider making to our health service stem from a desire to improve the quality of care. We want to provide the best possible care, according to modern standards, within the resources available. Money is often a secondary consideration; an attempt to drive up quality often lies behind changes that are proposed, and there is often clinical consensus.

It is a fact that lifestyles, society, medicine, technology and the NHS itself have all changed over the past 60 years. Patients now have greater choice in where they are treated and when. They have better information on health services, expectations have risen and there is an increasing focus on safety and quality. The public tell us that they want appropriate services that are available at times and in places that are more convenient for them. As far as is possible, they look for services in their communities that are closer to their homes. That, of course, is a key driver behind the project that affects the hon. Gentleman's constituency.

Change is nothing new in the national health service. The NHS has always responded to change and the latest treatments by organising itself to deliver the care that is needed. It is up to us to respond to drivers for change; if we do not, services will not keep pace with changing times, we will not keep improving, and we will not make full use of the benefits of new medical technology and the possibilities that arise from delivering safer surgery closer to patients' homes. Those benefits mean quicker recovery times and shorter stays in hospital. The Department's White Paper, "Our health, our care, our say: Making it happen", reflected those changes, and suggested

moving towards a greater concentration of specialist services for people who need them, while providing more care closer to people's homes for treatments that simply no longer require a hospital visit.

To come to the hon. Gentleman's concerns, the "Better Healthcare Closer to Home" project in his borough and elsewhere in the locality is an example of how the national health service is responding to changes locally. Health services around Sutton have been grappling with not only the need to modernise and improve, but the need to ensure that services are clinically safe and financially viable in future. Epsom and St. Helier University Hospitals NHS Trust faces the challenges normally associated with a split site, including issues to do with the supervision and training of doctors, sustaining viable clinical rotas and duplication of services. I accept that the hon. Gentleman acknowledged some of those issues this evening and, more broadly, in the work that he has done on the subject, as has my hon. Friend the Member for Mitcham and Morden. He is right to say that the case has a history; let me rehearse some of the details for the record.

The "Better Healthcare Closer to Home" project dates back to 2003, and involved proposals for local care hospitals supported by one new critical care hospital, which was to be at either Sutton or St. Helier. There was a comprehensive consultation over a three-month period that ended in November 2004. In January 2005, the trust boards then involved—Epsom and St. Helier University Hospitals NHS Trust, East Elmbridge and Mid Surrey PCT and Sutton and Merton PCT—met separately and agreed to proceed with the proposed model of a network of local care hospitals supported by a single critical care hospital. They endorsed Sutton, as the hon. Gentleman said, as the preferred site for the development of the critical care hospital.

However, in March 2005, Merton overview and scrutiny committee referred the decision to the Secretary of State for Health who, at the end of 2005, responded to the referral, as the hon. Gentleman said, concluding that the arguments over the siting of a critical care hospital were finely balanced. She decided that it was right to give priority to the needs of communities suffering social and economic disadvantage and to ensure that major redevelopments should contribute to the broader regeneration of disadvantaged areas. She therefore asked the national health service locally to develop plans for the new critical care hospital on land opposite St. Helier hospital. However, it became clear that, for planning reasons, it was not possible to develop the site and there were no viable options for development of the existing St. Helier hospital site either. My hon. Friend the Member for Mitcham and Morden has put her observation on the record, and has raised a pertinent issue for the further consultation.

Mr. Burstow: In that further consultation, and given my request for proper examination of the original consultation, I hope that the freedom of information request submitted by the hon. Member for Mitcham and Morden (Siobhain McDonagh) will be considered by the Minister, as there is a powerful and compelling reason to look critically at the decision making that took place. The issue has been grappled with for far too long, and action has not been forthcoming.

Siobhain McDonagh On that point, may I ask the Minister—

Mr. Speaker: Order. The Minister must respond to the hon. Member for Sutton and Cheam (Mr. Burstow) first, then the hon. Lady may make an intervention.

Andy Burnham: Before I respond to the hon. Member for Sutton and Cheam, I will give way to my hon. Friend the Member for Mitcham and Morden, and I can deal with the two interventions together.

Siobhain McDonagh: I apologise, Mr. Speaker. Any review should consider whether it is appropriate for a hospital trust to be the lead organisation in a consultation, because producer interest is a problem. It is far better that those consultations are undertaken by primary care trusts or regional strategic health authorities than by the hospitals themselves. If that had been done, it might have prevented the fudge at Sutton hospital.

Andy Burnham: Given the point that we have reached, it is extremely important that all the relevant information is in the public domain so that people can make a decision based on it. There is no possible argument against full transparency in the conduct of the debate. I accept the point made by my hon. Friend, but it is important not only that there is transparency but that there is a full, inclusive debate about what is the right decision for patients in her constituency and in the constituency of the hon. Member for Sutton and Cheam. There should be no question of partial or vested interests dominating that debate, as the time has come for a full and open discussion before a decision is made locally.

It is important for the record to make clear the trajectory of events. The Secretary of State withdrew her original decision in August 2006, following the planning concerns that had arisen, and wrote to the then chief executive of NHS London, informing him and asking him to review the proposals for a new critical care hospital. NHS London was asked to ensure that particular attention continued to be paid to the needs of disadvantaged communities, given the determination to tackle health inequalities. I am pleased that the review has been used as an opportunity to engage positively with local stakeholders and address their specific issues. I hope that that is the experience also of the two hon. Members present.

I am aware there has been significant local involvement and engagement with a wide variety of organisations and individuals, including NHS trust boards, GPs, hospital clinicians, local authorities, overview and scrutiny committees, Members of Parliament, patient forums and representative groups, the Greater London authority, local media, and of course patients and the wider public.

The report from the latest review was published on 16 March, just last week, and concluded that the guiding principle of developing health services closer to where people live is the way forward. We are pleased to see that endorsement of a key policy of

[Andy Burnham]

the Department. The report further recommended the development of local care centres at the Wilson, the Nelson, St. Helier and Wallington, and of other services in local and primary care settings without delay. I hope that the hon. Gentleman and others in his local area will welcome that step.

The review concluded that there should be a general hospital in the borough of Sutton with an accident and emergency service, but that that should be different from the critical care hospital that was originally proposed. The review also concluded that since the original proposals were put forward there had been a number of significant developments, including those in clinical practice, which have an impact, and that the population to be served is significantly less than was thought in the original programme because of changes in the assumed numbers of patients from Surrey who would travel into London. Also, the acute capacity created by the originally proposed critical care hospital would be more than required now, because of reduced patient flows and more services provided in community settings. More work will be done to decide where the hospital should be situated and on the full range of services to be provided there. The hon. Gentleman asked a range of further questions, which he said needed to be answered as part of that work. Without providing him with a full answer this evening, I shall simply say that he is right that there should be clear answers to those important questions. That is properly part of the local debate on those issues.

The review also concluded that the provision of health services in Surrey, and particularly the range of services to be provided at Epsom hospital, should be determined by the Surrey primary care trust following the Fit for the Future public consultation that is scheduled to start later in the spring. Further work detailed in the review report now lies ahead and is scheduled to be complete by June.

The hon. Gentleman asked that the Department and the health service locally act expeditiously. That is the desire all round. It is not for us to dictate a timetable to the local NHS, but there should be a general recognition that it would be helpful to bring the considerations to an expeditious conclusion. The hon. Gentleman's point is on the record and will be heard by those who need to hear it. He asked whether I would meet him and colleagues. I should point out that that is properly the responsibility of the London regional Minister in the Department, but I will take that request back. We want to ensure that the process moves ahead, but it must be a local process, not one run by the Department.

The hon. Gentleman asked me to comment on the lessons learned. As I said at the beginning, all health care reconfigurations raise difficult issues and we learn lessons from all of them. Sir Ian Carruthers has been conducting a review for the Department of the handling of reconfiguration processes in the health service. We can always raise our game and do better, and we will reflect on the lessons to be learned. The important thing is that the process leads to the right conclusions for the hon. Gentleman's constituents and those of my hon. Friend the Member for Mitcham and Morden.

It would be inappropriate for me to say anything further at this stage, other than to add that if there are emerging proposals that require public consultation, I would urge both hon. Members to engage in that debate. I pay tribute to them for the way that they have continued to press us for what they believe is right for their constituents. We all hope that the process will deliver certainty soon to the residents of their constituencies—

The motion having been made at Ten o'clock, and the debate having continued for half an hour, MR. SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned at half-past Ten o'clock.

House of Commons

Wednesday 21 March 2007

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

WALES

The Secretary of State was asked—

Energy Review

1. **Mr. David Evennett** (Bexleyheath and Crayford) (Con): What discussions he has had with Cabinet colleagues and Welsh Assembly Ministers following the energy review. [127774]

The Secretary of State for Northern Ireland (Mr. Peter Hain): Numerous ones, as we want to combat climate change and secure our future energy supply.

Mr. Evennett: I thank the Secretary of State for his response. In the light of the energy review's acknowledgment of nuclear power as an essential component of the energy mix, will he confirm that any proposal to replace the Wylfa power station with a new station would have his enthusiastic support?

Mr. Hain: Yes, and I have told the local Member of Parliament, my hon. Friend the Member for Ynys Môn (Albert Owen), and the local county council that I back their request to have the replacement, Wylfa B, put in place. That will provide enormous opportunities for Anglesey.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): Microgeneration is also an important facet of the energy mix. If I write to the Secretary of State, will he please investigate what has happened to the Dolgarrog wood-burning scheme, which would have provided energy for the whole of that part of the valley? It seems to have hit the buffers on funding. Will he liaise with his colleagues in the National Assembly to see whether that important model, which might be a template for many other places, can be restarted?

Mr. Hain: I would be happy to do that and to work with the hon. Gentleman to encourage microgeneration wherever possible. It is essential that Wales becomes a world leader in renewable energy. Whether in microgeneration of the kind that he describes, wind power, wave power, tidal power or the Severn barrage, Wales has a tremendous opportunity to be at the forefront of such developments.

Mrs. Betty Williams (Conwy) (Lab): Does my right hon. Friend agree that the new research and enterprise partnership launched at Westminster yesterday by the university of Wales, Aberystwyth, and the university of Wales, Bangor, with its emphasis on the development of new technologies, products and services, will have the opportunity to contribute significantly to sustainable, energy-efficient development in Wales, the UK and internationally?

Mr. Hain: I agree with my hon. Friend, and I commend her and the work going on at Bangor university, which I visited last year. I was enormously impressed by its attempt to make Wales a leader in the fight against climate change. We therefore hope that Opposition parties will back our policies to make sure that renewable, clean energy is the dominant energy supply in Wales.

Mr. David Jones (Clwyd, West) (Con): The energy White Paper has still not been published, despite being promised for the beginning of this year. That delay is caused by the Government's admitted failures to consult over the energy review. It is now certain that Wylfa nuclear power station will close in 2010. Will the Secretary of State tell the House how the Government propose to make up for the loss of generating capacity as a result of Wylfa's closure? Why did the Government not act sooner to formulate their energy policy so as to secure the electricity supply in Wales?

Mr. Hain: We are confident that an electricity supply will be secured for Wales. It will certainly be secured if the hon. Gentleman changes his policy on the giant Gwynt-y-Môr wind farm project 9 miles off the north Wales coast, which is capable of powering nearly half the households in Wales. He has opposed that, and the Leader of the Opposition has opposed it, despite putting a little windmill on his home in Notting Hill—a lot of good that will do. There is a prospect of massive electricity generation—

Mr. Speaker: Order.

Environmental Liability Directive

2. **David Taylor** (North-West Leicestershire) (Lab/Co-op): What discussions he has had with the First Minister and ministerial colleagues on the implementation of the environmental liability directive. [127775]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): My right hon. Friend and I have regular discussions with the First Minister and ministerial colleagues on a range of issues. The Welsh Assembly Government are currently considering responses to the consultation on options and will announce their conclusions later this year.

David Taylor: An ELD can only fully implement the "polluter pays" principle if there is strict liability for all occupational activities on land that lead to biodiversity damage. It is therefore regrettable that a weak English regime is proposed that exempts some hazardous genetically modified organism operations from financial penalties. Will the Minister congratulate Welsh Assembly Ministers on their more robust ELD line, which removes those

permitted get-outs, and ask them to encourage their counterparts on this side of Offa's Dyke to take a firmer stance, without exclusions, in the interests of environmental protection?

Nick Ainger: My hon. Friend is right that the directive establishes strict liability for environmental damage to land, water, protected species and habitats. In line with the "polluter pays" principle, offenders will be required to remedy any damage caused. The Department for Environment, Food and Rural Affairs and the Assembly Government are considering responses to the consultation before deciding how to move forward. A second consultation will focus on draft regulations. The same high standards are being applied across England and Wales. DEFRA and the Assembly Government are liaising closely on implementing the directive. The details of how it will be implemented in Wales are a matter for the Assembly Government. I will raise his concern with DEFRA Ministers, and I will also meet Carwyn Jones, the Minister in the Assembly Government with responsibility for those matters, tomorrow.

Mr. Roger Williams (Brecon and Radnorshire) (LD): Nation states have a duty under the ELD to include European designations of protection, but no such duty to include national designations. It appears that Wales will take a more inclusive approach. Many designations have cross-border significance, and DEFRA will have an input there as well. Will the Minister urge DEFRA to take a more inclusive approach to ELDs, and ensure that any cross-border designations are dealt with appropriately?

Nick Ainger: Not only will the proposed directive cover the issue, but, as the hon. Gentleman knows, domestic legislation already provides extensive protection for the environment. I am sure that the hon. Gentleman will be able to contribute to the consultation and make his point then: all responses will be considered carefully. However, I will raise his concerns with the relevant DEFRA Minister, along with those of my hon. Friend the Member for North-West Leicestershire (David Taylor).

Royal Naval Armaments Depot Llangennech

3. **Adam Price** (Carmarthen, East and Dinefwr) (PC): What discussions he has had with ministerial colleagues on the closure of Royal Naval Armaments Depot Llangennech. [127776]

The Secretary of State for Wales (Mr. Peter Hain): I have regular discussions with ministerial colleagues on a range of issues, including defence matters.

Adam Price: Can the Secretary of State explain why, when central Government Departments such as the Ministry of Defence—or, indeed, Her Majesty's Revenue and Customs and the Treasury—cut jobs, they cut them in places like Carmarthenshire or Pembrokeshire, which need them most, whereas when they create jobs they create them outside the convergence fund region, in the places that need them least? Is it not about time that the Government had a policy for west Wales, and indeed for all Wales, so that jobs can be created throughout the nation?

Mr. Hain: I agree that we should be creating jobs throughout the nation, and in fact we are doing so. As the hon. Gentleman will know, in west Wales and the valleys—he represents a valleys constituency, as I do—unemployment has fallen and more jobs have been created. The Llangennech example is part of a restructuring of the Ministry of Defence, and we are working with all concerned. My hon. Friend the Member for Llanelli (Nia Griffith) has visited the site, and the local Assembly Member, Catherine Thomas, is involved with the unions and work force.

I do not accept the hon. Gentleman's analysis. What would really hit jobs in Wales would be any chance of Plaid Cymru's bankrupt economic policies holding sway there.

Nia Griffith (Llanelli) (Lab): MOD Llangennech—locally known as the RN—has been an integral part of the community for several generations. What assurance can my right hon. Friend give that if the MOD leaves Llangennech and the site is disposed of, full consideration will be given to making part of it a community facility, as well as providing the maximum possible support for those who may lose their jobs after many years of loyal service?

Mr. Hain: As I said earlier, my hon. Friend has been extremely active in defending the aspirations of the local community. I know that she will take the matter up with the Defence Minister responsible for such matters, and we in the Wales Office will be sure to support her in her objective.

Automotive Industry

4. **Mr. Wayne David** (Caerphilly) (Lab): What recent discussions he has had with the First Minister on the future of the automotive industry in Wales. [127777]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): I have regular discussions with the First Minister on a range of issues, including the automotive industry in Wales.

Mr. David: I accept that some automotive companies have been relocated from Wales to eastern Europe, but does my hon. Friend accept that there have been major expansions and relocations within Wales? There has been what the *Western Mail* has called a "mini-surge" for the Welsh automotive industry. I am thinking particularly of a company called Mollertech, in the borough of Caerphilly. Will my hon. Friend acknowledge that that is an indication of the strength and success of the Welsh economy?

Nick Ainger: Yes, indeed. Wales now has record levels of employment, and part of that success is due to investment in the automotive sector there. My hon. Friend mentioned the Mollertech investment, which will create 99 jobs in Caerphilly with a £10.7 million expansion and support from the Welsh Assembly Government. Ford Bridgend is creating more than 200 posts over the next two years with a £100 million investment; Toyota is investing about £100 million in its Deeside plant, safeguarding 680 jobs; and Takao Europe Manufacturing is investing £3.2 million, which will create 100 jobs in Ebbw Vale. It is clear that, having

gone through a particularly difficult period, the automotive industry is now seeing the benefits of expansion and investment, which are safeguarding existing jobs and creating new ones.

Mrs. Cheryl Gillan (Chesham and Amersham) (Con): The Minister must not be complacent, because in each year of the Labour Government manufacturing jobs have been lost in Wales. Ford Bridgend employs more than 1,600 workers and has made more than 13 million engines since 1980 when it came into being, including the world-beating Land Rover engine. In an hour's time, in an attempt to appear green, the Chancellor will double the taxes on so-called 4x4s. What effect does the Minister estimate that that will have on jobs at that plant, and also on the incomes of our hard-pressed Welsh farmers, who rely on such vehicles?

Nick Ainger: The hon. Lady will have to be patient and wait to hear what announcements the Chancellor makes in a little over half an hour's time. I am surprised that she implies that there is no real improvement in, and investment going into, the automotive industry. I have listed the successes that we have had in recent years. Frankly, the last thing that the Welsh economy and Welsh business need is a return to the failed Tory policies—*[Interruption.]* Those failed policies led to two recessions—*[Interruption.]* They led to two recessions since the war and 160,000 unemployed in Wales—

Mr. Speaker: Order.

Aerospace Industry

5. **Mark Tami** (Alyn and Deeside) (Lab): What recent discussions he has had with the First Minister on the contribution of the aerospace industry to the economy of Wales. [127778]

The Secretary of State for Wales (Mr. Peter Hain): I have regular discussions with the First Minister concerning the Welsh economy, including the importance of the aerospace industry to it.

Mark Tami: Last Friday, I attended a rally of about 1,000 Airbus workers from Broughton who were concerned about their future. I ask my right hon. Friend to press the Assembly Government and the Department of Trade and Industry to invest further in research and development in composite materials in order to secure the United Kingdom's position as world leader in wing-building technology.

Mr. Hain: I will be happy to continue to work with my hon. Friend to achieve that objective. I applaud him for joining many of his constituents at that rally. I believe that the future of Airbus is secure. It is the jewel in the crown of the economy of that part of Wales and nearby across the border in England, and it will continue to get the support of both the Welsh Assembly Government and the Government at Westminster.

Lembit Öpik (Montgomeryshire) (LD): On that point, does the Secretary of State agree that Airbus in Broughton has achieved its remarkable success through research and development investment in wing technology, and that that, together with a superb work force, has secured the contract for the A350 composite wing? Will he join me in backing Broughton's goal of winning the wing contract for the next generation of single-aisle aircraft, which would guarantee a world-class role for Wales in aerospace technology for decades to come?

Mr. Hain: Indeed; I am happy to do so. I also emphasise that although provision has been made for job reductions at Airbus Broughton, none of them is on the engineering or production side; they have been made to enable Airbus to be much more competitive and to compete with Boeing, which I know it will be able to do successfully, partly for the reasons that the hon. Gentleman has given.

Mrs. Cheryl Gillan (Chesham and Amersham) (Con): We all agree that Airbus is a fine company, but can the Secretary of State help me on the following point? Because of direct political lobbying last month by German politicians, Wales lost out on, and Germany won, the wing-equipping work for the new A350 XWB. Can the Secretary of State reassure me and the workers at Airbus in north Wales that the reports that our Government dithered and made only weak representations at the last minute are untrue, and if they are untrue will he prove it by immediately publishing the details of the case that the Government made to Airbus and EADS—the European Aeronautic Defence and Space Company—on behalf of Wales and the UK?

Mr. Hain: That is just a load of rubbish. The hon. Lady clearly does not know what is going on at Airbus. The truth is that Airbus has extra work for its wings as a result of the deal negotiated. The management and unions there are extremely confident about its future, not least because during the past 10 years during which it has succeeded we have had the best economic climate for Airbus and Welsh business ever in our history—and that is because we have had the best Chancellor for British business and Welsh business ever in our history as well.

Welsh Border (Governance)

6. **Daniel Kawczynski** (Shrewsbury and Atcham) (Con): What steps he is taking to help improve relations between the National Assembly for Wales and English local authorities on the Welsh border. [127779]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): The hon. Gentleman will know of the recent memorandum of understanding between the West Midlands regional assembly and the Welsh Assembly Government. Rural communities in mid-Wales, Shropshire and Herefordshire share many interests, and it makes sense for them to co-operate where appropriate.

Daniel Kawczynski: I am grateful to the Minister for that reply. He has already spoken to me about this issue, and he knows how concerned I am for my constituents who live right on the Welsh border, because of the differences in funding from the Welsh

Assembly for services for Welsh citizens who cross the border to use facilities such as the Royal Shrewsbury hospital. He knows that my hospital loses £2 million a year because of the difference in funding from the Welsh Assembly. Will he please ask the Assembly to increase co-operation with English authorities on our side of the border, to make sure that the treatment of citizens is fairer on both sides?

Nick Ainger: From what I gather, the hon. Gentleman wants to see further investment, but it certainly will not come from him and his party, given their policies. The memorandum of understanding outlines the commitment of both organisations to building stronger cross-border collaboration in policy and service delivery. Cross-border working has been highlighted as a key priority for each of the Wales spatial plan areas. An official level working group has been established, which led to the memorandum of understanding, and I am happy to convey the hon. Gentleman's further suggestion to Welsh Ministers when I meet them. I know that the Welsh Assembly Government share the hon. Gentleman's concern to ensure proper co-operation on cross-border issues.

Defence Bases

7. **Mrs. Madeleine Moon** (Bridgend) (Lab): What discussions he has had with the Secretary of State for Defence on spending on defence bases in Wales. [127780]

The Secretary of State for Wales (Mr. Peter Hain): I have regular discussions with ministerial colleagues, including the Secretary of State for Defence.

Mrs. Moon: The development of the St. Athan defence training establishment brings great potential to my Bridgend constituency. Will my right hon. Friend agree to hold discussions with the First Minister to ensure that an appropriate skills base is developed at Bridgend college, so that such employment opportunities can be grabbed by my constituents? *[Interruption.]*

Mr. Hain: Yes, I will happily do so. As a result of the excellent programme that Welsh Labour has drawn up for the next Assembly Government, new skills academies will provide key industries, including the St. Athan project, with access to excellence in training and learning. My hon. Friend can maximise the potential of local further education and training opportunities in her constituency by working with the Welsh Assembly Government, and I am happy to help facilitate that. *[Interruption.]*

Mr. Speaker: Order. I ask hon. Members to come to order. This is not fair to those who wish to participate in Wales questions.

Railways

8. **Albert Owen** (Ynys Môn) (Lab): What recent meetings he has had with ministerial colleagues and others on the number of people using the railways in Wales; and if he will make a statement. [127781]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): My right hon. Friend the Secretary of State and I regularly meet ministerial colleagues and others to discuss issues affecting Wales, including rail services. There has been a very encouraging rise in rail use over recent years. There are now more than 1 billion passenger journeys every year throughout the UK—a 35 per cent. increase on the 1995-96 figure.

Albert Owen: I thank my hon. Friend for that response. Labour's extra investment in north Wales has resulted in improved services and increased demand. However, he will be aware of Virgin Trains' plan to replace the Pendolino trains with Super Voyagers post-2008. Will he agree to meet me and a small delegation to discuss this issue in detail, to ensure that we get the improved services on board that such demand requires?

Nick Ainger: Yes, I am more than happy to meet a delegation led by my hon. Friend. As he says, Virgin is replacing the Pendolino carriages on the north Wales route with the more reliable Voyager trains. Although the Voyager carriages have fewer seats, there will be no decrease in service because there will be more trains and therefore more seats, and a better service. I know that he met Virgin recently to discuss these matters, and I understand that a follow-up meeting has been arranged for a few months, but as I said, I will certainly meet him and his delegation to discuss these matters.

Mark Williams (Ceredigion) (LD): Notwithstanding the rosy picture that the Minister has painted, does he agree that there are particular problems on the mid-Wales and Cambrian coastline lines, and will he convey to the Assembly Government and his ministerial colleagues the concerns of many of my constituents about a service characterised by clapped-out rolling stock, overcrowded trains and missed connections? That is the reality of train use in mid-Wales.

Nick Ainger: While I understand that there are problems throughout the rail network, the issue is one of demand and supply. We are seeing a rapid increase in rail use and the rail companies are lagging behind with their investment. The hon. Gentleman will be aware that the Government have announced a further 1,000 carriages over the next few years, and the Welsh Assembly Government are putting in a further £1. 6 million to reduce overcrowding on the Cambrian main line. I am sure that he will see an improvement in the near future.

Defence Industry

9. **Chris Bryant** (Rhondda) (Lab): How many jobs in Wales he estimates depend on the defence industry. [127782]

The Secretary of State for Wales (Mr. Peter Hain): Around 6,000 people are employed either directly by the Ministry of Defence or as a result of MOD direct equipment and non-equipment expenditure in Wales. Figures for indirect employment are not available.

Chris Bryant: Wales may represent only 4.5 per cent. of the British population, but we provide 9 per cent. of the British armed forces. In addition to the figures that the Secretary of State announced just now, we will get another 5,500 jobs in St. Athan, thanks to the new contract that we have just won for Wales. Should not we in Wales be proud of our contribution to the British armed forces, rather than try to get them thrown out of their bases in Wales, as some people in Plaid Cymru would like?

Mr. Hain: I completely agree with my hon. Friend. The St. Athan project, and all the defence investment in Wales that is of such benefit to jobs and the Welsh economy, comes as a result of the strong partnership between Westminster and Wales, between our Labour Government here and the Welsh Assembly Government in Cardiff Bay. It is as a result of that partnership that we will continue to build a strong Welsh economy, unlike Plaid Cymru's president, who wants all Army activity and defence investment, including training, removed from Wales.

Dee Estuary

10. **Ben Chapman** (Wirral, South) (Lab): What recent discussions has he had with the First Secretary on management of the Dee estuary. [127783]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): My right hon. Friend and I have regular discussions with the First Minister to discuss a range of issues, including marine and environmental matters.

Ben Chapman: My hon. Friend will recognise that the Dee estuary is a globally important environmental site and that when in the late 1990s a decision was taken on dredging in the estuary it was done on the basis of a balance between economy and ecology. Can he assure me that when a new application comes in for further dredging, he will take a balanced view and consult all the agencies on it?

Nick Ainger: I pay tribute to my hon. Friend for pressing this issue regularly. It is important that we do everything that we can to protect the Airbus jobs at Broughton on which thousands of people in North Wales and in constituencies such as his depend. I understand that the Welsh Assembly Government, the Environment Agency and the Marine Fisheries Agency met recently to agree a plan and timetable for consideration of new consents, and those will be required by August this year. They have been in contact with the Port of Mostyn throughout the duration of the existing consents, and the port has been apprised of the environmental reports that will be required in support of the new application.

Tourism

11. **Mrs. Siân C. James** (Swansea, East) (Lab): What discussions he has had with the Welsh Assembly Government on promoting tourism transport links in south Wales. [127785]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): My right hon. Friend and I have regular discussions with Assembly Government colleagues about a range of matters. Encouraging visitors to use sustainable forms of transport is a key aim of the Assembly Government's tourism and transport strategies.

Mrs. James: I thank my hon. Friend for that answer—*[Interruption.]*

Mr. Speaker: Order. The House should allow the hon. Lady to be heard.

Mrs. James: When my hon. Friend next meets colleagues in the Assembly, could he make representations on the Swansea-Cork ferry? As he will be aware, it has recently been reintroduced as a lorry service, but given its role in supporting tourism in the city, the passenger ferry should be reintroduced as soon as possible.

Nick Ainger: I will meet Andrew Davies, the Minister with responsibility for such matters, next Monday. My hon. Friend is right: tourists spend more than £8 million a day on trips to Wales, and about 100,000 people in Wales—around 9 per cent. of the work force—are employed in tourism. The reintroduction of the new freight-only ferry is welcome, but I understand that Swansea Cork Ferries intends to resume a full passenger service when it has purchased a new vessel. However, I shall discuss those matters with Andrew Davies next week.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [128691] **Paul Rowen** (Rochdale) (LD): If he will list his official engagements for Wednesday 21st March.

The Prime Minister (Mr. Tony Blair): This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I will have further such meetings later today.

Paul Rowen: Every year, approximately 33,000 pedestrians are killed or injured in road accidents, yet the Department for Transport has no idea how many accidents are caused by uninsured or disqualified drivers. For example, over a four-year period Sajjid Hussain from Rochdale—

Mr. Speaker: Order. Supplementary questions should be brief. I think that the Prime Minister will be able to answer.

The Prime Minister: How we deal with fatalities and injuries arising from road accidents is a very important matter. Over the past few years, the number of fatalities has fallen significantly, especially among children. That is a major achievement, but the hon. Gentleman is right to draw attention to the fact that there are too many people without proper insurance on our roads.

That is one reason why we are looking at ways to toughen the penalties for people who drive without insurance, and it is also why the police are able to make spot checks to discover who those drivers are.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): My right hon. Friend is also First Lord of the Treasury, so may I ask him which of the following he finds preferable: a Chancellor of the Exchequer who follows policies imposed on him by Whitehall mandarins that drive us into the exchange rate mechanism and create economic havoc, or one who carries out Labour party policies that have created record employment levels and unparalleled prosperity for this country?

The Prime Minister: My right hon. Friend makes his point extremely well. Some people remember that, under the Conservatives, we had Black Wednesday, interest rates at 15 per cent., 3 million unemployed and an economy in recession. This Chancellor has delivered the longest period of economic growth in our history and we should be proud of that.

Mr. David Cameron (Witney) (Con): I do not know why the Home Secretary is smiling—he will soon be running a power station in Siberia.

The beating of Morgan Tsvangirai last week demonstrated the depths to which Zimbabwe has sunk under Robert Mugabe. Will the Prime Minister confirm what the Foreign Secretary said yesterday—that the Government will press the EU for an extension of sanctions against Zimbabwe? Specifically, what will he do to make sure that that happens?

The Prime Minister: We will press the EU to widen the political sanctions that were introduced in 2002 very much as a result of prompting by Britain. We will seek to extend the assets freeze and travel ban as far as we can, but it is also important that we take action in the UN Security Council and the UN Human Rights Council. We will be urging partners in both those institutions to make strong statements against what is happening in Zimbabwe, because that is appalling, disgraceful and utterly tragic for the people of Zimbabwe.

Mr. Cameron: I am grateful for that answer, but may I press the Prime Minister specifically on how the sanctions will be widened? Will he make sure that the scope of the assets freeze is widened, and that EU visas and residence permits for those on the EU sanctions list are cancelled? In addition, will he ensure that the governor of Zimbabwe's central bank is added to the list? Crucially, will he also ensure that none of those people, including Mugabe, is invited to the EU-African Union summit later this year?

The Prime Minister: In respect of the summit, the very reason it has not taken place for a significant period of time has been problems over Zimbabwe. However, as well as extending sanctions on assets, the travel ban and so on, the most important thing is for us to make sure that other African countries, particularly in the neighbourhood of Zimbabwe, do everything they possibly can to make it clear that this is a disaster not just for the people of Zimbabwe but for the reputation of good governance in Africa.

The right hon. Gentleman and I met the President of Ghana last week. Ghana is a country that has got on its feet, held democratic elections and is doing extremely well, giving an example of model governance to the rest of Africa. It will be tragic for the reputation of Africa if Zimbabwe is allowed to remain in the state it is in.

Mr. Cameron: Specifically on that point, will the Prime Minister be having further discussions with Thabo Mbeki on that vital issue? What does he think can be done throughout South Africa and across the whole international community to isolate that despotic regime and ensure that it is no longer able to bring desolation, poverty and tyranny to the people of Zimbabwe?

The Prime Minister: Obviously, we will do everything we can with the South African Government and others. In addition, the UK Government and therefore, through the Government's financial support to people in Zimbabwe, the UK people have provided £140 million over the past five years to try to help the poorest people in Zimbabwe. The Zimbabwean Government say that we are not prepared to help with land resettlement, but we have said that we will set aside a specific sum to help with the problem, provided that the money is routed through the UN Development Programme and not through the Zimbabwean Government.

Let us be clear, however. The solution to Zimbabwe, ultimately, will not come simply through pressure applied by Britain. Pressure has to be applied within Africa, in particular in the African Union, but I assure the right hon. Gentleman that we will continue to do all we can to make sure that Africa realises that it is a responsibility for Africa as well as for the Zimbabwean Government.

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): I am sure the whole House will unite in sending sympathy to the family of my constituent, Kodjo Yenga, who is yet another of the teenagers who have met a violent death on the streets of London in recent weeks. Is my right hon. Friend aware that far too many children and young people fear violence, crime and bullying on the streets, and even in our schools? Does he agree that although effective policing and strong deterrents for violent crime play a vital role, it is also crucial that we redouble our efforts to engage with our young people, to talk to them and invest in strategies that will deter them from violent crime and the gang culture?

The Prime Minister: I agree entirely with what my hon. Friend says. However, it is important to recognise that in London overall violent crime was down by more than 5 per cent. last year and gun crime was down by almost 14 per cent. In addition, we are taking new measures on knives and the use of knives under the Violent Crime Reduction Act 2006. It is also important to recognise that the problem is specific to specific cultures in specific of our inner cities, so we have to take very specific measures in respect, obviously, of the help and support we give young people, but also where families are dysfunctional and out of control and causing real problems to the whole of their neighbourhood. We shall outline some of those proposals in the coming weeks.

Sir Menzies Campbell (North-East Fife) (LD): I associate myself with the expressions of sympathy from the hon. Member for Regent's Park and Kensington, North (Ms Buck) on behalf of her constituent.

Is the Prime Minister disappointed that after 10 years in government the gap in wealth between the rich and the poor in this country is greater than it was under Margaret Thatcher?

The Prime Minister: That is simply not correct. *[Interruption.]* No, it is not. It is absolutely correct that wealthy people have got wealthier, but it is also correct that the poorest have got wealthier, too. Let me tell the right hon. and learned Gentleman how they have got wealthier. [HON. MEMBERS: "The gap!"] I am sorry, he is absolutely wrong. Those at the bottom end have actually done extremely well over the last 10 years. Let me tell him why—*[Interruption.]* Tories shake their heads, but people have done well because of the minimum wage, which the Tories opposed. They have done well because of the tax credits, which the Tories opposed. They have done well because of extra child benefit, which the Tories opposed. I do not know whether the Lib Dems ever had policy positions on any of those things.

Let us be absolutely clear. The average family, particularly with children, has done better under this Government. We have not penalised high earners, but we have helped the lowest earners a great deal.

Sir Menzies Campbell: Will the Prime Minister engage with the argument? How can he possibly be satisfied when the poorest in this country pay a higher proportion of their income in taxation than the richest? How can that possibly be fair?

The Prime Minister: That is simply not correct. *[Interruption.]* No, it is not correct. As a result—*[Interruption.]* Sorry, but as a result of the measures that we have taken, families who are on the lowest incomes do not pay tax until far higher up the income scale than they used to. If we look at how the lowest earners are treated in this country, we see that it is infinitely better than 10 years ago. It now compares very well with other European countries. So as well as the Chancellor having delivered the highest employment rate, the lowest unemployment for 30 years, low interest rates, and the strongest economic growth, he has done a lot for income inequality too.

Mr. Sadiq Khan (Tooting) (Lab): In a diverse constituency such as Tooting, a good museum can be invaluable in teaching young people in a stimulating way about local history and local heritage. It can give young people a real sense of belonging. Despite a generous grant settlement, Wandsworth council is considering closing down Wandsworth museum. The council meets next week to make its final decision. What does the Prime Minister think about a local council risking community cohesion and choosing tax cuts over public services?

The Prime Minister: The museums do an immense amount of good for our young people and the broader community. As a result of our introducing free entry for our national museums, we have had millions more people going to museums—some of them from some of the lowest-income families. What my hon. Friend draws attention to is the reality of Tory government.

Q2. [128692] **Mr. Geoffrey Cox** (Torridge and West Devon) (Con): In my constituency, local arts organisations such as Beaford Arts and the Plough theatre and dozens of community, sports and charitable organisations are doing immensely valuable work for the rural communities that they serve. What can the Prime Minister say to reassure them that that work will not be damaged by the draining of lottery funds to the Olympic games?

The Prime Minister: We will certainly make sure that those projects are not the casualty of any problems to do with funding. As a matter of fact, we have already said that projects that have got funding agreed will continue to have that funding agreed. In addition to that, the core funding for the arts has gone up by some 73 per cent. in real terms since we came to power. The reason why a lot of those projects are supported in the hon. and learned Gentleman's constituency and elsewhere is precisely the investment that we have made.

Q3. [128693] **Mr. Barry Sheerman** (Huddersfield) (Lab/Co-op): Is my right hon. Friend aware that there is a wealth of independent evidence that the Labour party's and Labour's Government's commitment to education over the last 10 years has borne fruit right across the educational spectrum? But is he also aware that there is still a real problem with staying-on rates at 16 and the number of young people not in education, employment or training? Will he continue to campaign and have the right policies to keep young people in work, employment, and training, and will he put his back—his efforts—into the new diplomas that we all want to come in from September 2008?

The Prime Minister: Yes. In particular, obviously, we will keep the investment going in our schools and also in the apprenticeship programmes. We will make sure, as I think that my hon. Friend will find from later announcements, that we do even more to encourage young people to stay on at school and to go into proper training. Of course, it is important that we provide the proper training for them, and that is why the quadrupling of the number of apprenticeships since 1997 has been very important. I was told yesterday, when visiting the Department for Education and Skills, that more new schools have been built in the last five years than were built in the previous 25. Going round the country, I can see, as I am sure he can, how the programme for refurbishing and rebuilding every school in the country is not just doing wonders for pupils, but is making sure that our school results go up, so that, whereas in 1997 there were only about 80 schools with over 70 per cent. of pupils getting five good GCSEs, the figure is now over 600.

Mr. David Cameron (Witney) (Con): The 200th anniversary of the ending of the slave trade in the British empire is the right time to acknowledge the pain and devastation that was caused by that evil trade. Does the Prime Minister agree that the bicentenary should also be a reminder of those who are still

suffering slavery in our world today? Will he confirm that 120,000 women are trafficked for sex in Europe every year and that some European countries have named Britain as the No. 1 destination? Does he think that that is accurate?

The Prime Minister: I do not know whether that is an accurate description—I certainly hope not. However, I do know that on Friday we will sign the convention on human trafficking. We will also ensure, through the measures that we are taking, especially in relation to serious and organised crime, that we do everything that we can not only to bring to justice those engaged in this appalling activity, but to try to disrupt those people's activities by seizing their assets. When new measures on the seizure of assets and organised crime are proposed, I very much hope that we will get the full support of the House.

Mr. Cameron: I am delighted that the Prime Minister will be signing the EU convention, as we suggested earlier this year.

Does the Prime Minister agree that one of the most useful things that we can do to end this sickening trade is to ensure that when women flee their captors, there is a safe place for them to go? Will he join me in praising the work of voluntary sector organisations, such as Sister Ann Teresa's, that provide safe places up and down the country? Instead of listening to the man who is about to go off to the power station, will he make sure that the Government do all that they can to support those excellent voluntary bodies?

The Prime Minister: My right hon. Friend the Home Secretary was pointing out that it is all very well for the right hon. Member for Witney (Mr. Cameron) to say that he is in favour of supporting the voluntary sector and voluntary bodies, but he voted against the national offender management service Bill, which will allow people in precisely the situation that he describes to be helped by the voluntary sector. As a result of the additional funding that we have given to many of these voluntary bodies, we are able to help women in that situation. It is also important that they recognise that they will not be at a disadvantage if they come forward to give evidence against the people who have trafficked them. Part of the problem is that a lot of these women are ignorant of what is going to happen when they get to this country, and they are then very frightened of what will happen if they give evidence against the people who have trafficked them.

Ms Dari Taylor (Stockton, South) (Lab): Does my right hon. Friend agree that delivering the Olympics is inevitably expensive—*[Interruption.]*

Mr. Speaker: Order. Allow the hon. Lady to speak.

Ms Taylor: Does my right hon. Friend also accept that opportunities for all young people, especially those engaged in sport, and the regeneration of east London are priceless?

The Prime Minister: I agree with both the first and the second part of what my hon. Friend says. The most important thing to understand is that the Olympics will not merely be a huge showcase for the country, but that they will result in thousands of jobs being created, thousands of new homes being built and the development of state-of-the-art facilities that will be there for the whole country. The Olympics will benefit people in my constituency and her constituency, as well as people in London. They are a fantastic thing for the country, and I know that the country is proud of them.

Q4. [128694] **Mr. Mark Harper** (Forest of Dean) (Con): The Prime Minister will be aware that the Government's target for ambulances responding to life-threatening emergencies is that they should reach 75 per cent. of such cases in eight minutes. The local ambulance trust in my constituency manages to reach only 45 per cent. of such life-threatening emergencies in eight minutes. I do not think that that is good enough. What does the Prime Minister intend to do about it?

The Prime Minister: In fairness to the ambulance and paramedic services in the hon. Gentleman's constituency, I think that he will find that they will tell him that they have improved considerably over the past few years. Massive investment is going into our ambulance services and paramedics, although of course we always have to improve on it. However, I heard for myself the other day from people who had been treated for heart disease that as a result of the work done by paramedics today, as well as the additional number of consultants, doctors and nurses working on heart disease, we have saved some 100,000 lives over the past 10 years. I do not doubt that there are significant improvements still to be made, but the health service in the hon. Gentleman's area and others is getting better.

Sir Stuart Bell (Middlesbrough) (Lab): Since the European Union will this weekend be celebrating the 50th anniversary of the signing of the treaty of Rome, and since the Prime Minister will be attending the European Council meeting in June, can he confirm that the recent agenda on the environment is one that can unite all the peoples of Europe in this continued forward march?

The Prime Minister: As I pointed out to the House the other day, I think that it is very important that the issue of climate change should become a major question and challenge for the European Union. We have now agreed a very ambitious and bold set of targets. As I pointed out to the House—as it is slightly fuller now than it was for the last European statement, I might just repeat it—there was one member of the European Council who was against including climate change as one of the forward projects of the European Union, and that was the Czech Prime Minister.

Q5. [128695] **Mr. Lee Scott** (Ilford, North) (Con): Will the Prime Minister join me in supporting the National Autistic Society's campaign to "make schools make sense", and will he agree to meet me and a leading campaigner, Ivan Corea from my constituency, to discuss the inadequacies of services across the country?

The Prime Minister: I do not know enough about the details of that particular campaign to give an endorsement to it, but I am very happy to meet the

hon. Gentleman and the campaign to discuss it. Autism is a very serious issue that has to be taken seriously by our medical services and schools.

Q6. [128696] **Dr. Alan Whitehead** (Southampton, Test) (Lab): Does the Prime Minister agree that the cause of efficient energy use in future will be better served by encouraging energy companies to enter into contracts with consumers, in which they agree to invest in methods of reducing energy use and to share the savings? Would that not be better than the companies continuing to endeavour to sell as much energy as possible to customers? Is he pressing for progress in developing ways of doing that, as suggested and outlined in the energy review?

The Prime Minister: There is no doubt at all that it will be impossible to meet our CO_2 emissions targets unless we also do much more on energy efficiency. My hon. Friend will know of the very strict new regulations on energy efficiency for the building of new homes. Work is being done by the Carbon Trust and others, and obviously there are plans to switch to low-energy light bulbs and so on that are immensely important. One fact that shows the significance of small changes is the fact that if every home had at least three low-energy light bulbs, it would save the amount of energy used for the whole country's street lighting, so there is a massive amount that we can do. Again, over the next few weeks, we will announce further proposals on that issue.

Mr. William Cash (Stone) (Con): Will the Prime Minister kindly explain why, in relation to the Equality Act (Sexual Orientation) Regulations 2007, he has treated the House of Commons with contempt, and why, in relation to the question of unequal treatment, he has given those who stand for gay rights preference over those who are concerned with conscience, family and religion?

The Prime Minister: I am afraid that I just do not agree with the hon. Gentleman. First of all, we have had a very full debate on the issue in public, and we have followed exactly the procedure that we said we would follow in relation to the regulations. I am afraid that in the end there is a basic choice; he takes the view that there should be discrimination against gay people in respect of this—

Mr. Cash *indicated dissent.*

The Prime Minister: Well, it is no use him shaking his head; that is the impact of voting against the regulations. I happen to think that we can, if we are sensible, find a way of preventing discrimination against gay people, while allowing Catholic adoption agencies to carry on doing the excellent work that they do. It is a difficult balance to strike, but I believe that we have struck the right balance, and I think that most sensible people would agree with it.

Q7. [128697] **Paddy Tipping** (Sherwood) (Lab): What progress has been made to widen and deepen the EU emissions trading scheme, particularly in respect of aviation; and is it not the case that international agreements of that kind will have greater effect in reducing carbon emissions than proposed plans to restrict individual travellers?

The Prime Minister: I agree entirely with what my hon. Friend says, which is why I am opposed to the Opposition's proposals to—I think—put VAT on domestic flights. We have got to be very clear about this: the fact is that people are going to travel. Indeed, there is no possibility whatever of trying to restrict access to airlines now, in a modern world where people want that access. I think that the right way of dealing with the issue, as my hon. Friend rightly implies, is to deal with it within the European Union emissions trading system. It allows us to bring aviation within that system, which we will do from 2011 onwards, and it allows us therefore to move in concert with other countries. If we end up penalising our passengers in this country, it will do us no good at all.

Q8. [128698] **Anne Main** (St. Albans) (Con): We all want to be cleaner and greener, and have a cleaner and greener environment, but in Hertfordshire, we have massive road congestion, groaning infrastructure and high pollution. St. Albans has one of the largest CO_2 footprints in Hertfordshire, so will the Government listen to my residents' concerns, and stop ratcheting up the housing totals that are imposed on us?

The Prime Minister: I understand why the hon. Lady raises that concern, but the truth of the matter is that we need more homes in the south and elsewhere, particularly for couples and first-time buyers who need to get a foot on the first rung of the housing ladder. We will not be able to deal with the housing problems of an expanded number of households unless we build new homes. We will protect the green belt—in fact, we have increased it. We have dramatically increased the amount of new build on brownfield sites, but it is not a realistic policy, I am afraid, to say that there will be no more house building in the south-east.

Gordon Banks (Ochil and South Perthshire) (Lab): I wonder whether the Prime Minister will take the opportunity to tell the House what plans are being discussed to cope with the possibility of tens of thousands of migrants entering England, Wales and Northern Ireland from a future independent Scotland because of a failed independent Scottish economy?

The Prime Minister: The best plan is to make sure that it does not happen. Certainly, the recent proposal for a 3p local income tax is a very timely reminder of why it is better that Scotland remain inside the United Kingdom.

Q9. [128699] **Mr. Jeremy Browne** (Taunton) (LD): Sir Michael Lyons has said that the council tax places too heavy a burden on pensioners. Does the Prime Minister agree?

The Prime Minister: It is for precisely that reason that we asked Sir Michael to look at the way in which council tax works, and he has published his report today. It is one reason why we have given more support for pensioners, although I do not think that there will ever be a situation in which local taxes are popular.

Siobhain McDonagh (Mitcham and Morden) (Lab): Early-day motion 992, signed by 84 MPs, concerns the injustice done to a local community football team, AFC Wimbledon, whose hopes of promotion are over because it has been docked 18 points. It did not know that one of its players, who previously played for Cardiff City in the English championship, needed a—*[Interruption.]*

Mr. Speaker: Order. I must be able to hear the hon. Lady to find out whether she is out of order. I cannot hear her if hon. Members are shouting her down.

Siobhain McDonagh: Thank you, Mr. Speaker. AFC Wimbledon did not know that it needed an international registration for that player to cross the river Severn to play football in south London. Will my right hon. Friend the Prime Minister give his support to the thousands of football supporters up and down the country who believe that there should be justice for everyone's teams, whether in the Ryman or the premier league?

The Prime Minister: Actually, I agree with my hon. Friend. She is absolutely right: it sounds like a daft rule, and someone should change it.

Q10. [128700] **James Brokenshire** (Hornchurch) (Con): Is Lord Turnbull right, or is the Prime Minister not bothered?

The Prime Minister: Let me tell the hon. Gentleman something. Fortunately, one of the things that I have not had to be bothered about in the past 10 years is the running of the economy, because the Chancellor has done such a good job. I am afraid that the hon. Gentleman and his hon. Friends must realise that in the end, that is what people will judge his record on—the results. Those results mean that in constituencies such as his, as well as in the constituencies of Labour Members, there are more people in work, people are earning more, living standards are rising and interest rates are at levels not heard of for years and years and years. As a result, schools in his constituency have had money put into them, the health service has had money put into it, and there are more police on the streets. That is the difference between a Chancellor who delivers and a Conservative party that failed.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Has my right hon. Friend had a chance to see the recent analytical report in the *Daily Record* that highlighted the potential loss of thousands of jobs in the shipbuilding industry in Scotland? If those who wish to break up the UK are successful, does he agree that that is an act of unpardonable folly, and something that all of us should be bothered about?

The Prime Minister: It is an extraordinary situation when it is suggested that we break up the oil and gas industry and the way that it works, and that we break up institutions like defence and shipbuilding which have done so much for the people of Scotland. Scotland has had 200,000 extra jobs in the past few years, living standards have risen, there has been massive investment in education and health, and that is why I am sure people will not want to put that at risk.

Q11. [128701] **Mr. Tim Boswell** (Daventry) (Con): Next week the Government are to reply to the all-party parliamentary group's report on anti-Semitism. Given that we indicate in the report that the problem is growing, albeit subtly, in Britain and that there are blatant examples of anti-Semitism breaking out across Europe, will the Prime Minister ensure that the Government's response is full and sufficient for our needs in this country, and also exemplary for other countries that may want to look at the matter further?

The Prime Minister: I certainly undertake to do so. I agree entirely with what the hon. Gentleman says. It is important that we respond positively to that report—I am sure we will do so—in order to make it clear that anti-Semitism or any form of racism is unacceptable in this country. The hon. Gentleman is also right that this is a good and timely moment to send a signal across Europe too.

Orders of the Day

WAYS AND MEANS

Financial Statement

Mr. Deputy Speaker (Sir Alan Haselhurst): Before I call the Chancellor of the Exchequer, it may be for the convenience of hon. Members if I remind them that at the end of the Chancellor's speech, copies of the Budget resolutions will be available to them in the Vote Office.

12.31 pm

The Chancellor of the Exchequer (Mr. Gordon Brown): In this, my 11th Budget, my report to the country is of rising employment and rising investment, continuing low inflation, and low interest and mortgage rates. This is a Budget to expand prosperity and fairness for Britain's families, and it is built on the foundation of the longest period of economic stability and sustained economic growth in our country's history.

I am told that in the past two centuries only one Chancellor before now has delivered 11 Budgets, and then a 12th. That was when Mr. Gladstone combined the positions of Chancellor and Prime Minister, something no one should ever contemplate doing again.

As I report on the economy and public finances and the progress that we have made, let me thank for their hard work and, on occasion, forthright advice the civil servants—should I say the comrades?—with whom I have worked on Budgets present and past.

This Budget will set out the long-term reforms that we must now make to meet the global challenges ahead, and to build a Britain of high aspiration and high achievement for the years to come. I can report that the British economy is today growing faster than all the other G7 economies. Growth is stronger this year than in the euro area, stronger than in Japan, and stronger even than in America. After 10 years of sustained growth, Britain's growth will continue into its 59th quarter—the forecast end of the cycle—and then into its 60th, 61st and 62nd quarter and beyond. Before 1997 we were bottom in the G7 for national income per head. We were seventh out of seven, behind Germany, Italy, France, Canada and Japan. Now we are second only to America and ahead of all those other countries.

Every country has faced a trebling of oil and commodity prices, but while inflation peaked at 4.7 per cent. in America and went as high as 3.3 per cent. in the G7, here in Britain, inflation has never gone beyond— *[Interruption.]* Here in Britain, inflation on the same index has never gone beyond 3 per cent. While on that index it was 4.7 per cent. in the United States, it has fallen from 3 to 2.8 per cent. in Britain, and will fall further this year to 2 per cent.

Our forecast, which is also the consensus of independent forecasters, agrees that looking ahead to 2008 and 2009 inflation will also be on target. Since 1997, inflation has averaged 1.5 per cent.; it is half that of the previous decade. After examining the historical records, it is Britain's best inflation performance for a century. By holding firm to our commitment to maintain discipline in public sector pay, we will not only secure our 2 per cent. inflation target but create the conditions for maintaining the low interest and mortgage rates that since 1997 have been half the 11 per cent. average of the previous 20 years. We will not return to the old boom and bust.

In the last year, investment has grown by 6 per cent., and business investment by 7 per cent., with inward investment up 10 per cent. Ten years ago and for decades before, Britain's economy was held back by chronic under-investment; we had the lowest investment of the G7 countries. Now, alongside North America, Britain has the G7's fastest growing business investment—it has risen in real terms by 48 per cent. since 1997—and overall investment is now 17½ per cent. of our national income. This year, business investment is forecast to rise again by more than 7 per cent., and the figures that we are publishing today show that as a result of that sustained growth and investment we have closed the productivity gap with Japan and Germany, narrowed it with America, and halved it with France. From a platform of high investment, we can now equip ourselves as a country for the next challenge of the global economy: to raise the quantity and quality of investment in physical capital but also in human, scientific and intellectual capital.

I can also report that in the last year employment has risen, with 220,000 more men and women in work. It is now almost forgotten that in past decades Britain suffered higher unemployment not only than America and Japan but than France, Germany and the rest of Europe. But today, with unemployment falling and with 2.6 million more people in work, Britain has a higher proportion of men and women in employment than America, Japan and all our major European neighbours. The next stage in this Budget is to do more to equip British people with the new skills for the new jobs in the decade ahead.

With consumption forecast to rise in each of the next two years by 2¼ to 2¾ per cent., and investment and exports by more than 3 per cent., we expect that next year also, in 2008, alongside North America, our growth will again be the highest in the G7—between 2½ and 3 per cent., with the same rate of growth also in 2009. Under this Government, with stability in this as in every Budget the foundation of all we do, we have sustained growth year on year.

Just as our monetary discipline is the foundation for economic strength, fiscal discipline is the foundation of the strength of Britain's finances. Our first fiscal rule is that over the economic cycle Government current expenditures are paid by tax revenues. In this economic cycle, not only have we balanced current spending and revenues but I am able to report a surplus of £11 billion, demonstrating that for the first time in four decades Britain has met the golden rule. This contrasts with the economic cycle from 1977 to 1986, when the first fiscal rule, under the previous Government, was not met with a surplus of £11 billion but missed with a deficit of £140 billion; and in the previous cycle, from 1986 to 1997, the golden rule was missed by the previous Government with a deficit of £240 billion.

Our forecasts of the current balance from 2007-08 to 2011-12 are affected by one major change in the last year—the sharply lower levels of production and yet

[Mr. Gordon Brown]

higher costs in the North sea, which have this year reduced tax revenues from £13 billion to £8 billion and for each year into the future cut them by an average of £4 billion a year. Even with this reduced revenue, we are on track in the new cycle to meeting the golden rule, with figures from 2007-08 of minus £4 billion, plus £3 billion, plus £6 billion, plus £9 billion and plus £13 billion surpluses for the years to come. And we have also met our second fiscal rule—that debt should be at a sustainable level—enabling us over the cycle to borrow to meet the country's investment priorities.

Debt is actually 44 per cent. of national income in America, 50 per cent. in the euro area and 92 per cent. in Japan, but in Britain, we expect debt from 2007-08 to 2012 to be 38 per cent., 38.5 per cent., 38.8 per cent., 38.8 per cent. and 38.6 per cent. in successive years—at all times meeting our second fiscal rule. That contrasts with a debt level of 44 per cent. that we inherited when we came to power, but we have both kept debt low and at the same time more than doubled capital investment in schools, hospitals and infrastructure from just £18 billion a year in 1997 to £43 billion of investment a year today.

Britain's net borrowing, which in the early 1990s went as high as 8 per cent. of our national income is this year just 2.7 per cent. In future years, it will be 2.4 per cent., falling to 2 per cent. and then falling to 1.8 per cent., 1.6 per cent. and just 1.4 per cent. Compared to a deficit equivalent to over £100 billion in a single year in the early '90s, the figure for this and future years will be just £35 billion—£1 billion less than forecast at the pre-Budget report—then falling to £34 billion, £30 billion, £28 billion, £26 billion and £24 billion. That means borrowing therefore over the economic cycle not for current consumption, but for essential investment in the future of our country. So having met both our fiscal rules, we can now take forward the final work for the next spending round to take us to 2011.

With interdepartmental reviews on youth services, disabled children, mental health, employment and the future of our regions and localities all nearing completion, we will now—in advance of the final expenditure allocations, which will be published in the autumn—set in place a national, regional and local consultation to discuss and debate issues that arise from the work in the reviews under way to build a shared national consensus around future priorities for our country. But I am also able to announce now reforms that will release resources for priority services.

In the pre-Budget report in December, I said that from now to 2011 asset sales would release £18 billion for front-line services, but because I can announce today the sale of the spectrum, a £6 billion sale of the student loan book and further financial and corporate sales at home and overseas, asset sales will rise from £18 billion to £36 billion. I have agreed with Departments savings in administrative costs worth £1 billion a year by 2011, which will also release money for front-line services. The same front-line services will benefit from below-inflation spending review settlements for the Department for Work and Pensions, Her Majesty's Revenue and Customs, the Cabinet Office, the Treasury, the Department for Constitutional Affairs and the Attorney-General's Department. That will release for front-line services £2 billion, and with efficiency savings of 3 per cent. a year, we release, in total, £26 billion a year by 2010 for front-line services.

Just over a decade ago, when unemployment and debt were high and as much as three quarters of all new public spending went to pay for debt and social security costs, it left only one quarter of new spending for health, education, transport, defence and policing. But because of our success in cutting debt by a quarter and claimant count unemployment by a half, those front-line services will, in the coming spending round, receive not 25 per cent. of all new spending as in the past, but 75 per cent. of all new spending.

In this new spending round, our aim has also been—in line with the Gershon report and with continuing reform—to ensure that resources for improving the front-line services, our service priorities, will continue to grow at the 4 to 4.5 per cent. yearly rate of this spending round.

These four major levers of change—better use of assets, cutting administrative costs, efficiency savings, lower debt and lower unemployment—will allow me to release new money for front-line priorities, and I can now set out total expenditures for each year to 2011.

In 1997, capital investment stood at just £18 billion. It will rise from the £43 billion of this year to £48 billion next year and then in successive years to £52 billion, £55 billion, £57 billion, and then £60 billion of capital expenditure—more than three times what it was in 1997—as we invest in our future. Consistent with the figures set out in the 2005 and 2006 Budgets and the most recent pre-Budget report, I can announce that total expenditure, which is £552 billion this year, will rise by £34 billion next year to £587 billion, and then rise in 2008 by £29 billion to £615 billion, rise in 2009 by another £29 billion to £644 billion, and then in 2010 by an additional £29 billion to £674 billion, as we continue year after year to invest in the future.

For the year to come, I can also allocate money to security and defence. At all times, as the Prime Minister and the Home Secretary have emphasised, we will put the security of the country first. So for the coming year, intelligence and counter-terrorism will receive an additional £86 million. Our budget for security and intelligence, which was just £1 billion in 2001, will now be for 2007-08 £2¼ billion. We owe a huge debt of gratitude to our armed forces. To support those who serve us with courage and distinction in Afghanistan, Iraq and in other demanding international commitments, I am allocating the Secretary of State for Defence an additional £400 million for this year alone.

For the coming year starting next month in April, I can also confirm that the money available for investment and reform in the NHS in England will be £8 billion more than this year. It is the biggest cash increase ever. It is a cash rise of 10 per cent.—7 per cent. in real terms. For the future years from 2008 to 2011, allocations will be made in the spending review later this year, but taking the whole of the United Kingdom together, I expect total additional expenditure on the NHS from April this year to be almost £10 billion above last year—also a 10 per cent. rise in national health service expenditure.

I have examined a proposal to introduce what is called a third fiscal rule, but I can tell the House that it would require us to cut spending this year alone by £21 billion, and I have therefore rejected that rule.

In setting the right balance between tax, spending and the stability of the economy, we will not take risks with or break from the stability essential to our long-term economic performance. Let me be absolutely clear: with the economy now growing strongly, faster than any other major economy, this is not a time for a fiscal loosening, and the changes that I make today will be broadly neutral for the public finances and overall, which is the right decision for Britain at this time in the economic cycle.

But it is also right to proceed today with major reforms and modernisation that will prepare and equip Britain for all the long-term challenges ahead—reforms that are now possible because they build on the higher employment, investment and the greater stability of the last 10 years, and reforms that focus on the three major priorities vital to our future. The first is to promote long-term investment and environmentally sustainable growth. That is necessary now and in the future to Britain's success in the global economy. The second is to encourage work and to reward savings, which is vital to the week-to-week prosperity of every family in the country. The third is to support and strengthen families. That is essential to the welfare of parents and children and the stability of family life.

First, to lead in global competition—and particularly to secure our place in the high value-added, investment-driven growth sectors of the future, from modern manufacturing and the creative industries to business and financial services and the City—Britain must champion open markets, flexibility, free trade and an open and inclusive globalisation, not protectionism. Here the right policy for industry is to combine the most modern and flexible competition regime—including, as announced today, the further extension of risk-based regulation, into employment tribunals—with the most effective incentives and support for British investment and innovation.

My view is that, in all the advanced industrial economies, public and private investment in the great new drivers of growth—innovation and education—will need to rise towards 10 per cent. of national income. As part of our plan to double investment in science, I can announce that in the next four years public investment in science will rise from £5 billion this year to £6.3 billion by 2010—a 25 per cent. cash increase in the science budget of our country.

The Secretary of State for Trade and Industry is also announcing today a £100 million competition for Britain to lead in high-tech innovation, challenging universities and businesses to come together, from medical research to environmental transport, to convert British scientific breakthroughs into British commercial successes and jobs.

In 1997, I cut corporation tax from 33p to 31p and then to 30p. Having continued to look carefully at the requirements for a modern corporate tax system for the global economy, I propose the following changes that reflect the increasing importance in investment decisions of research and development, skills, intellectual property and environmental innovations. I propose to modernise the system of capital allowances—many of which were first introduced for the needs of the post-war economy—by simplifying them to just two categories based on how long an asset will last. I will provide more generous relief for long-life assets, raising the relief from 6 per cent. to 10 per cent., at a cost to the Treasury of £380 million in 2009; I will phase out the relief worth £230 million originally intended for industrial buildings but now poorly targeted; and I will align allowances for plant and machinery with the economic rate of depreciation at 20 per cent.

I will increase the value of the main R and D tax credit by an extra £100 million, and expand the scope for business to draw on environmental capital allowances by an extra £40 million, while leaving the overall tax rate for North sea companies unchanged. From April 2008, for all businesses, I will put in place a new annual 100 per cent. investment allowance of £50,000.

Because our goal is and will continue to be the most competitive business tax regime of the major economies, I have decided to cut mainstream corporation tax from April 2008 from 30p down to 28p—a rate lower than America, Germany, France, Japan, and all our major competitors—making Britain's corporate tax regime the lowest of all the major economies.

Changes that I will announce in this Budget will also improve the position of the self-employed. But I need to act to deal with individuals artificially incorporating as small companies to avoid paying their due share of tax—a practice that, if left unaddressed, would cost the rest of the tax-paying population billions of pounds. I will take action in a way that will not raise the tax burden on the self-employed and small businesses overall.

To reduce the tax difference between self-employment and small company incorporation, I will raise the small companies rate in three stages from 20p this year to 22p. I will recycle all those revenues to legitimate small businesses investing for the future. Small firms will be able to claim the new 100 per cent. relief for new capital investment up to £50,000, a 175 per cent. tax credit for R and D, and the new tax credit for environmental investment. A small company with profits of £150,000 and investing £50,000 of that will effectively pay tax of just 15 per cent. A firm investing the same from profits of £100,000 will pay tax of 11 per cent.—lower than today.

I have one further announcement on business. When the Secretary of State for Northern Ireland and I meet all the Northern Ireland parties tomorrow morning, we will announce details of a new Northern Ireland innovation fund, a new fund for industry and jobs to be available for the restored Executive that we all want to see.

Six months ago, when we published the Stern report, we set a framework for environmental action that combined a call to personal and social responsibility with European and international co-operation. Since then, we have secured support for a strengthened European carbon trading scheme on the road to a global scheme, and a new agreement for 2020 on cutting European emissions by at least 20 per cent. and potentially 30 per cent. I can also report that we have agreed bilateral partnerships with China on clean coal,

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Brazil, Mozambique and South Africa on biofuels, India on clean energy investment, Mexico on carbon markets, and Norway on carbon capture and storage. The Secretary of State for Trade and Industry is announcing today that Britain will launch a competition to go ahead with our first full-scale carbon capture and storage demonstration.

Britain will also lead the way in helping developing countries to address climate change. I can announce financial support of £50 million for a path-breaking 10-country initiative across central Africa to prevent the destruction of the second largest rain forest in the world. Led by Nobel prize winner Wangari Maathai, it will help 50 million people in those 10 countries whose livelihoods are now under threat.

Environmental action also requires us to co-operate internationally in new ways. To help meet our commitment to international poverty reduction through environmental protection, I will allocate to the environmental transformation fund, jointly run by the Secretaries of State for International Development and for Environment, Food and Rural Affairs, a total of £800 million for the coming spending round.

At home and abroad, the test that we must apply is what is the most environmentally effective, economically efficient and socially equitable way of reducing emissions: first, through better information and incentives; secondly, through higher standards and investment.

Homes account for one quarter of carbon emissions: our objective is for low-carbon homes benefiting the climate through lower emissions, and consumers through lower bills. Having already announced measures to speed up home insulation and to design out energy-wasting products, we have been consulting the banks and building societies and encouraging them to create a new market of mortgages for immediate capital investment in energy efficiency that would cut consumption and bills and, in the end, not only pay for itself but increase the sale value of the home.

To play our part, we are offering grants of £300 to £4,000 for pensioners and others installing insulation and central heating. From next month, we will increase by 50 per cent. microgeneration grants for homes. I can confirm that until 2012 all new zero-carbon homes up to £500,000 will be exempt from stamp duty. I have asked the Office of Gas and Electricity Markets to examine how green homes can benefit more from the prices paid when they become not just sources of clean energy for themselves but sell energy back to the grid.

I am placing in the Library of the House of Commons the representations that the Foreign Secretary, the Minister for Europe and I are making to European Ministers for a Europe-wide decision that would reduce the rate of VAT from 17.5 per cent. to 5 per cent. on energy-saving and environmentally friendly products in the home.

Business accounts for 40 per cent. of emissions: our objective is that we have not only the most economically competitive but environmentally sustainable companies too. Since 1997, business and Government together have achieved a 25 per cent. reduction in the carbon intensity of the economy. To complement the new environmental tax credit that I have just announced, the advice, support and incentives available from Business Link and our regional development agencies to small businesses for environmental improvement, innovation and energy audits of their work will rise from £140 million this year to £240 million in the coming year.

To encourage recycling and to reduce landfill, the landfill tax will, from April next year, rise by £8 each year to 2011. To reduce the environmental impact of quarrying, the aggregates levy, which has been frozen since its introduction, will rise in April 2008 from £1.60 to £1.95 per tonne. Those measures, our membership of the European emissions trading scheme and the inflation increase that I propose from next April in the climate change levy, will together each year contribute 16 million tonnes of carbon reductions.

As recommended by the Barker report and today by the Lyons report, and in line with representations from the Federation of Small Businesses, commercial property lying empty should not continue to be given such generous business rate relief, particularly because that leads to higher rents in the areas with highest demand. To encourage the better use of commercial premises, I will restrict the relief available for empty industrial properties to six months, and for empty offices and retail to three months. There will be special exemptions for charities.

Transport accounts for a quarter of emissions: our objective for Britain is the lowest carbon cars using the least polluting fuels. Average new car emissions are around 167 g of carbon dioxide. A medium-term objective is 100 g per kilometre. We want Britain to lead in developing the next generation of low and no-carbon vehicles and fuels. The Secretary of State for Transport and I have invited Sir Nicholas Stern and the vice-chancellor of Aston university, Professor King, to report to us on the energy saving potential of innovation in this area.

Renewable transport fuel obligations mean that biofuels will, by 2010, account for 5 per cent. of all fuel in road vehicles, and by 2020 potentially 10 per cent. So I am extending to 2010 the biofuels duty differential worth 20p per litre—a fuel duty discount of 40 per cent. I am also extending to 2012 the biogas incentive, worth 40p per litre—a discount of more than 60 per cent. For this year I will maintain the differential for rebated oils. I can also announce that we will triple our funding for targeted enforcement against unfair competition from haulier companies from outside the United Kingdom.

We inherited a one-band system of vehicle excise duty in 1997. Britain now has environmentally graduated bands. That is one reason why the proportion of least polluting cars on our roads has risen by 30 per cent., while that of the most polluting cars has fallen. So there are potential gains from enhancing the incentive. In addition to maintaining a zero rate for the lowest band, aligning petrol and diesel rates at the diesel rate and raising the rates by £5 each year for the next three years, and for band F by £10 this year, I propose an immediate 30 per cent. cut in band B from a top rate of £50 down to £35 for the most fuel-efficient cars. That will be matched by moving the top band 30 per cent. higher to £300, and then again to £400 next year. Taken together, those measures will cut

vehicle emissions since 1997 by 2 million tonnes. For the coming year I will set fuel duty rises at 2p a litre, for 2008 at 2p, and for 2009 at 1.8p, but I will defer this year's annual fuel duty increase by six months to October.

I have had representations to put VAT on airline tickets—a 17½ per cent. rise in the cost of airline travel. I have investigated the detail of that proposal. It gives me no pleasure to have to tell the House that the substance of the measure has not been properly thought through. It would apply only to domestic flights, business would be able to claim back the VAT, and even by 2020 it would save just 50,000 tonnes—fewer savings in one year than achieved by the climate change levy in just one week. So I have rejected the proposal in favour of the 6 million tonnes of carbon saving achieved by the fairer and more environmentally efficient measures that I am outlining in the Budget today.

I propose only the normal indexation of alcohol duties, with one exception. From midnight on Sunday, beer will rise by 1p a pint, cider by 1p a litre, wine by 5p a bottle and sparkling wine by 7p, but for the 10th Budget in a row I will freeze duty on spirits. While I will go ahead from 6pm tonight with the annual inflation rise on a packet of 20 cigarettes—of 11p—I want us to do more to support the health advice campaign initiated by my right hon. Friend the Secretary of State for Health, with a new incentive to encourage people wishing to give up smoking. For a year from 1 July, for nicotine replacement and other products that help smokers to quit I am cutting VAT to the lowest I can, from 17½ per cent. to 5 per cent. I propose to align the bottom two rates of gaming duty at 15 per cent., and for the largest casinos to set a 50p rate.

Our culture of volunteering and giving defines Britain as a fair and compassionate society. To help small local community organisations, my hon. Friend the Member for Doncaster, North (Edward Miliband), the Parliamentary Secretary, Cabinet Office and Minister for the third sector, is announcing for the years to 2011 a new fund for local communities worth £80 million. Hundreds of millions of pounds worth of giving is eligible for tax relief through gift aid, but is not currently claimed. My right hon. Friend the Chancellor of the Duchy of Lancaster and I will consult the charitable sector on measures that we will fund to increase take-up of gift aid, and in the run-up to the spending review my right hon. Friend the Secretary of State for Culture, Media and Sport and I will examine the help we can give the churches and heritage buildings that are at the heart of so many of our communities.

I turn to the tax incentives with which we propose to help more people into jobs, and to make work pay. More than 1½ million low-income workers in Britain receive the working tax credit, worth to them on average £48 a week. In making work pay, we ensure that people on low incomes get more benefit from the working tax credit than either the minimum wage or any other tax measure, whether it be the 10p rate or personal allowances.

If I invested a billion pounds in helping low-income workers by raising personal allowances, they would be only 68p a week better off. If I used the same money to lower the 10p rate, they would be just 67p a week better off. But the use of the same money to extend the working tax credit means that they are £7.10 a week—£370 a year—better off. That is a clear incentive to take jobs, to gain skills, and to work your way up from a lower-paid to a better-paid job.

This Budget will invest over £1 billion a year in raising the value of the working tax credit, so that—building on the minimum wage of £5.52 from October—for the parent in full-time work with one child it will rise to £7.70 per hour. Because of the working tax credit, that is £290 for a 35-hour week.

Since 1997, lone-parent employment has risen from under 45 per cent. to over 56 per cent., and 300,000 more lone parents are now in work. In addition to helping them by increasing the working tax credit, I will extend the £40 a week in-work bonus paid for their first 12 months in work. In London the bonus will be extended to £60, and for up to 50,000 workless parents undertaking training we will extend access to free child care.

With this additional support to make work pay and our new conditionality, announced by my right hon. Friend the Secretary of State for Work and Pensions a few days ago, and building on the successful employment partnerships in the new deal, we are now able to announce a partnership for jobs with our major retail companies—Tesco, Sainsbury's, Asda, B&Q and Marks and Spencer—and the British Retail Consortium: an agreement that in every part of the country, unemployed men and women who successfully pass work trials or induction courses will be considered for jobs by those leading firms. It is a new and innovative partnership that will, across the sector over the coming five years, help create 5,000 jobs in Wales and 10,000 in Scotland. In total, for Britain it will help 100,000 men and women to find employment in our country.

Since 1997, the number of 16-to-24-year-olds in full-time education, employment or training has increased from 5.2 million to 5.8 million. For those who have fallen through the net, over the next spending period we will do more. We are setting aside new funds today, so that 50,000 out-of-work 16-to-17-year-olds who sign activity and learning agreements will now receive a training wage in return for gaining skills. For small companies that take on an employee needing to acquire the most basic skills, we will also offer £2,000 training help per employee, and in some cases £3,000 for training.

There are 125,000 employees who, through no fault of their own, lost their work pension when their employer became insolvent,. My right hon. Friend the Secretary of State for Work and Pensions is announcing that he will extend the financial assistance scheme from its present budget of £2 billion to a total of £8 billion. Every one of those 125,000 workers will now receive help. Reporting later this year, my right hon. Friend will also investigate in full the assets within the affected schemes, and how those funds can also now help those who have lost their pensions.

In meeting our objectives to support families and children, I have also received representations for the return of the married couples allowance, and for a transferable tax allowance between husbands and wives with children under five. On closer inspection, I have discovered that such a proposal would penalise

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3 million widows and their children who would be denied the allowance, and would also penalise wives or husbands who had been left by their spouses. I have also discovered that the transferable tax allowance earmarked for families with children under five would be available to just under 1 million married couples. I can tell the House that, far from rewarding marriage, it would exclude the vast majority of the 11 million married couples in this country, and 11 million children would be excluded and left out of this help.

Marriage is not supported by penalising most married couples and 11 million children. It is right to recognise marriage in the tax system, but in ways that do not penalise children through the arrangements that we make for assets to be transferred free of tax between husband and wife in inheritance tax and capital gains tax. I can announce that the annual tax exemption for capital gains will rise from £8,800 to £9,200, and will be £18,400 for married couples. I can announce that the inheritance tax allowance, which is £285,000 today, will rise in each year and will in 2010 be increased to £350,000, ensuring that 94 per cent. of estates do not pay inheritance tax.

I am also today making changes in VAT, which will especially help grandmothers and grandfathers living with their sons and daughters. I can announce that for a specified list of alterations to housing, to support the needs of older people I will again reduce the rate of VAT, from 17.5 per cent. to 5 per cent.

For many families, especially young couples, the major concern is affordable homes. To further our ambition for this Parliament and the last one of 2 million new owner-occupiers, the Secretary of State for Communities and Local Government is launching the first stage of a new shared equity competition that will bring homes within the reach of first-time buyers.

I also want to send a signal about the importance we attach to encouraging savings, so while maintaining our savings rate at 10p, I will extend for the 17 million men and women with ISAs—individual savings accounts—the amount of cash that can be saved tax-free from £3,000, raising it by 20 per cent. in April next year to £3,600.

After independent taxation was introduced by the previous Government on income, there has been general agreement that the best way to help the income of families with children is to raise child benefits and to help all children. For the first child of all parents, child benefit was £11 a week in 1997. This year it is £17.45. I can announce today that we will raise child benefit annually for the first child in three successive stages to 2010—raising child benefit by a total of 15 per cent. to £20 for the first child. So child benefit, which was £575 a year in 1997, will by 2010 be more than £1,000. For 6 million families on both child benefit and child tax credit—that is the vast majority of families—the minimum payment, which was just £11 in 1997, will rise to £31; that is a rise from £575 a year to £1,600 a year.

I can also do more to help those who need it most. Help for the poorest children, which in 1997 was £28 a week and is today £61, will now rise in three successive stages by more than 25 per cent. to £75 a week, almost three times the 1997 level. That measure will, with others, lift out of poverty 200,000 more children. With children's credits offsetting income tax liabilities, the effective point at which a family with two children starts paying income tax, which was £16,000 in 1997 and which is £22,500 now, will be £24,250 in April 2009—tax credits therefore effectively wiping out income tax liability until earnings of £450 a week.

We will match financial support for children with more help for parents to do the best by their children. I have set aside today funds for expanding ChildLine, Parentline Plus and the services parents and children use and rely on. We now know the importance of early-years learning in developing the talents of children and the significance of investment early to determine the qualifications and success that they have later. So the Secretary of State for Education and Skills and I have today made available the funds for each of the years to 2010 to honour our promise that there will be six children's centres in the typical constituency, and 3,500 children's centres in total. We have also set aside funds for the years to 2010 so that we can expand the numbers of hours of free nursery education, meeting our promise to raise nursery hours for every three and four-year-old from 12½ hours to 15 hours a week. Also, to encourage the community use of schools sports facilities we will remove the VAT restriction and enable academies to make their sports facilities available to their local communities.

I am also able today to take several hundred thousand of today's pensioners out of income tax. When we came to power, elderly citizens started to pay income tax when their income exceeded £5,200. Today, no tax is paid before an income of £7,280. For those under 75, the tax-free allowance will rise in three stages from £7,280 to £8,990 to £9,500 and then to £9,770 in 2011—a tax-free allowance of almost twice as much as in 1997. For those over 75, the tax-free allowance will rise annually from £7,400 to, by 2011, £10,000. Couples under 75 will have a tax-free married allowance up to £19,540, and for a couple over 75 up to £20,000. Measures in this Budget mean that we will lift out of income tax a total of 600,000 pensioners in this country. For elderly people with either no works pension or small works pensions, I can confirm we will raise the pension credit guarantee from £114 a week this year to £119, rising to £130 in 2009-10. The pension credit will be raised by earnings as we move towards our commitment to link the state pension to earnings.

I have focused support on families by raising child benefits and child tax credits and taken 200,000 more children out of poverty. I have done more to support pensioners by raising the level of tax-free allowances. I have improved work incentives for lower income families with children by raising the minimum income from work to make work pay—to, for many, almost £300 for a 35-hour week. My aim in all measures today is a fair system for pensioners and families with children.

Having put in place more focused ways of incentivising work and directly supporting children and pensioners at a cost of £3 billion a year, I can now return income tax to just two rates by removing the 10p band on non-savings income. I can also announce that the point at which people start paying top rate income tax will from April 2009 be an annual income not of £38,000, but of £43,000; and I will align the income tax

system with the national insurance system, with its ceiling set at the same threshold of £43,000, thereby creating a tax system for income that has just two rates and two thresholds. As a result of today's measures, 58 per cent. of pensioners over 65 will not pay income tax; 6 million out of 7 million families with children are better off; and the incentive to work is increased by, for many, up to £350 a year.

With the decisions that I have made today, I am also able to announce that we will invest more in our schools and education. Separate announcements will be made later for Scotland, Wales and Northern Ireland. Education spending in England, which was £29 billion in 1997 and is £60 billion this year, will be £64 billion next year, rise to £67 billion and then £70 billion, and then rise in 2010 to £74 billion. There will be average rises of 5 per cent. cash each year for the next three years, enabling us to provide one-to-one tuition for 600,000 children, do more to double apprenticeship numbers to 500,000, increase higher education student numbers to 1.2 million, and make every school an extended community school. Also, cash-spending per pupil, which was £2,500 in 1997, will from now to 2010 rise by a further 20 per cent.—10 per cent. in real terms—to £6,600 per pupil, thereby continuing to narrow the gap in investment per pupil between state and private schools. Education spending will rise as a share of national income from the 4.5 per cent. that we inherited in 1997 to 5.6 per cent. in 2010. Also, as the Secretary of State for Education and Skills will set out, by changing the education leaving age we will for the first time in our country's history make education a right for every young person until the age of 18.

I have taken 600,000 pensioners out of tax, raised child benefit in three stages to £20, cut corporation tax from 30p to 28p and increased education spending to the highest level ever. This is a Budget for Britain's families; it is a Budget for fairness; it is a Budget for the future; and I have one further announcement. With the other decisions I have made today, we are able to hold to our pledge made at the election not to raise the basic rate of income tax. Indeed, to reward work, to ensure working families are better off and to make the tax system fairer, I will from next April cut the basic rate of income tax from 22p to 20p, the lowest basic rate for 75 years. I commend this Budget to the House.

PROVISIONAL COLLECTION OF TAXES

Motion made, and Question,

That pursuant to section 5 of the Provisional Collection of Taxes Act 1968, provisional statutory effect shall be given to the following motions:—

(a) Rates of duty on alcoholic liquor (motion No. 6)

(b) Rates of tobacco products duty (motion No. 7)

(c) Amusement machine licence duty (motion No. 10)

(d) Rates of vehicle excise duty (motion No. 12)

(e) Landfill tax (bodies concerned with the environment) (motion No. 20)

(f) Insurance premium tax (meaning of "premium") (motion No. 56)—*[Mr. Gordon Brown.]*

put forthwith, pursuant to Standing Order No. 51 (Ways and means motions), and agreed to.

Mr. Deputy Speaker (Sir Alan Haselhurst): I now call on the Chancellor of the Exchequer to move the motion entitled "Amendment of the law". It is on that motion that the debate will take place today and on the succeeding days. The remaining motions will be taken at the end of the Budget debate, next week

Budget Resolutions

AMENDMENT OF THE LAW

Motion made, and Question proposed,

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation;

(b) for refunding an amount of tax;

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description—*[Mr. Gordon Brown.]*

1.22 pm

Mr. David Cameron (Witney) (Con): Well, the Chancellor has finally given us a tax cut. He normally does that before a general election, but he is in such a deep hole that he has had to do it before the leadership election. In the process, he has blown open the argument that he has been making year after year. He is conceding what we have said all along—that it is possible to increase spending and cut taxes; that yes, it is possible to share the proceeds of growth. But this Chancellor cannot run away from his record. He is the Chancellor who has put the tax burden up. He is the Chancellor who has taken one tax down but put 99 taxes up. The average family is paying £1,300 more because of his Budget decisions. We will check carefully what is happening to the aligning of national insurance, because we think that it might be hitting middle-income families. *[Interruption.]*

Let me tell you, Mr. Deputy Speaker— *[Interruption.]*

Mr. Deputy Speaker: Order. By sitting down, the right hon. Gentleman did my job for me. It is inevitable that a major statement of this kind produces reaction. It has been relatively mild so far. Let it stay that way.

Mr. Cameron: Thank you, Mr. Deputy Speaker. It is a bit like Stalin: they are cheering him on now—he will wipe them out later.

Let me tell you, Mr. Deputy Speaker, what the Chancellor's real problem is. It is not that he is a Stalinist who holds all his colleagues in contempt, although that probably does not help; it is that he has wasted money on an industrial scale. That is the truth. His great experiment in tax and spending has failed. He is an out-of-date politician wedded to state control, and the question that everybody is asking is: where has the money gone? This is the "Where has the money gone?" Budget. For 10 years, the Chancellor has been telling us that education is his priority—he did it again today—but 40 per cent. of primary school leavers cannot read properly. For 10 years, he has been telling us that he wants a competitive economy, but he has given us the biggest tax burden in our history. For 10 years, he has been talking about child poverty—he did it again today—but the number of people living in severe poverty is up by 400,000. UNICEF says that Britain is the worst place in the developed world to bring up children.

For 10 years, the Chancellor has been telling us about the NHS. Today there was barely a mention. All that he has done is to reannounce this year's money, which we already knew about. He has the figures for the future. Why will he not tell us about them? Does that not tell us everything that we need to know about the crisis in the NHS? The hole in the heart of this Budget is the failure to fix the NHS.

The NHS was not the only thing that the Chancellor hardly mentioned. Let us look at what was in the Budget that did not get a mention in the speech; that is always an important list. Soon, the Chancellor and his allies will be going round the country saying that the spin, distortions and half-truths of the Blair era are coming to an end; some of them have started already—but actually, with the Chancellor spin will get worse.

Let us look at today's Budget. The Chancellor did not point out the savings ratio, which is hidden on page 255 of the Red Book; it has halved since he took office. Business investment as a share of gross domestic product, one of the keys to future growth, is on page 257 of the Red Book; again, it is below 10 per cent. and going backwards. What about page 260 of the Red Book, which says that

"the overall trade deficit is up"?

Again, there was not a mention of that from the Chancellor.

The Chancellor talked about research and development tax credits, but he did not tell us that since they were introduced, R and D has actually fallen. He barely mentioned the Lyons report on local government. He normally trumpets these reports and tells us how proud he is, but today there was not even a mention. Make no mistake—the measures in the Lyons report will hit every family in the country. The Chancellor did not mention retail prices inflation, either, which is now at 4.6 per cent.—almost double what he inherited. All those things are in the Budget; none of them was in the speech. *[Interruption.]* I know that the Chancellor and the Prime Minister are having their annual conversation, but I do not know why he bothers talking to the Prime Minister; he is not "bovvered" any more.

A fortnight ago, the Prime Minister said that the arts were a "core" part of the script. They were not even in the Chancellor's script. The Chancellor boasted about foreign direct investment, but he did not tell us that the Red Book shows that half of last year's foreign direct investment was accounted for by the restructuring of one company—Shell. That did not get a mention. In spite of all the extra taxes, let us look at the borrowing figures. The Chancellor listed them through gritted teeth. They might have been whitened, straightened and privately polished—*[Interruption.]* He has spent all that money on his smile, but he will not even give us one. He is not going to win over Kylie like that.

Let me read back the five-year plan—I mean, the Budget. This year, the Chancellor will borrow £35 billion, then £34 billion, then £30 billion, then £28 billion, and then £26 billion. That is a total of £153 billion by 2011, which is £8 billion more than he

told us about just three months ago. This is the Chancellor who has built up a pile of debt. Again, where has all the money gone? We have had a bonanza on spending on the NHS, but nurses are being sacked. He brags about people's long-term security, but the pension system is shot to pieces. He boasts about spending on young people, but the number not in education, employment or training is up by a third. So he has not just borrowed billions; he has wasted billions. What a wasted opportunity—billions taxed, billions borrowed, billions wasted. *[Interruption.]*

The Chancellor has run out of money, so let us look at the big tasks, the big things that he said— *[Interruption.]*

Mr. Deputy Speaker: Order. I am hearing far too much noise from the Labour Benches—and I do not want it encouraged from the Opposition Benches, either.

Mr. Cameron: It is difficult for them, Mr. Deputy Speaker; they are just realising that their next leader has the tendencies of Stalin and the poll ratings of Michael Foot. The Labour Front Benchers are all standing in the deputy leadership contest because they know from history that that is the one way to avoid the gulag.

Let us look at the big tasks that the Chancellor set himself 10 years ago. He said that he would make the economy more productive, make work pay and tackle inequality. He called productivity growth the

"fundamental yardstick of economic performance".

It has almost halved. It is now lower than in France, lower than in the United States and lower than in the G7 as a whole. As the Prime Minister's former economic adviser put it, the Chancellor is "furring up" the arteries of the economy. Apart from that of India, our tax code is now the longest and most complex in the world. The World Economic Forum says that it takes longer to start a business here in Britain than it does in Serbia. All we have had from the Chancellor is a super-sized bureaucracy.

The Chancellor promised to make work pay. Budget after Budget, he has poured money into the tax credit system. It now costs £16 billion and employs more than 8,000 people. Last year, more than £2 billion was overpaid. Half of all the awards were wrong. The former Home Secretary said:

"The tax credit system is a shambles—such a shambles that I've had to help...my constituents financially".

He added that it is

"such a total mess".

The Chancellor did not tell us that those in work face effective marginal tax rates that would not seem out of place in Cuba. There are 160,000 people who keep only 10p out of every extra pound they earn. Last time we had a 90 per cent. marginal tax rate, at least it was the richest who paid. Now it is the poorest. It is not surprising that social mobility has gone backwards.

Having failed on the public services, on inequality and on poverty, the Chancellor is posing as a friend of the environment. Last week he told us that he did not want green taxes. Now he is introducing them by changing vehicle excise duty. But he leaves the Treasury with carbon emissions up and green taxes as a proportion of total taxes down. I am not surprised that the Secretary of State for Environment, Food and Rural Affairs is standing by the door. He is probably off to launch his leadership campaign. If he had any courage, he would go for it.

The Chancellor spoke a lot about education. Let me take his big pledge. He promised that spending per pupil in state schools would be made equal to spending in private schools. That was the big Budget promise last year. First it was a pledge. Then it became an aspiration. Then it became a long-term ambition dependent on growth in the economy. So what have we learned today in the Budget about this policy that is meant to be the centrepiece? He has told us that he might narrow the gap; that is absolutely nothing.

There is no timetable for this pledge about matching state and private education. So what is the Chancellor actually telling us? Can he tell us what private school spending will be in five or 10 years' time? No. Can he tell us what state school spending will be in five or 10 years' time? No. So that is the great message from the Chancellor. It is his aspiration that one day a number that he does not know might be almost as big as another number he does not know, but he cannot tell us when. Labour Members can put that in their election addresses, but it will not save their seats.

Let me tell the Chancellor what we welcome in the Budget. We welcome the capitalisation of the student loan book. We suggested that three years ago. We welcome the cut in corporation tax. We suggested that three days ago. In fact, if one looks at the whole approach of this Budget, one reaches an inescapable conclusion. Spending is going to grow—*[Interruption.]* The monkeys opposite jeer, but they do not know this. Spending is going to grow 2 per cent., then 2 per cent. and then 1.9 per cent. The economy is forecast to grow by 2.5 per cent. or more in each of the next three years. So the Chancellor has just announced a third fiscal rule. He is sharing the proceeds of growth. He has spent all year attacking our policy and making up ludicrous figures for cuts in public spending, but now he is introducing it. This is the "great master of strategy". He has spent months planning this Budget, with thousands of civil servants in a Treasury that costs almost twice as much as when he first walked through its doors. And the best he can do is to introduce a policy that I announced a year and a half ago. What a genius.

When the Chancellor finally gets to No. 10 Downing street, without any sort of mandate from the British people, why not call an immediate election? Then we can introduce all our policies. That is the Chancellor's problem. He cannot be the change that we need. As the right hon. Member for Birkenhead (Mr. Field) says:

"With such clear responsibility for what has gone on, how can he offer the country a new start?"

The Chancellor is not the solution. He is the problem. That is the tragedy for the Chancellor. For years he wanted to be the young pretender and he has ended up as the old man in the Kremlin. The target culture is his culture. The failing schools are his failures. The pensions system is broken because he broke it. The Blair-Brown era is coming to an end. The great ship of new Labour is now a listing, leaking, rusting hulk, and it is heading for

[Mr. Cameron]

the rocks. He cannot jump ship because he has been the pilot for the last 10 years. They are going down—and he is going down with them.

Just think what a legacy 10 years as Chancellor could have produced. We could have had a Budget about a better NHS, a competitive economy, protecting the environment or strengthening families. But for a Budget like that, we will have to wait not for a change of Chancellor, but for a change of Government.

1.35 pm

Sir Menzies Campbell (North-East Fife) (LD): Once again, I am struggling to match the intellectual rigour of the previous speech. I am pleased to congratulate the Chancellor as he celebrates his 11th and, as we must assume, last Budget. He is now comfortably the longest serving post-war Chancellor, and that in itself is a remarkable feat. I congratulate him warmly. I also note with some relief his expression of suitable reverence for the record of Mr. Gladstone.

Sadly, this Budget does not quite live up to the auspicious nature of the occasion. We have seen, over the years, the Chancellor's capacity as a conjuror to use sleight of hand to produce proposals that seem attractive on the face of it but which, examined in a little more detail, are discovered to be rather less attractive than they first appeared. We have had seven years of booming, but often wasted, public sector spending. This is the Budget of a Chancellor ready to move on—a wait-and-see Budget from a wait-for-me Prime Minister.

The Budget has not done enough for the hard-working family that is increasingly struggling with the rising cost of living; for the young couple who have finally got on the housing ladder, but are now fearful that the next interest rise may push them off it again; or for the nurse, police officer or firefighter whose reward for service to their communities has been to see their income squeezed by a burden of taxation higher than that imposed on the richest in this country.

The Chancellor had the opportunity today, in this final Budget, to show that he was listening to the people of Britain, but he has delivered a Budget of missed opportunities. He had the chance to build a fairer Britain, but he has ignored it. He had the chance to create a greener Britain, but he shunned it. And he had the chance to shape a prudent Britain by saving billions of pounds on Government waste, but he has avoided it. He has spurned all those opportunities.

The Chancellor has instead concentrated, perhaps not surprisingly, on his own political succession. But I have a warning for him of a vision of the Prime Minister springing up from his political coffin, like Dracula, to confront the Chancellor. A stake through the heart may seem excessive, but he should beware. As the Americans say, "It isn't over till it's over."

To be fair, I must add that this Budget is set against the backdrop of a reasonably strong economy. Growth remains stable and unemployment remains low. I acknowledge that Britain has a reasonably strong economy. We have supported investment in public services through an increase in taxation from the 1997 base, and we supported independence for the Bank of England. I hope that the Chancellor in turn will be generous enough to point out that those were Liberal Democrat policies, which he derided in opposition but adopted in government.

I talked about the Chancellor's sleight of hand—and I refer the House to page 13 of the Red Book, and item 15. The Chancellor told us as he sat down, to waves of applause, that he would cut the basic rate of income tax from 22p to 20p. On the face of it, that is a Liberal Democrat proposal and a welcome one. But if one looks carefully, one sees that the revenue to justify that reduction will be obtained from the abolition of the 10p rate. To fund the reduction, income tax will be increased for many taxpayers. One could say that we will be asking the poor to subsidise the rich. That is an example of the sleight of hand that the Chancellor has demonstrated in the past.

The sad fact is that despite a reasonably strong economy, the wealth gap between rich and poor is greater today than it was under Margaret Thatcher. By introducing loopholes in the capital gains tax regime, the Chancellor has allowed the wealthiest individuals to minimise their tax bills.

An example of that is the Chancellor's proposals on inheritance tax. They are obviously welcome, but he did not point out that the number of estates valued at more than £2 million that pay inheritance tax has fallen by nearly 10 per cent. since 2001. That tells us that the rich find ways of avoiding paying inheritance tax, and we are entitled to look for some recognition of that by the Chancellor, and for some willingness on his part to take steps to deal with it.

I am afraid that the Chancellor has proved to be every bit as susceptible as some of his Conservative predecessors to giving tax breaks to our richer citizens at the expense of our poorest. The lowest-earning fifth of UK households still pay a greater proportion of their income in tax than the highest earning fifth. This Budget was an opportunity to rebalance the tax system in favour of the less wealthy, but the Chancellor has refused to take it.

With a proper, full approach to raising green taxes, the Chancellor could have helped to encourage a change in environmental behaviour. Of course his proposals on vehicle excise duty are welcome, but they fall far short of what is required. I listened to his speech with care, but I did not hear him say anything about aviation. Do the Government believe that the right hon. Gentleman's recent imposition on aviation has had a significant—or even a discernible—environmental effect? We also need to know whether the proposals apply only to new motor cars, or are retrospective.

This should have been a tax-cutting Budget. It should have cut the tax burden on the low and middle-income families who need it most. That is what one should do with the proceeds of green taxation. That is the true moral case for tax cuts, and it is a matter of regret that the Chancellor has not chosen to act on it.

Of course, taxes have been raised significantly since 1997. Neither I nor my party is persuaded by the case for raising them further. The Chancellor must resist the temptation to tax and spend. Indeed, he should seek to save in order to spend.

Large sums of public money have been wasted on unnecessary and unpopular measures, but now the Government are planning to waste more. We should recall that the war in Iraq has cost more than £5 billion so far, and that is quite apart from the human cost that is emerging. We know that the President made the decisions on Iraq, while the Prime Minister made the case for the war, the Chancellor signed the cheques, and the Conservatives voted it through.

Secondly, identity cards will cost at least £6 billion, and some estimates put the cost as high as £18 billion. That money should be invested in the police and security services. Thirdly, we are already committed to spending £76 billion on the decommissioning of the existing generation of nuclear power stations. Building a new series of nuclear power stations—something to which the Government appear to be committed—will simply add to that bill. The Government should not be wasting taxpayers' money in that way.

The announcements in the Budget were made against the background of an increasingly unbalanced economy. Britain's accumulated private household debt has now reached a total of £1.2 trillion. Any decline in the housing market would be devastating, for millions of families and for the economy as a whole. Moreover, the burden of servicing that accumulated debt is also rising. The average cost of debt repayment in relation to income is now close to the level experienced during the debt crisis under the previous Conservative Government.

The Chancellor talks about the fiscal rules, but he should take steps to restore their credibility. He should have established an independent fiscal authority, as advocated by the Institute of Fiscal Studies. We should have an independent assessment of the economic cycle on which the Treasury bases its figures. The Chancellor simply should not be allowed to mark his own examination papers.

Some questions arise from the Budget statement that need to be answered. The public are entitled to know the effect of the Budget on their tax bills, and on the overall state of the economy. Will the Chancellor confirm that it raises the tax burden on lower and middle-income earners? Why has he failed to combat rising levels of personal debt, or to set up an independent system of assessment for fiscal policy? And why, in his 11th and final Budget, has he not rebalanced the tax system properly, with proper tax cuts for lower and middle-income earners? Those are questions of crucial importance, and the Chancellor should answer them.

1.45 pm

John McFall (West Dunbartonshire) (Lab/Co-op): I congratulate the Chancellor on the Budget, which will benefit families, society and business. He has taken 600,000 pensioners out of taxation and increased child benefit, and that is extremely important and welcome. However, he has also given us a Budget for business, with corporation tax being reduced to its lowest level ever, and income tax to its lowest level for 75 years.

I want to congratulate both the Chancellor and the Prime Minister. The Select Committee on the Treasury is undertaking an inquiry into the 10 years of the Monetary Policy Committee. We have had some eminent witnesses, not least the former Governor of the Bank of England, Lord George, who came before us yesterday. Some people are asking whether it is through luck alone that the MPC has managed to keep our economy stable, with low interest rates and inflation. However, almost all the witnesses who have appeared before the Committee have rejected that notion. Instead, they have described the instability in the rest of the world and pointed to global difficulties such as the problem with long-term capital management that arose in 1998, and the Asian crisis of 2000. They attribute the success of our arrangements to the structural architecture that we have set up for both monetary and fiscal policy, and they have noted that the accompanying fiscal rules—the golden rule, or spending to invest, and the sustainable investment rule—are extremely important.

Some of the witnesses have noted, very perceptively, that the Government's arrangements would not have succeeded without the accompanying welfare-to-work programmes, such as the new deal. Unemployment stood at 3 million 20 years ago—Labour has created 2 million extra jobs, and that growth in employment has given the Government an opportunity to achieve economic stability. If the mix that I have described had not been available, the pressures already in the system would have rendered it impossible to ensure the stability that has given us record low levels of inflation and interest rates in the past decade.

This is definitely the Prime Minister's final Budget—at least, that is what I am told. However, both he and the Chancellor deserve congratulations on their commitment to maintaining the stability and confidence in our economy—something to which all the political parties are now signed up. In the early 1990s, the Prime Minister and the Chancellor committed the Labour party to that project, thus inspiring confidence in a system that the City, the business community and society as a whole have all accepted. The International Monetary Fund and the Organisation for Economic Co-operation and Development have analysed the British economy, and they have remarked on its stability. Indeed, the IMF recently said that Britain had the best growth levels in the G7.

Yesterday, Professor Charles Goodheart, an eminent former member of the MPC, told the Treasury Committee that the stability that Britain has achieved is remarkable. However, he warned that people might be taking it for granted, especially the young people who have grown up in the stable environment of the past 10 years. It is therefore important for all of us to work to ensure that confidence in the system and the credibility of the framework are maintained. That will be one of the many objectives of the Treasury Committee as it continues its inquiry into the MPC framework 10 years on.

I want to look at the Budget measures in the context of a number of themes that have emerged from the current and recent work of the Treasury Committee: for example, the prospects for economic growth in the medium term; the role of the fiscal rules, particularly in the next economic cycle; the prospects for public expenditure and the role of the comprehensive spending review; the importance of education expenditure—in particular the delivery of capital

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expenditure on education, which exercised the Committee at the pre-Budget report stage; the need for transparency in demonstrating the success of the Gershon efficiency programme across Government, about which we have a number of questions; and lastly the importance of environmental considerations and the economics of climate change in Treasury policy, both now and in the future.

The Budget painted an encouraging picture of economic growth and the Committee has noted the signs for business investment—the Chancellor's announcement today that business investment will grow by 7 per cent. is encouraging. The Committee was puzzled about why it had not grown in the past, given the prosperity and stability that have been brought about, so the Chancellor's announcement is welcome.

Unemployment is falling, and the Chancellor mentioned that 220,000 more people were in work this year, which is extremely important. We need to continue the welfare-to-work programmes, not least the initiatives that have been mentioned, so that people aged over 55, in particular, can go back to the work force. One of the trends of the past year or so is that there are more older people returning to work, so we need to encourage them. A while ago, I pointed out that although people aged over 65 who work do not need to pay national insurance contributions, their employers do. Why does not the Treasury give a further boost to encouraging older people to work by ensuring that employers do not need to pay insurance contributions if their employees do not pay them? That would be an encouraging sign.

From the Committee's inquiry into the MPC, it has become clear that for the past decade economic conditions have been exceptionally favourable. Indeed, the Governor of the Bank of England, Mervyn King, has described that decade as the NICE decade—the non-inflationary, consistently expansionary decade. Will those conditions be maintained for the next 10 years? Yesterday, one of the witnesses at the Committee said that we would have to be prepared for the fact that the next 10 years might be less rosy. The Governor has compared the economy to a car on the road; it is not that the wheels will come off the car, but that the car will be travelling over a bumpier road. We all have an interest in ensuring that we are realistic about what will happen in the next 10 years.

The Chancellor's economic stewardship has been exemplary, as was his foresight in establishing the MPC. Global factors have helped, too; for example, the tail wind of globalisation has been beneficial for growth in our economy, as more individuals have entered the country to join the labour force. Will that situation prevail? We need policies to ensure that it remains a success.

Mr. John Redwood (Wokingham) (Con): During the Committee's deliberations, were Bank of England representatives asked why we in Britain have had to pay much more for our borrowing over the past 10 years than our Japanese, American and euroland competitors? Why have we not reduced our rates to the global average?

John McFall: Witnesses have pointed out how favourable conditions are in the UK in terms of globalisation. The IMF has said that our growth is the fastest in the G7. In the Budget, the Chancellor showed how low our inflation is compared with America, France, Japan and Germany. We are doing well in that regard, as expert commentary tells us.

There are risks to the international economy. In the US, there are concerns about the sub-prime lending market, but comments I have received from individuals in the City do not lead me to consider that the sub-prime lending market presents the same problems in the UK. However, we have to focus on the social conditions in lending. In the last Parliament, the Committee was firm about looking at responsible lending and borrowing. We must be careful that people do not over-extend, especially if they do not have claimable assets. The sub-prime market is important for financial inclusion, so I am pleased with the Government's response to our reports on that. I look forward to working with the Treasury on the 10-year programme for financial inclusion.

Threats from the rapid unwinding of global imbalances remain, as do risks from increased protectionism if the Doha round cannot be brought to a successful outcome. I attended a conference in Africa last week. Representatives from the developing world asked how fair trade really was when they had no access to the markets of richer countries. They pointed out that development aid was no use in the longer term if they did not have free trade. The Doha round is extremely important and I urge the Government to make more commitment to it.

The two fiscal rules—the golden rule and the sustainable investment rule—have played an important part in strengthening confidence in fiscal policy, and will also have a role in the next economic cycle. The Chancellor is to be congratulated on establishing the rules and the monetary policy framework. However, there have been comments that the fiscal policy framework is not as firm and transparent as the monetary policy framework. Changes to the dating of the economic cycle, even if justified by economic data, have not assisted with the understanding and interpretation of fiscal rules.

Mr. David Gauke (South-West Hertfordshire) (Con): The right hon. Gentleman rightly raises issues about the golden rules. An additional point that our Committee has considered is whether the last year of one economic cycle should be treated as part of the first year of the next economic cycle. Today, we are not clearer about the Chancellor's policy on that point, but does the right hon. Gentleman agree that it would be right to apply the test consistently, and just as in the past we have treated the last year of one cycle as the first year of the next, so we should in future?

John McFall: The hon. Gentleman is a good, hard-working member of the Committee and I value his presence. In our last report, we argued that the end of an economic cycle provides the ideal opportunity to review and clarify the operation of the rules. No doubt, when the Chancellor appears before the Committee a week on Thursday I shall be alert to the hon. Gentleman's desire to ask a question at the appropriate time.

In the case of the golden rule, the Treasury Committee has questioned whether it could be more forward-looking, to reflect tensions between fiscal planning, which looks forward, and the dating of the economic cycle, which looks backward. The evidence we have received, not least from the Governor of the Bank of England, suggests that we should be more forward-looking.

The Committee has sought clarification from the Treasury of how it proposes to interpret the sustainable investment rule in the next economic cycle. Clarity on the issue will enhance credibility and strengthen the framework, and will help one and all in ensuring confidence in the whole system.

On the prospects for public expenditure and the role of the comprehensive spending review, my right hon. Friend the Chancellor announced a tight envelope for the CSR in his Budget. However, he can expect much attention from the Treasury Committee in the months leading up to the announcement of the comprehensive spending review, especially in regard to allocations to Departments, and understandably so.

It is important not to lose sight of the framework of public sector agreements and delivery agreements that are intended to underpin the spending settlements. Public service agreements have sought to link increased expenditure with programmes for reform and targets for improvement. Frameworks for reform and continuous improvement are all the more important in the context of a period when public spending is expected to fall as a proportion of gross national product.

When the Chief Secretary to the Treasury appeared before the Treasury Committee, he informed us of plans for fewer but better PSA targets. That is encouraging, but Parliament, and Select Committees in particular, should be involved in the formulation of those targets to see that they are clear, measurable and linked to the resources available. I ask the Government to work more closely with all Select Committees to ensure that that is the case, because insufficient work has been done in that area.

Along with the Chairman of the Public Accounts Committee, I am looking at the issue of financial reporting by the Treasury to Parliament. Financial reporting is complex; indeed, some would say that it is gobbledegook in many cases. If we cannot trace the money and we do not have that parliamentary accountability, confidence is reduced. The Treasury can expect further contact from me and the Liaison Committee on this issue in order to simplify the financial reporting to Parliament so that we can inform the House of where the money is and where it is going.

There is also the issue of the importance of education expenditure, and the delivery of capital expenditure in education in particular. The Chancellor made that very much the centrepiece of his Budget. The themes that I have just referred to demonstrate the challenges in education spending. The Chancellor is right to stress the centrality of education expenditure. An educated and skilled work force is important if we are going to respond to the global competitiveness agenda in front of us. But I suggest that extra resources are not enough. It is the responsibility of the whole Government, including the Treasury, to ensure that the money made available is spent to deliver the objectives.

At the last pre-Budget report hearing, the Chancellor appeared before the Treasury Committee. Members of the Committee, not least my hon. Friend the Member for Leeds, East (Mr. Mudie), questioned Treasury officials and Ministers thoroughly on what they do to ensure that the money allocated is spent. The answers received, particularly in the context of the 'building schools for the future' programme, were not always convincing.

I warn the Chancellor that when he comes before the Committee, that theme, in terms of education and new schools, will be raised. What about the money that is being allocated to those schools? When are they being built? When will they be completed? Those are simple questions and we wish to have the answers to them, particularly when the Chancellor comes before the Committee next week. More money for education is welcome, but attention needs to be paid to the capacity of schools, local authorities and Departments to deliver allocated spending, particularly in the context of capital programmes.

Mention has been made about money going to front-line services by means of efficiency savings in the Chancellor's Budget statement. There is a need for transparency in demonstrating the success of the efficiency programme across Government. The Gershon efficiency programme is the most ambitious programme of its kind under any Government. The Chancellor today announced new figures on the progress being made, which is encouraging. However, the Treasury Committee has found it hard to match up the assertions of massive efficiency savings, achieved without reductions in service to the public, with the experience on the ground in areas such as Jobcentre Plus. Many of us in the Chamber have had representations from our constituents who work in the Jobcentre Plus area.

It is also hard to correlate reported efficiency savings in Departments such as the Home Office with other evidence on effectiveness and financial management. In the last pre-Budget report, it was mentioned that the Home Office has achieved 95 per cent. of its targets on efficiency savings. That was at the same time as the Home Secretary called it a Department that was not fit for purpose. That just does not add up and therefore there is more need for transparency and clarity. Challenging targets for efficiency savings in the years up to 2011 have already been set, but the Government need to attach priority not only to managing the new efficiency programme within government, but to ensuring that it is reported in ways that ensure parliamentary and public confidence in its delivery.

I come to the importance of environmental considerations and the economics of climate change in Treasury policy, now and in the future. The Chancellor is right to put environmental considerations at the forefront of the Budget. He is also right to stress the role of incentives, as well as taxation, in changing behaviour. The carrot-and-stick approach works more than anything. Taxation can be a blunt instrument in an environmental context. That is clearly true for aviation, where both current and proposed taxation instruments have been criticised. When representatives of the aviation industry appeared before the Committee during our inquiry into environmental taxation, they were not very clear or persuasive about

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what they were doing in this area. It is time for the industry to raise its game and to participate fully and constructively in the public debate, rather than heckling from the sidelines. After all, the industry is not in the emissions trading scheme in the European Union until 2011. It does not pay taxation on its fuel, unlike the ordinary motorist or businesses in the country. It has a window of opportunity between now and 2011, when it will go into the emissions trading scheme, to show its metal and to show what it is going to do in terms of the environment. I make a plea to the Government to ensure that there is a fair price for carbon in the emissions trading scheme. There will be a lot of lobbying going on in the next few years, but if we do not ensure a fair price for carbon in the emissions trading scheme, the merits of that scheme will be lost.

Sir Nicholas Winterton (Macclesfield) (Con): The right hon. Gentleman is making a good case about a responsible attitude to climate change and global warming, but does he share my deep concern about the dramatic loss of jobs in manufacturing, which can be impacted upon by taxes that are brought in, perhaps for a good reason, in respect of climate change? I refer, in particular, to the aggregate levy that the Chancellor is increasing. That will affect construction, and construction is part of manufacturing. The climate change levy also impacts on the costs of manufacturing, making us less competitive. Is not the right hon. Gentleman, who chairs the Treasury Committee with great distinction, concerned to ensure that we have a proper balance?

John McFall: I am concerned about the position of manufacturing. I would be concerned if there were adverse consequences in that respect, but the challenge for us there is to ensure greater efficiency. It is important to have that efficiency drive, added to the technological expertise in this country. The hon. Gentleman could make me wax on about manufacturing, but I do not want to detain the House. Spending a lot of time, as I do, speaking to people in the City and seeing some of the bonuses and wages that they get, and then going into the manufacturing sector and seeing small businesses that have two or three people who are struggling, but have dynamic, innovative technological programmes, I think that there needs to be a little rebalancing. However, I will not be tempted by his question. I will leave it at that. He raises an important and profound issue, and we should debate it. We cannot allow the manufacturing agenda to be lost. Although 70 per cent. of our GDP comes from the services area, there is an important role for manufacturing. I hope that he is satisfied with that answer for the moment, but I will ensure that I report back to him at some other time.

I referred to the aviation industry and climate change. I also mentioned earlier that I was at a conference in Cape Town last week with representatives from European and African nations, and one of the big issues was climate change. We cannot look at development policies without considering climate change and therefore I make a plea for the Department for International Development, the Treasury and others to ensure that climate change comes further up our agenda. In that respect, I welcome the £50 million that the Chancellor announced for the programme for 10 countries in central Africa to prevent the destruction of the largest rain forest in the world.

At Cape Town university last week, an expert on climate change told us that anything that we do to address climate change can influence the changes coming in the next 40 or 50 years. We must consider communications. The scientist graphically described being on the end of his mobile and warning people in Mozambique about tornados that were coming to their area. It will be extremely important for us to be prepared for the shocks and changes that climate change presents. We must step up our thinking about that aspect of climate change, and the Treasury Committee will take that forward when we report on the Stern review and the Treasury's role in environmental policy.

Mr. Nigel Evans (Ribble Valley) (Con): The right hon. Gentleman mentioned Africa. He will know that there will be discussions at the G8 meeting in June about the commitment that the Government have already made to Africa in the form of £1.5 billion to help to fight HIV/AIDS. Will he join me in asking the Government to ensure that we stick to that commitment and try to persuade as many Governments as possible throughout the developed world to help fight the scourge of HIV/AIDS in Africa, which is clearly one of the problems that is holding back Africa's development?

John McFall: I agree entirely with the hon. Gentleman from both a humanitarian and an economic point of view. When we visit Africa, we see that the people dying of HIV/AIDS are those who are the most economically active. The long-term future of the continent is thus being threatened, so I am 100 per cent. behind the hon. Gentleman on the need to ensure that we keep that issue on the agenda.

The Treasury Committee has announced that it will conduct a couple of further inquiries. We will hold one on the transparency of financial markets and another on dormant accounts and an unclaimed assets scheme. The themes of the inquiry on the transparency of financial markets will be the private equity business, hedge funds and insider trading. The recent activity regarding the takeover of Boots and Sainsbury has generated public debate about the private equity industry. My office has been contacted by many people involved in that industry and others. It is important to put down the marker that the private equity industry does a good job in ensuring efficiency in business. However, the Committee will be examining the effectiveness of such takeover activity, especially for the companies that are taken over. We will consider whether those companies get positive returns.

Sir Nicholas Winterton: The Chairman of the Treasury Committee is talking about a hugely important issue. While there might seem to be some advantage in UK companies being taken over, is the distinguished right hon. Gentleman aware of the amount of profit that is made by overseas companies that take over UK companies and that is then remitted overseas, rather than remaining in this country for the benefit of our United Kingdom economy? This is a critical issue; we are, indeed, selling our family silver.

John McFall: This can be a very emotive issue. I remind the hon. Gentleman that we must take our place in the globalised world in which we are living. We get remittances back from outside—

Rob Marris (Wolverhampton, South-West) (Lab): More.

John McFall: As my hon. Friend points out, we get more than the amount that goes out. The hon. Member for Macclesfield (Sir Nicholas Winterton) alludes to an important matter, however. The Committee will also consider whether there is too much takeover activity and the benefits of such activity in the long term. Our inquiries will focus on the long-term interests of the country regarding economic performance.

If companies are taken over, what will be the arrangements for monitoring them? What is the incentive to monitor a company if the bulk of its ownership is made up of small shareholders? Private equity seems to be in the middle of publicly quoted companies and private companies. Many private companies in this country do not need to report on a quarterly basis and are doing a fantastic job. An example is JCB diggers. I hear that it does not receive advice from City accountants and investment managers about things that it should do be doing, but focuses on the quality of the product that it is selling. I would like to see more of that in our country—I am sure that the hon. Gentleman agrees.

Mr. Mark Field (Cities of London and Westminster) (Con): I endorse the right hon. Gentleman's robust support for the private equity and venture capital industry. Does he agree that one of the main concerns arises from the sheer level of debt involved and the complex debt instruments that could create the possibility of a collapse? Obviously, we hope that that will not happen. In many ways, those complex instruments—many people, even in the City, do not fully understand their implications—are at the heart of a possible longer-term problem.

John McFall: The hon. Gentleman makes a relevant point. Although, we have a benign economic environment and low interest rates at the moment, the Committee will examine what could happen in the future. The debt and leverage that the hon. Gentleman mentions could have implications in an environment that was less benign.

I said that we would be examining hedge funds. The main issue is whether a systemic risk is involved, given that it is difficult to determine where the risk is. The Amaranth hedge fund went down and lost £6 billion, but that did not create a systemic shock in the financial environment, so perhaps the situation is robust and there is a spread of risk. However, I know that quite a number of people are worried about that spread of risk.

The Committee will also consider insider trading. When the Financial Services Authority examined the matter, it painted a fairly bleak picture. The FSA has not made great progress—it is difficult to do so—but we should consider it when we examine transparency.

Rob Marris: My right hon. Friend might be aware that I have attempted to find out how many prosecutions have been brought. The FSA estimates that between 20 and 25 per cent. of takeovers and deals might be tainted by insider trading, yet there have been fewer than two dozen prosecutions. Does my right hon. Friend find that extraordinary, as I do?

John McFall: Exactly. My hon. Friend outlines the situation cogently and cites a reason why we will examine the issue. A lot of concern about insider trading has been expressed to me from the City.

I noted reports on the front page of today's *Financial Times* about the Barclays-ABN Amro amalgamation, which throws up quite a bit of interest, especially from the point of view of the FSA. Barclays says that it will have its headquarters in Amsterdam and that it will have a Dutch person as its chief executive. Such a big merger across European frontiers will mean that negotiations about supervision will need to take place in both countries, although there will be supervision in each jurisdiction. Given the pivotal role that Barclays plays here and that it will play in Holland, there is a need for the Committee to discuss the matter with the FSA because such a path has not been travelled down too much previously.

The Financial Secretary has produced a consultation paper on unclaimed assets. The Treasury Committee went on an enjoyable but hard-working visit to Dublin—I think that the hon. Member for South-West Hertfordshire (Mr. Gauke) would agree—on which we worked from early morning until late at night and just fed ourselves in between. The Irish Government have passed legislation on dormant accounts, so the information that we discovered on our visit will help the legislative process as such a measure goes through here. There are two issues involved in dormant accounts, the first of which is reconciling individual savers with their accounts. The Irish Government put a 15-year limit on that, so if anyone comes back within 15 years, they can get their money straight away. Indeed, even if they come back after 15 years and have the relevant proof, they can get their money. Any measure will need to build people's confidence that we are aiming to reconcile savers with their accounts.

The second issue is that if the accounts are not reconciled, they are given to an independent body that distributes the money for the sake of the community. I suggest to the Government that the Irish Government have undertaken that task very well, and there are many lessons to be learned there. I can also tell the Government that the amount that has resulted from that scheme is eight to 10 times the original estimate of the financial institutions in the Republic of Ireland. That is a lively issue, and the scheme could benefit communities in our country, as well as individuals. If the Government go about their business in that sensitive way, they will certainly have the support of the Treasury Committee. I can tell the Paymaster General that the Committee will ensure that it raises some very good issues for her to consider. I am sure that she, if not others, looks forward to coming back before our Committee, as she always does.

I thank you, Mr. Deputy Speaker, for the opportunity to comment on the Budget, which will be welcome to families, young people, and business.

[John McFall]

Businesses told me that they needed a simpler system, but more than anything they need a commitment to the long term. With the corporation tax reduction announced today and the reduction in personal income tax, business has that commitment. We have a long way to go on that particular agenda, but we have heard encouraging statements from the Chancellor today, and I end by congratulating him and the Prime Minister on the past 10 years of financial and economic stability.

2.21 pm

Mr. John Redwood (Wokingham) (Con): I have said in the Register of Members' Interests that I hold non-executive directorships, and I draw that to the attention of the House, but of course I am not speaking on behalf of those companies today. It is with pleasure that I welcome a measure that the Chancellor is taking: it is excellent that he is to increase asset sales and privatisations in forthcoming years. When I was able to persuade a previous Conservative Government that that was what we needed to do, it never occurred to me that, some years later, I would stand up in the House to welcome a Labour Chancellor's acceptance of the wisdom of privatisation. It is often better to return assets, sometimes to the families from whom they originally came, because those families can look after them and the state can have the proceeds, which relieves some of the burden on the taxpayer. I give one cheer for that part of the Budget.

I had hoped, when I listened to the bravura performance at the end of the Chancellor's Budget, that I could also welcome him to the ranks of the tax-cutters. As many hon. Members will know, I have often had a sneaking inkling that tax-cutting is a good idea, and have had a certain preference for it. However, it is not a cut in income tax that the Chancellor is offering today, but a con. It is a small tax rise on income. If Members look at page 208 of the Red Book, they will see that what the Chancellor gives by cutting the standard rate from 22p to 20p—naturally, I welcome that—he more than takes back by seizing the 10p band and removing it, and by raising the thresholds for national insurance. Commentators outside the House who are studying the detail will have to say that most people will be worse off, once they combine the changes to income tax and national insurance.

Obviously, there will be some complicated calculations, because the Chancellor is trying to prevent some of the poorest people from being worse off by tipping some money back in through the tax credit system. However, that will mean that every family will have to spend a lot of time poring over the figures—those who are rich enough will do so with their financial advisers—to see how great a reduction in available income they will have to absorb, and to find out whether there are offsets that might make them slightly better off.

Mr. Mark Field: My right hon. Friend is a good-natured man, as we well know. I entirely agree that many of the changes are regressive, notwithstanding the tax credit situation, but will he at least give some, if only very little, credit to the Chancellor for simplifying the tax system in a small way, after 10 years of ever more complication?

Mr. Redwood: I am all heart, but I am not sure that I can go quite that far on this occasion, because although there may be simplification as a result of removing the 10p band, there is probably additional complication in the way in which the benefit system is trying partially to compensate those on lower incomes. What worries me most of all is the situation of those people who are doing well and are making a big contribution, such as senior teachers or junior head teachers, who are near or about to go above the threshold for 40 per cent. tax. Looking at the figures, I suspect that they could be particularly badly off. I think that it could be another Budget that taxes those who work hard and do not make claims on benefits, and those whose income is a bit above the level at which they get reasonable support from the complicated tax credit system.

Rob Marris: The right hon. Gentleman kindly referred the House to table A1 on page 208 of the Red Book. My reading of those figures is that the Government give up slightly more revenue by moving from 22p to 20p than they gain by abolishing the 10 per cent. starting rate, and that is contrary to what I understood the right hon. Gentleman to say. Secondly, he has not referred to the gains, set out on page 208, for those at the lower end of the scale. For example, there are increases in age allowances and child tax credit, and the threshold of the working tax credit is to be raised. *[Interruption.]* No, he had not referred to those gains in terms of the overall gain at the end of the scale.

Mr. Redwood: I mentioned all three things, because I am being scrupulously fair in representing what the Chancellor has put before the House in written form; he failed to present any of that in oral form, when the cameras were here and the spotlight was on. It is a disgrace that the Chancellor announces an income tax cut when it is a con trick, and when most people will be worse off in terms of income. I said that people on lower incomes would get some benefit from the changes in the benefit system. We cannot be sure from the general figures in the Red Book who will win and who will lose, but clearly some people will lose. The hon. Member for Wolverhampton, South-West (Rob Marris) is mischievous, because he has left out the very big increase in tax that will result from raising the threshold on national insurance. If he adds the increase in the threshold to the loss of the 10p band, he will see that that raises an extra £8.4 billion, but only £8 billion of that is given back by cutting the rate from 22p to 20p.

Ms Sally Keeble (Northampton, North) (Lab): Will the right hon. Gentleman give way?

Mr. Redwood: I will deal with the previous point first, and then I will be happy to hear the hon. Lady's point.

On tax, if we consider the combination of national insurance and income tax, on average people will clearly be worse off.

Ms Keeble: Does the right hon. Gentleman accept that because of the big increase in pensioners' personal tax allowances, pensioners, particularly those who pay

tax, will be better off, and will be taken out of tax altogether? Forget about the 10p rate—they will not pay any tax at all.

Mr. Redwood: It is quite possible that some pensioners will be better off, but as the hon. Lady indicates, they will not all be better off. It is a complicated Budget. The Chancellor would clearly love to give some money back, because he knows that he is rightly being criticised for over-taxing everybody, but he does not have any money to give back, as he is spending so much in his other public budgets, and he is reluctant to bring those budgets under proper control.

I would like to put this Budget in the context of the past 10 years, because there is a "farewell" feeling to the Chancellor's performance today; at least, it is farewell to one job. We were reassured to learn from him that he is not planning to combine being Prime Minister and Chancellor of the Exchequer—in name, at least. We will wait and see how it works out in practice. Pity the poor right hon. Lady or Gentleman who is Chancellor when he is Prime Minister. However, that is a story for another day.

If we look at the 10 years during which he has been Chancellor, we can see that he, like Gaul, has been divided into three parts. In the first part, from 1997 to about 2000, he was happily married to Prudence. I was upset to see him make such a big increase in tax on pension funds in that period; he began the damage that has characterised his 10 years. We now have much more enfeebled final salary pension schemes, and many people no longer have access to them. However, in fairness I confess that the rest of the Chancellor's work from 1997 to 2000, while he was married to Prudence, was not too bad. He started to bring down deficits and he kept public expenditure under reasonable control. He did not increase the relatively attractive tax rates that he inherited from the outgoing Conservative Government, and the economy performed reasonably well during that period.

In the Chancellor's second phase from 2000 to about the middle of 2006, we saw the tax-and-waste Chancellor, who tried to reassure all his Labour colleagues that he believed in tax and spend. He took a phenomenal personal interest in all the details of public spending in many of his colleagues' Departments, which they did not always welcome, because he wished to associate himself with the Treasury's largesse to different departmental budgets. So big was the tax and waste under the Chancellor that he did quite a lot of damage to what had been a fundamentally strong economic position. In those six years, Britain started to fall further and further behind our international competitors, whom we outshone in the last decade of the previous century. He introduced a large number of stealth taxes—those are the 99 tax increases to which my right hon. Friend the Leader of the Opposition sensibly referred. Britain fell down the competitiveness league tables, losing about 11 places. In particular, we fell down the tax competitiveness league table, because the Chancellor needed to keep tax rates up and find back-door ways of increasing the tax take from companies and individuals as he went about his task of tax and spend.

Sir Nicholas Winterton: I am deeply concerned about fiscal drag and the indexation of tax allowances. Will my right hon. Friend indicate in his splendid speech just how much additional taxation the Chancellor has raised by failing to increase tax allowances in line with inflation, and tell us what the Chancellor has done this year, as it appears to be nothing?

Mr. Redwood: My hon. Friend makes an extremely good point, which I endorse. Off the top of my head, I do not have the numbers about how much fiscal drag amounted to, but the overall totals were colossal, and we know that the average family pays £1,300 a year more in tax than they did when the process began. Quite a bit of that is the result of fiscal drag, but some is the result of policy decisions made by the Chancellor.

That period also illustrate that all clouds can have silver linings, because over the Conservative years, we had been driven deaf by Labour spokesmen and Labour Back Benchers telling us that there was very little wrong with Britain that a big increase in public spending would not put right. We also were led to believe that there was somehow something in us that made it impossible for us to shower enough money on public services, and if only Labour could take over from us, it would shower enough money on public services and all our problems would miraculously vanish. The Chancellor has conducted a bold and historic experiment—unfortunately, at the British taxpayer's expense—but over the six years, he has proved conclusively that it was not Conservative parsimony that got in the way of really good public services. No one can now deny that huge sums of money have been tipped into health and education, and several other services, but nor can any fair-minded person deny that there are still real problems with those services, many of them reminiscent of the problems for which Labour used to criticise the outgoing Conservative Government in the 1990s. I hope that it is common ground across the House, at least between the Front-Bench teams, that tipping lots of extra money into those services without reform or change, and without asking for something for that money, is not the right way forward. We need to find preferably a consensus way of improving public services that absorbs less cash and delivers more for the money.

We now come to the third and probably final phase of his Chancellor's tenure. There again he is trying to prove an extremely important Conservative adage for us, and I admire him for doing so. He now is trying to prove that there is indeed waste in the public accounts, and that it is possible for a Government to tease out that waste and redeploy the money more sensibly and profitably in the public services. He has not quite got to the point yet where he would like to share that with the taxpayer, but he has certainly got to the point where he would like to give the taxpayer better value for money. The Budget is built on the proposition that £26 billion a year by 2010—that money is currently spent wastefully and unnecessarily—can be spent more productively and sensibly by strengthening front-line services, primarily in health and education. I should be delighted if the Chancellor succeeded in doing that. I think that it is quite a modest ambition, given the scale of waste in the public sector, but I suspect that he will find it difficult to do so.

I felt that the Chancellor learned an important lesson when, in a previous Parliament, Conservatives

[Mr. Redwood]

were making the argument that we would run things better and take waste out of the public accounts. The Chancellor suddenly shifted from saying that that was impossible—that had always been his response in previous years—to saying that, yes, it was a very good idea and of course, he had thought of it first. He set up the Gershon review, which identified £22 billion a year of wasteful and unnecessary expenditure in the public accounts that the Government intended to tease out and redeploy. We now learn that Gershon underestimated a bit, and the Chancellor thinks that the sum could be at least £26 billion. We also know from the very good work of the Treasury Committee and others that the Chancellor is finding it difficult to secure all the £22 billion of the Gershon changes, but there is a simple way for him to do so, as he could strengthen his control over the public sector pay roll.

I was pleased that in the last quarter of 2006, the numbers on the public sector pay roll in aggregate fell by 22,000. That was the first time that we have seen a move in that direction after a big explosion of posts. Before Labour Members make their usual silly points, I think that we need all the nurses, doctors, teachers and police officers that we currently have, and we need to recruit more in the years ahead. The good news is that they are a tiny fraction of the huge public sector pay roll, and with efficiency and natural wastage—not by being nasty or sacking people—we could make big changes to the numbers that we need to employ across the public sector.

Stephen Hesford (Wirral, West) (Lab): I am interested in what the right hon. Gentleman is saying. When he was in government, he could not untie that particular knot, in the sense that there are 80,000 more nurses and 20,000 more doctors than there were then. Does he agree with the public spending that brought about the advance in those numbers, or does he think that there should be cuts, which would damage that complement? Those increases did not take place under his Government, but they are in evidence now. How does he unscramble that?

Mr. Redwood: I wish that the hon. Gentleman would try to listen to what I am saying. Of course, I welcome the extra teachers, nurses and doctors who have been hired on the Government's watch. It is not the first time that that has happened. A lot of extra teachers, nurses and doctors were hired on the Conservative watch, too. It is called growth, getting richer and living in a more civilised country. I hope that Governments of all persuasions will carry on doing that, just as the Conservatives did, although Labour has always denied it, and just as Labour is doing, and we always welcome it.

Kitty Usher (Burnley) (Lab): The right hon. Gentleman voted against it.

Mr. Redwood: The hon. Lady is being absurd. Of course, we have always welcomed the extra teachers, nurses and doctors, but we have not always approved of all the extra money, because a small fraction of that has been spent on those people, and a huge amount has gone on incredibly wasteful and unnecessary spending, such as the huge, badly handled NHS computer scheme, which is absorbing much more money than the extra nurses are absorbing, the identity cards scheme and all the other things that we would strip out and cancel when we come to office. We want to concentrate expenditure on the good things in the public services in which we believe.

Mr. Evans: We applaud the work that nurses do, but does my right hon. Friend agree that they have been met with a gross insult from the Government with the staggered pay increase that they have been given this year? When those increases are grouped together, they total 1.9 per cent. When inflation is running just below 5 per cent. that means that nurses will take a pay cut of more than £500 in any given year.

Mr. Redwood: Nurses will certainly not be amused by the Budget, because they will not receive the tax cut that they might have heard about on the headlines when the Chancellor first read out that piece at the end of his speech.

We have a Chancellor who, in his early phase, taught us rightly that it is best to be married to prudence, as the economy does rather better. He has now demonstrated that just tipping lots of money into public services without targeting it on the things and people who matter is not a good idea, and he wisely says that there is a huge amount of waste on his watch that must be squeezed out. If he and his immediate successor cannot do so, it is a task that we will welcome because it will make our job so much easier because we will inherit all that waste on which we need not carry on spending.

Rob Marris: I am grateful to the right hon. Gentleman for his generosity. He is making an interesting speech, but my experience of being in business, and of observing it, is different from his. If a business expands, the initial step is often to hire more labour. As the expansion beds in and stabilises, there is a substitution of capital for labour, because new work organisations are developed because there is increased output—a Henry Ford motor car assembly line is a classic example—which is part of the cycle through which the Chancellor and the Government have gone. We have had the expansion, we have fuelled part of it by investment in buildings and hardware, and part of it by investment in people, and we are now moving to the next phase, where we will substitute some capital for labour for a more efficient operation. There is no contradiction in that.

Mr. Redwood: The business would not have survived if it had been run in the way that the Chancellor has run some of the public departments in this country. There is no way that modern businesses can go out and recruit people whom they do not need for the main function. When they are blessed with a rising work load, they recruit fewer people than proportionate to the increase in work load because they have to increase their productivity every year. A manufacturing company usually has to take price cuts because it is in an extremely competitive market, with India and China doing phenomenally well.

We have a public service which, until a few months ago, believed that any amount of money could be

cascaded in and that it could hire anybody it liked. Often the people hired were management consultants, PR consultants, middle managers, administrators, form fillers—people who were needed to deal with the huge panoply of controls, requests for figures and interventions that come from the very overcentralised Treasury. I will not repeat the words of Lord Turnbull, as I am sure the Chancellor would be hurt if I did, but there is clearly a lot of centralisation in the Treasury and one can see why some people get the impression that they do about the style of management. It is that which has wasted so much of the money and got in the way of the professionals in the health service and the education service doing their job more successfully, and it has got in the way of the money getting to the places that it needs to reach.

I hope that in the next phase of the Chancellor's odyssey he will also learn, as my right hon. Friend the Leader of the Opposition so sensibly outlined, that the Conservative policy of sharing the proceeds of growth is the right policy. When the Chancellor realises that his con trick on income tax is not quite what people wanted—they want a real tax cut, not just a cosmetic tax cut—he will see that he and his successor must reduce the tax burden on hard-working families and on businesses. He will see that the only possible course of action is sharing the proceeds of growth.

We want to share the proceeds of growth because, yes, we will need some extra money for more nurses, doctors, teachers and police people as the economy grows. As we get richer, so we need to meet the sensible demand for public service. But yes, we need to squeeze out the inefficiencies, and we need to leave some money over as the economy grows so that we can cut tax rates. Indeed, one of the advantages of cutting tax rates to a more competitive level internationally is that then the whole cake will probably grow rather more quickly.

One of the big failures on the Chancellor's watch is that our business tax rates have become so much less competitive than they were when he started, and we are paying a high price for that. Over the period of the Chancellor's stewardship of our economic affairs, the Republic of Ireland has grown by a stunning 76 per cent., whereas the United Kingdom has grown by 27 per cent.

Kitty Ussher: The right hon. Gentleman mentions Ireland. Does he not think that part of the astounding growth is due to its membership of the euro?

Mr. Redwood: No, of course not. If the hon. Lady studies the facts, she will see that Ireland was growing very strongly before it entered the euro. Nor was it huge quantities of European cash, which is the other bogus explanation that people sometimes come up with. Ireland was a bigger beneficiary in its years of slower growth, and most of that money went into the agricultural sector, which has not led the Irish economic recovery. The Irish economy has been buoyed up by the great success of very low corporation tax rate, so large numbers of businesses have gone there and set up there, clustered around the larger companies. That shows that lower tax rates work and generate a much bigger cake. Ireland is not skimping her public services. She can afford to have a lower percentage of total incomes taken in tax because she is now richer. People are better off in Ireland, on average.

Ms Keeble: One of the advantages of the Select Committee's excellent trip to Ireland was that we looked at some of the economic facts, which are not as the right hon. Gentleman says. Ireland started off as a basket-case and has improved from a low base. Its level of indirect taxes has increased, which this country would not stand. Ireland considers that its spending on the health service is in crisis and that it needs to be transformed. The right hon. Gentleman's facts are not accurate.

Mr. Redwood: The crisis in the health service in this country is every bit as big as the one to which the hon. Lady refers, or probably bigger. She is rather unpleasant about the Republic of Ireland, saying it was a basket-case. My remarks pointed out that it had grown strongly for a long time, so by definition it started from a lower level of output and average incomes than we enjoyed, and it has overtaken us. It has overtaken us consistently, year in, year out, for 10 years, on the Chancellor's watch. The hon. Ladies have not come up with any reason why that should be, because the true reason is that Ireland and its Finance Minister got it right and made the environment attractive to business, and the Chancellor got it wrong and did not make it attractive enough to business.

Mr. Gauke: As another member of the Treasury Committee who was on the trip to Dublin, I can tell my right hon. Friend that we were informed about how growth was very high in the early 1990s, long before Ireland joined the euro, and that public expenditure as a proportion of GDP has been substantially lower in Ireland than in the UK.

Mr. Redwood: I am grateful to my hon. Friend. To some extent I feel that I am the father of that great expedition to Ireland, because it was my questions in the House about why Ireland had grown so much faster that triggered much of the interest, and the enthusiasm of the Scottish nationalists for the subject.

Mark Durkan (Foyle) (SDLP): All hon. Members need to remember that the backdrop to the change in economic performance in the Republic of Ireland is the very strong model of social partnership, whereby multi-annual programmes are agreed between Government, business and unions. I know that some hon. Members would not be comfortable with that model, but it has provided the spine of economic growth, development and discipline in the Irish Republic. Also, it needs to be remembered that in this period of remarkable growth, the public sector in the Republic of Ireland grew by a third, so the growth was achieved not by attacking the public sector, but by properly investing in the public sector and delivering effectively alongside a growing private sector.

Mr. Redwood: How many times do I have to explain? I and my colleagues would like our public sector to have more money and more people of the right sort to provide a better service. We are arguing about the speed at which that can be achieved and how it can be best achieved. It is best achieved if the private sector is

[Mr. Redwood]

growing more rapidly than it is growing in Britain under the present Chancellor of the Exchequer.

As to the hon. Gentleman's account of why businesses have gone to Ireland, I have spoken to a number of businesses over the years, as I do in my job as an MP and with my interest in economic competitiveness, and I must say to him that no business man who has been thinking of going to Ireland or who has gone to Ireland has ever said to me, "I must go there because of their social partnership model."

Mark Durkan: It is the social partnership model that has underpinned economic policy, creating consistent and stable economic policy for a decade and a half. Without the social partnership model, the Irish Republic would not have achieved or sustained its growth record.

Mr. Redwood: I do not think the hon. Gentleman was any better the second time. Perhaps it was the sample that I happened to meet, but the business men all said to me that the attraction of Ireland was the lower tax rate. I do not know whether the hon. Gentleman knows how business people make their forecasts and make their decisions about where to invest. They usually work out what they think will be the revenue line, then put in what they think will be the cost line, and strike something called a profit. They then look at how much the Government will take of the profit and what remains at the end. If more remains at the end in one country rather than another, they are tempted to come to that country. That has worked well for Ireland.

Mark **Durkan** *rose—*

Mr. Redwood: I will allow the hon. Gentleman a third try. Perhaps he will get better.

Mark Durkan: The right hon. Gentleman should realise that the social partnership framework agreements set discipline in tax rates, agreed the tax framework, and provided for wage restraint, so Government were able to negotiate that with business, trade unions and other social interests on a multi-annual basis. That provided the environment that has attracted businesses into Ireland.

Mr. Redwood: I do not think we will agree. Business people have gone to Ireland mainly because of the lower tax rates—

Mark Durkan: Where did the policy come from?

Mr. Redwood: The policy came from thinkers around the world who pointed out to Governments that that always works. The Irish Government had the common sense to do it, but the British Government have not yet had the common sense to implement it properly.

That brings me to the corporation tax rate in the United Kingdom. I am pleased that the Chancellor understands that there is a problem out there. Britain was one of the lowest tax countries in 1997. The Chancellor would say that he has already brought the headline rate of corporation tax down on his watch. That is true, but he must realise that it is a very fast moving and competitive world out there. While he has been bringing it down a little, many of our great competitors and friendly nations in the world beyond us have cut their rates much more quickly, so we have gone from being relatively good value to being relatively expensive.

In the global supermarket for the location of business and investment that we now live in, that means that Britain is losing out. Investments no longer come to Britain because the tax regime is not attractive. A lot of manufacturing is exiting Britain and a lot of new manufacturing investment is going elsewhere. We find a country such as the Netherlands, with quite high costs in other ways and the same EU regulations, winning rather well against us because it has a much more competitive tax regime. Shell has decided to amalgamate its headquarters in the Netherlands to save on taxes, which will be a tax loss to the Treasury. We see discussion in the press about Barclays possibly moving its head office overseas after its merger. Of course, its domestic operations will still be taxed in Britain, but that will be another tax loss.

At some point the Treasury has to take this more seriously than the Chancellor has done so far. If he wishes to preserve the tax takes that he has, he needs a competitive tax rate. There is no choice. It is absurd that so many Members have this wooden approach that says: "If we cut the tax rate, we will lose this much revenue, we cannot afford to lose that revenue, so we will keep the tax rate up." The truth is that if our tax rates are kept at a fixed level and the rest of the world cuts, we will lose revenue because we are not responding. The other wonderful truth is that if we are bold enough to cut tax rates so that they are sufficiently competitive, we may shortly experience a big increase in revenue because we benefit and the less competitive tax jurisdictions do not.

The Chancellor told us that he is cutting the corporation tax headline rate from 30p to 28p in the pound. One cheer for that—it is very good news, because the headline rate is what people look at. The not so good news on the same page of the Red Book is that that is more than paid for by the money that he is clawing back by cancelling some of the credits and offsets allowed against the 30 per cent. rate. That will make Britain a bit more attractive for certain kinds of companies that do not benefit from the reliefs that he is removing or reducing, but other companies will be worse off, so it exacerbates rather than eases the problem. One cheer for the lower rate and one cheer for the companies that will benefit, but the Treasury should understand that it has not solved its problem, because many companies will still be worse off. The overall result is to take a little bit more from the companies sector, and a lot more in the case of some areas and some companies.

The Chancellor's record is often defended around one central proposition. We are told that his act of genius was to make the Bank of England independent when he came into office 10 years ago and that everything else has flowed from that excellent decision. My colleagues and I are very happy to have an independent Bank of England, but we do not believe that it has been as independent as the Chancellor has

advertised. Nobody can get away from the fact that at a crucial time just before the last election the Chancellor wrote a very important letter to the Monetary Policy Committee of the Bank of England saying that he wished to change the basis on which its targets and instructions rested, and he shifted it from the retail prices index to the consumer prices index. He well knew at the time that the CPI was going up much more slowly than the RPI, so he must have done that knowing that it would keep interest rates lower than would otherwise have been the case. That was very convenient ahead of a general election. Unfortunately, there has been a price for that, because after the general election, with interest rates kept down, we discovered that inflationary pressures had built up. Because of its new CPI target, the Bank of England's committee has probably had to raise rates by more than would have been the case without the political intervention.

We can see the cost of those interventions—I am sure that there have been more than one—in that over the 10 years of an independent central bank people in Britain have had to pay more to borrow money, on average, than people in the United States of America, which has grown more quickly, in Japan, which in the early part of the period grew hardly at all but has now been growing quite respectably, or in euroland, where performances have been very patchy but where, on average, growth has been slower than in the United Kingdom. It is worrying that we have had to pay a premium over American rates when America has performed so much better. That should tell us not necessarily that an independent central bank is wrong but that our bank was perhaps not independent enough. It suggests that, because the Chancellor's fiscal policy was pulling in the opposite direction to the direction in which monetary policy had to go, the MPC had to put up interest rates more than it would have done. Because the Chancellor was not following prudence between 2000 and 2006, there was a price for all of us in higher borrowing costs—not only in mortgages for those trying to buy a house in very expensive Britain, but for those borrowing money to run successful businesses.

Over the past 10 years we have seen a big let-down on productivity. When the Chancellor came into office, he told us more or less to judge him by productivity and said that he could take a number of measures that would boost productivity. The irony is that in the area where he had most control—the public sector, where he had riches beyond most people's dreams that he could have used to buy improvements in productivity—there has been a collapse in productivity. So bad is the position that the Government have asked for changes in the figures and have withheld a proper series of figures from us. There appears to have been no productivity growth in the public sector at all. It beggars belief that someone can perform that badly when they had so much money to spend on new technology, new people and new skills, which should have enabled things to be done in a much better way.

Mr. Graham Stuart (Beverley and Holderness) (Con): Is my right hon. Friend aware that if the productivity growth under the last Conservative Government in the 1990s had been continued in the NHS through the term of this Government we would today have no waiting lists for any operations at all? [*Laughter.*]

Mr. Redwood: My hon. Friend makes an extremely powerful point. Labour Members laugh, but this is their watch and it is their job to explain to the public how it is that productivity has bombed so badly when so much money and time has been spent on trying to get things right. It does not augur well.

Ms Keeble: Does the right hon. Gentleman accept that it is easy to show high productivity growth when there is the collapse in wages that happened in the public sector, particularly in relation to the compulsory competitive tendering regime, during the last stages of the Conservative Government? Of course there was higher productivity because pay rates were decimated.

Mr. Redwood: The level of productivity has nothing to do with pay rates. I am interested in output in relation to the number of people employed. If the hon. Lady wishes to have wage-related productivity, I deny her premise. There was no collapse in wage rates in the public services in the later years of the Conservative Government.

Ms Keeble *rose—*

Mr. Redwood: I have allowed the hon. Lady to intervene many times and she is trying my patience. She has made several foolish points, and I do not think that the House wants to hear another one.

The Chancellor has fallen behind very badly on productivity. His micromanagement from the centre has not helped British companies to become more productive and it has got in the way of the public sector.

When the Chancellor was in opposition, he used to think that a good night out was spending time poring over the balance of payments figures. He would come rushing into the House the next day if he found some bad balance of payments figures, put them to Ministers, and personally blame them for the imbalance between exports and imports. Since he took over as Chancellor, we have had enormous balance of payments deficits—I think that he has set new records—and we are not told anything about them at all. Again, they did not get a mention today; all the figures that he chose to highlight were ones that he thought were favourable. The House should remember that there is quite a price to pay for the de-industrialisation of Britain that has continued under this Government, with 1 million manufacturing jobs lost on their watch. The price is there in the visible trade balance, where there is an awful lot of red ink. We import a great deal of the products that we need from elsewhere in the world because we are not making them in Britain. Meanwhile, 5.3 million people of working age sit on benefits. I know that the Chancellor wants to do something about that, but it is getting a bit late—when is he going to do it? He should be much angrier about those 5.3 million people and find some way of getting them back into legitimate employment so that we can start to fill in some of the holes in the balance of payments.

My conclusion on the Chancellor's 10 years is this: there has been no major disaster, and for that we are very grateful. The inheritance was strong and good. For the first three years he did not do too much

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damage to it apart from the huge mistake over pension funds. For the next five years, he proved beyond doubt that just spending huge sums of money does not sort out the public services sufficiently. At the same time, it damages Britain's ability to compete, in turn damaging our ability to employ those 5.3 million people who do not have jobs and our ability to raise our living standards as quickly as America, Ireland or the other success stories around the world.

This Chancellor has put Britain at the bottom of the pack of English-speaking countries—the pack to which the Chancellor never refers—though from time to time he has put us at the top of the European pack. That has not been very difficult, as Europe has gone through a dreadful time with the wrong model, showing once again that the high-tax, high-waste, high-spend approach does not produce a happy country or even good public services.

This Budget is based on a central con on the income tax proposition. Most people will feel very let down when they read their newspapers tomorrow and see that they are not better off in the way that the Chancellor was perhaps trying to hint with his famous announcement at the end of his speech.

When it comes to the corporate sector, the Government should not run away with the idea that they have done enough. They have acknowledged the problem and will have helped some companies a little, but we need a considerably better tax package if we are to stop more Shells and Barclays either going abroad or thinking of going abroad, or if we are to bring more large companies into Britain, saying, as they do with respect to Ireland, that this is the place where they wish to come.

If Labour Members believe that we also need a social compact in order to attract them, I look forward to their setting out the details so that we can debate them. I think that most of them already know in their hearts that what will bring the punters in from around the world and from the global marketplace is a much more competitive tax system. Unfortunately, this Budget does not deliver it.

3.1 pm

Alan Simpson (Nottingham, South) (Lab): It is normal on these occasions for me to follow the Chancellor's Budget statement and fill in the conventional gaps that I feel he has overlooked. I pay tribute to the Chancellor's specific section on the environment and green taxation and to the efforts of the Conservative party and its leader in moving the issue up the political agenda. I should like to take this opportunity to present the green Budget that I think Parliament should have been offered.

Before I do so, however, I would like to preface my speech with a couple of fairly conventional remarks. The House should put on hold the points that the right hon. Member for Wokingham (Mr. Redwood) made in his speech and use as a point of reference the IMF report that is due to come out this week, which I understand will say that the UK is the fastest and strongest growing economy within the G7. In the context of that strength we should have the courage to make much more profound changes in the nature and shape of our economy. We should not pretend that we would be asked to make those changes—I will take the House through them later—from a position of weakness.

Mr. Mark Field: The hon. Gentleman makes an entirely fair point, but does he not recognise that many Conservative Members feel that comparisons only with G7 countries show a great paucity of aspiration? Such comparisons also fail to recognise what is going on in the global economy, with two economic superpowers such as India and China rapidly emerging. That should be the comparator for the future, rather than just looking at six other nations, many of which—particularly in the European area—have performed extremely badly over the past decade or so.

Alan Simpson: I accept that, and I shall make most of my remarks in the context of what is happening in the wider global economy. It might not surprise the hon. Gentleman to know that I take a quite different view of the fragility of the global economy. When hon. Members say that we have to strip this country bare to try to compete with China and India, I ask them to begin from a different audit position.

If we look at those two countries and the dilemmas that they are currently grappling with, we see that they begin with quite different questions. They are already asking themselves where on earth they will find the water resources to sustain their current levels of production or the domestic requirements of their citizens. They are asking where they can find the energy resources needed to continue to underpin those levels of production. All the major growth areas in the developing world are already in deep environmental crisis in respect of access to those sustainable resources. In the coming decade we shall have to take a quite different view of what holds the global economy together, and the way in which we approach global ecology will determine that.

The one more conventional point that I must make before I launch into the specifics of my green Budget is to recognise today's lobby of Parliament by some extremely cold pensioners who were stripped of their pensions—125,000 of them—and who continue to make the point that a massive injustice has been inflicted on them by denying their rights to full restoration of their stolen pensions. Although I was grateful for the Chancellor's reference to the strengthening of the financial assistance scheme, the reality is that when it comes down to the core figures of what it would take for this House, this Government, this Parliament to restore those pensions in full, we are not talking about £15 billion, which was the figure originally quoted. We are talking about a current sum of only £45 million a year between now and 2011. Between 2011 and 2020, the worst-case scenario is that that would rise to £100 million a year.

To put that in the context of the existing Department for Work and Pensions budget, just the error factor in last year's administration of pension credit came to £120 million a year. I do not believe that we should wait for a further court judgment in favour of the pensioners and against the Government's claim that it is not their fault and they are not in a position to do

anything about it. The honest, decent and principled legal duty is to restore those pensions in full—and it would be bought for a sliver of the costs from the Exchequer cake that the Chancellor took us through today.

Mr. Field: I would like to associate myself personally with everything that the hon. Gentleman has said in this regard. I suspect that he speaks for many hon. Members on both sides of the House. It has been an appalling injustice and the ombudsman's inquiry and the court cases were pretty straightforward. As the hon. Gentleman rightly says, a number of very cold, aged pensioners cannot go back to work to earn more money, so we need to ensure that they are properly looked after during what is likely to be the relatively few years before they pass away.

Alan Simpson: I hope to take the opportunity to address those concerns by amending the Pensions Bill. I hope that we succeed in doing so.

Let me focus, as promised, on the shape of what I believe would be a genuinely green Budget. The Chancellor went through a number of points about the success of different measures in the Government's programme for achieving carbon savings, but the core national picture, however, is far less rosy and comfortable than any of us have a right to claim.

The 1980 assessment of UK carbon emissions was 161.5 megatonnes. By 2005, the figure had gone down to 151.5 megatonnes—a 6.4 per cent. reduction on the 1990 figure and well below the 20 per cent. domestic targets for carbon reduction that we set for ourselves by 2010. In fact, for the last three years, the level of carbon emissions has been relatively static across the UK. The progress made on carbon reductions in the early 1990s was an accidental result of a disengagement with manufacturing and the dash for gas. We see now that there were carbon gains from that, but it would be quite wrong to try to rewrite history as though that were the intention.

Mr. Redwood: Does not that show that there was a better reason for privatisation than even I dreamed up—that it is the greenest policy yet developed?

Alan Simpson: I would respond to that by referring to something that my dad said, which was that any idiot can run down an industry by selling off its assets. That makes a profit in the short term, but we are left with nothing in the long term. That is the approach to privatisation that the Conservatives drove through this country, leaving us with a wretched legacy of destruction and abandonment. Simply shifting the responsibility for contamination offshore does not add anything to the UK's contribution to tackling nationally what is a global problem.

If we are to take seriously the invitation that scientists are pressing us to address—we have identified the need for a 60 per cent. reduction target in carbon emissions by 2050; scientists have identified the need for an 80 per cent. reduction—the scale of what we do within the shape of the UK economy has to be transformed. It will mean reducing our carbon emissions to 32 million tonnes by 2060. That would require a national carbon savings programme delivering savings of about 3 million tonnes a year, every year between now and 2050. Given that our record over the past 15 years has been to save less than 0.6 million tonnes of carbon a year, achieving that target would require a transformation.

I suggest to the House and to the Government that we need to establish a new set of golden rules and a new set of specific policy initiatives. The golden rules should begin with one that recognises what the Stern report said—that the Government should henceforth seek to ensure that the UK economy as a whole commits a minimum of 1 per cent. of UK gross domestic product to the climate change mitigation programmes. That should happen not just across government but across every sector of the economy.

As a long-term commitment, all parts of the UK economy would then be required to make annual carbon reductions consistent with the 80 per cent. carbon reduction target, based on 1990 emissions levels. In the short term, however, it would require existing UK target commitments to climate change and fuel poverty to have a rolling programme of a 5 per cent. reduction each year. Again, that should apply to all sectors of the UK economy.

For the Chancellor's second new golden rule, I would suggest that borrowing within the economic cycle should be reinterpreted as borrowing that should be prioritised to restore the ecological capital of the country, specifically in respect of renewable energy generation and water recycling.

To deliver all that, we need specific policies, which I would address in three areas: energy, the built environment and transport. The Government must begin by transforming energy market rules. The Chancellor made a welcome commitment today, saying that income received by customers who install energy generating systems in their homes should be tax free. Although that is welcome, it does not address the fact that most of the companies that buy back energy in that way pay a pittance for it.

In that regard, by far the most successful intervention approach is the one already in use in Germany, which introduced a renewable energy sources Act in 2000. It requires the energy industry to pay customers four times the current market rate for the renewable energy that they put back into the system. The effect has been transformational. The measures resulted in a cavalry charge of German citizens seeking to become part of the renewable energy generating process, and produced a renewables industry that, last year alone, delivered 214,000 new jobs into the German economy, and 24,000 in the last year alone. In that last year, 90 million tonnes of carbon savings were delivered—a huge quantum increase on the combined levels of carbon savings of all the UK schemes.

The German system has been successful because it was citizen-driven. It recognised that the role of the Government was not to abolish markets but to change the rules so as to create markets that are ethically competitive and ethically sustainable. The cost to German energy customers has amounted to €1.40 a month on the average energy bill.

The impact of the German scheme has been profound, and our Government ought to establish a similar scheme here in the UK. We should require industry to set out the terms of the preferential

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buy-back arrangements. We should also designate the period—perhaps 15 or 20 years—within which the preferential pay-back tariffs will remain in existence. We should also define which tariffs should apply to the specific technologies that are available in the marketplace at any given time.

The next important job for the Chancellor would be to address how we deliver all those measures. If we look across the landscape of Europe, we see that local authorities are by far the most efficient vehicles for delivering sustainability agendas. They are given specific powers and duties to co-ordinate and drive the sustainability agenda that is defined by their central Governments. We need to make exactly the same provisions in this country, and at the same time remove many of the obstructions that stand in the way of developing decentralised local energy networks. That has already been done on a wide scale across Europe; only the UK's own intransigence stands in the way of a much more coherent approach to energy investment and sustainability.

On the back of a serious commitment to the promotion of energy services companies, the Chancellor should change Ofgem's terms of reference. At the moment, the UK is locked into an impossible position, in which all the major energy companies talk about their desire to get into sustainability programmes but say that achieving that is hopeless. They say that they are required to compete with one another on short-term lowest-price terms. Nothing allows them to break out of the 28-day contract rule in order to get into the long-term energy services contracts that those same companies have in other parts of Europe. It is the obstacles of our own rules base that are getting in the way of the transformation that we need.

Andrew Stunell (Hazel Grove) (LD): I entirely agree with the hon. Gentleman. Does he acknowledge that the 28-day rule works strongly against the sensible installation of smart meters?

Alan Simpson: I do, but I also have strong views on smart metering. The energy sector is desperately keen to get smart metering entitlements, simply to allow it to bill us more effectively. The really smart meters on which we ought to be insisting are the kind that would empower the Royle family. I am not talking about the royal family down the road, but the Jim Royle family, in which people barely get out of their armchairs except to get a cup of tea. Such people would look at the meter clicking away on the wall and shout to the rest of the family, "What are you doing? Have you left the doors open again? Are you drying your tights with the hairdryer? Am I made of money? Switch that thing off!" In a sense, the meters must inform and empower the public rather than just empower the energy companies to bill us more effectively. I agree with the imperative, but the House needs to make an important decision about the function of those meters and about whom they make smart.

That takes me on to the built environment. I welcome the commitments on building zero-carbon homes by 2016. At best, however, that might involve 200,000 houses a year, which prompts the question of what we will do with the 25 million homes that we have already. Unless the same standards and requirements are applied to the upgrading of existing stock, a new build programme will not address the fact that 25 per cent. of carbon emissions come from existing homes. To do that, we need to enhance some of the measures already in place and introduce new ones.

As part of our legislative commitment to eradicate fuel poverty by 2016, the Government introduced the Warm Front initiative along with the energy industry's complementary energy efficiency commitment. The difficulty with the funding of those two programmes is that, according to current assessments, in 2016—by which time fuel poverty should have been completely eradicated from UK housing—there will still be 2 million fuel-poor households. The only way to address that is to bring Warm Front and the energy efficiency commitment and its increments into a single coherent programme, delivered through, or under the auspices of, local authorities. Such a concerted and co-ordinated programme would upgrade all our housing stock to a standard assessment procedure rating of 65—the threshold set for modern, well-insulated housing—and dramatically reduce carbon emissions.

It is not enough, however, to give local authorities additional money to deliver the programme; we must give them additional powers. We cannot just set higher standards in building regulations for the materials used. There must be a conceptual shift in our thinking about the built environment. We must move to the notion of our houses being not just consumers but generators of energy, as has happened dramatically in Germany. To do that, we need to give local authorities unrestricted powers to set sustainability standards for every part of the built environment, including planning and building regulation requirements to incorporate energy generation in every upgrading of a property and in every development of new properties. That must apply to the domestic, commercial and industrial sector.

We should learn from other parts of Europe and consider the recycling of water—which will also be a part of the climate change crisis that will affect our lands, irrespective of how desperately it affects those in other lands—as well as energy. Those issues ought to be part of the regulatory framework in which we plan for a more sustainable environment for the 21st century.

What can the Chancellor do to enhance that? First, people who have properties with a minimum SAP rating of 65 should be exempt from 50 per cent. of the stamp duty that they would normally pay on property transfers. Secondly, properties that have incorporated energy regeneration and water recycling as well as the SAP rating of 65 could be offered 100 per cent. exemption from stamp duty. That would transform the way in which people thought about the nature of their property transfers.

To cover the most vulnerable sector of our housing environment, we must also address what would happen to properties that are currently let with the poorest of insulation. We must give local authorities the power to set precisely the same standards and requirements as a condition of the right to let. If we do not set those standards, we will retreat into an era of Rachmanism. That is not to oppose people's right to acquire

properties to let, but to say that in a civilised society people should not have a right to let properties that are in a state of squalor to those who are too poor to exercise any other housing choices. We must set standards of sustainability in the built environment that will make homes fit for people to live in today, and fit for our children to occupy and acquire tomorrow.

Those are the ways in which we can transform one part of the built environment; but even in the commercial and industrial sectors, each business occupies its own part of that environment. One of the conditions that should attach to access to the array of tax incentives and allowances that the Chancellor has made available today and in previous years is acceptance by businesses, whatever their nature or size, of the duty to play their part in meeting the Stern report's requirement of a 1 per cent. contribution of turnover to climate change mitigation measures. They too must adhere to the Government's national target of a 5 per cent. reduction in carbon emissions year on year between now and 2020. They do not have to do that, but they should not expect to receive any tax subsidy or allowance if they choose not to, because if they choose not to, someone else will have to step in to clear up the mess that they have created.

Allowances must be made conditional on a different ethical contract between business and society, between commerce and society, and between domestic development and society: commitment to an agenda that will enable our children to survive, rather than be left scrambling in the wake of climate chaos.

As for transport, there are a number of things that the Government can and should now do, in every Budget. The basic starting point is to set a self-denying ordinance: the amount of capital invested in private transport infrastructure should never be greater than the amount invested in public transport infrastructure. The starting point should be parity. In the context of motoring, however, there is a compelling case for learning one of the lessons from the Conservative Governments that we succeeded. I refer to the introduction of the fuel price escalator.

We will not make major differences by changing the rates of road tax on different types of vehicle. What we must do, as motorists, is accept that we will have to pay a price premium for the carbon that our vehicles emit. It is not good enough to drive twice the mileage and produce a net addition to carbon emissions in a vehicle that, although more efficient in theory, ends up doing more damage in practice.

Mr. Redwood: Can the hon. Gentleman give us some idea of the level of fuel tax that he thinks would be required to start reducing the number of car journeys that people make?

Alan Simpson: That is almost like asking what is the length of a piece of string. I do not know the answer. What I will say is that we need to learn some of the lessons that were not addressed in the first round of the fuel price escalator. At that time it was seen simply as a way of raising revenue for the Exchequer. My argument is that the whole nature of green taxation should be set in a completely different context. There is no case for its being a revenue-raiser for central Government; that defeats the purpose. Allowing people to pay more in order to go on behaving badly will do nothing to change the nature of an unsustainable economy. What is needed is behaviour change rather than revenue gain for the Exchequer.

There are also advantages in the use of green taxation as self-taxation and self-reward. If the fuel price escalator is reintroduced, we should say to the industry "Keep 50 per cent. of the revenue specifically for use in subsidising sustainable and alternative fuel systems." That would induce the industry, and invite the motorist, to make more sustainable and ethical choices, because the industry itself would be paying; those who pollute would be paying a premium in order to support those who do not pollute. That is the way to engineer behaviour change.

The same principle applies to aviation, even though the idea of the right hon. Member for Witney (Mr. Cameron) about imposing a tax on individual passengers on flights was barking mad. We must do something about aviation's contribution to climate change damage. The more I think about it, the more I am convinced that the only way to achieve that is to set carbon mileage allowances for every airport in the UK based on last year's passenger miles multiplied by a factor that applies to the energy efficiency of the aircrafts that land. In doing that, we would be saying to each of the airports, "Your targets for reducing your own carbon emissions will be precisely the same as the targets set for the economy as a whole. How you do that—by the introduction of more efficient planes, for instance, or by changing the make-up of the flights you offer—is down to you, but we cannot pretend that the rest of the economy will be on a course that requires carbon emissions to be built in year on year but that somehow the aviation industry exists on a different planet."

Mr. Evans: It has been said that the Chancellor is Stalinist, but I think that he has strong competition in that regard from the hon. Gentleman after he introduced that barking mad idea. In trying to reduce carbon emissions from aviation, we should look at what happens at Schiphol; two planes land almost side by side at the same airport. In our country, we have planes circling airports when they should be landing; they cannot do so because of congestion. We could save millions of tonnes of carbon emissions just by ensuring that we have capacity in all our airports.

Alan Simpson: The problem will not be the number of planes circling airports. We should take a look at the Government White Paper on the future of the aviation industry. It is projected that by 2030 the number of UK passenger flights will have increased from 230 million a year to 460 million a year. Not all of those planes will be circling our airports; they will be in transit around the planet. The volume of carbon emissions associated with that will dwarf the emissions of almost all other sectors of the economy. That is why I say that we will have to set carbon miles thresholds for every airport and let the aviation industry and the airports drive their own agenda in respect of having increased fuel efficiency, different fuel systems and the other transformations that have yet to take place in the industry. Those transformations are precisely the same as those that applied to the car industry, and which it

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said were impossible to introduce. Unless we set those targets and make the industry the driver of its own change, the aviation sector will continue to want an opt-out on the huge slice of the carbon damage contributions that they make in our economy.

Rob Marris: I caution my hon. Friend, who I always thought was on the left of the Labour party, that he seems to be falling into the same trap as the right hon. Member for Witney (Mr. Cameron)—albeit coming from a different direction—of advocating the use of a kind of price mechanism that is likely to lead simply to the poor being priced out of flying. I would not have thought that my hon. Friend approved of that.

Alan Simpson: No, I am not talking about using a price mechanism. I am talking about using a system that constrains the volume of movements and requires the industry to take responsibility for its own carbon reductions. The alternative is to hold to the idea that aviation will somehow be transformed by being included in the emissions trading system. I invite Members to look at the last page of the aviation White Paper. Its authors give an estimate of the impact that carbon pricing will have on their flight projections. For reference, today's carbon price is €1.6 per tonne. In the aviation White Paper, the industry asks itself what the effect will be on flight projections if the price rises from 70p to £140 per tonne by 2030. Its own estimate is that that will reduce total passenger flights from 455 million to 445 million—a reduction of 10 million, which is next to nothing. That is why I urge the Government to look at a carbon miles quota system, rather than a carbon trading system. We should be brave enough to take steps that radically engage with the world in which our children are going to be asked to live. That means having the humility to address some of the things that we have tried to do that simply did not work, and to accept that it was worth trying to do them, even though they did not work.

I turn to my last bit of advice to the Government. There are two ideas that have been somewhat popular with the Government in the past couple of years, and we need to address them in considering what we will decide not to continue with. First, we need to say that there is no place for carbon offsetting in an agenda that seeks to deliver our own carbon reductions. Anyone who reads in order to understand this issue should not go into the detail of carbon offsetting schemes; instead, they should consult a website called cheatneutral.com, which invites people to offset their infidelity.

Rob Marris: How does the hon. Gentleman know?

Alan Simpson: I have seen the website. *[Interruption.]* No, it does not work at all, but it is a wonderful spoof. A lad called Alex can be sponsored for 50p a week, and he will remain celibate so that the sponsor can carry on doing whatever they like. However, they can do it with a clear conscience only by sponsoring him for 50p. In other words, such people can offset their infidelity. Does it reduce the sum total of infidelity in society? No, not a jot, but it makes such people feel better. It has the ring of high moral tone that is so attractive at the moment, to judge by some of our policy making, but it is a scam. We should not seek to offset against future generations and to undertake speculative projects that do not deliver a ha'p'orth of serious change in terms of carbon reduction. I should point out that the website is not serious—its intention is to ridicule an approach that deserves to be ridiculed.

If we stand back from the technicalities of such schemes and proposals, we see that the reality is that they do not deliver anything like the scale of change that we need today. Sadly, the same applies to emissions trading. It is a barking mad idea to seek to tackle the climate change challenge by inventing a mythical good called the carbon credit, and to invite the speculative trading of that credit on world markets against second-guesses of what the price of carbon might be in 10 or 15 years time. On asking anyone in the industrial sector about how they make their investment decisions, they will say that it is a question of assessing how those investments will play in real markets. It is hard enough for them to make even those assessments, but asking them also to gamble on assumptions about the cost of carbon in 10 years' time makes the process a nightmare.

The emissions trading scheme has a number of intellectual and practical flaws from which it will never recover. The grandfathering rights that give credits to those who pollute, but not to those who do not, impose a monstrous burden. The scheme applies to the polluting half of the economy but not to the more virtuous half, which is a nonsense. Countries set their own loose limits—many give themselves more in credits in a given year than the amount of pollution that they emitted—so the situation is irretrievable. The scheme is an invitation to cheat, and the only people who make money out of it are the banks and the specialist niche market traders, who charge between 8 per cent. and 30 per cent. to handle the transactions. It is a great market for those who are in the land of wild-eyed speculators. But that is not the economy or the ecology in which we must play a profound part as the agents of change. The mechanisms that have really delivered in the short term are carbon tariff systems, not carbon credit trading systems. If we have the sense to adopt the former, our grandchildren will have much to thank us for.

3.40 pm

Peter Bottomley (Worthing, West) (Con): I congratulate the hon. Member for Nottingham, South (Alan Simpson) on his speech. He certainly made a contribution to the serious debate on reducing the amount of carbon that we produce. His comments on carbon offsetting will be welcomed by many, including one of my brothers-in-law, Robert Whitfield, who has been one of the key people trying to look seriously at what is going on, as opposed to some of the easy, glib ways out—for example, me saying that I will allow some of my trees to go on growing, and that will allow me to fly to China to see how its economic growth is coming along. If we ever get to the stage when the hon. Gentleman is not able to offer advice to his colleagues on the Front Bench, we will miss him.

I welcome the presence of the Economic Secretary. He has spoken in the House a lot in the past week, and this debate gives him the chance to listen to some good ideas. I can say with confidence to my colleagues and to the Liberal Democrats that the Government will

always take a good idea. We look forward to taking ideas from other parties as well, when we are in government.

The Chancellor certainly showed today that he has listened to several things that the Conservatives have said, even as he said that our proposals were a bad idea. I hope that those people who told the leader of my party that sharing the fruits of economic growth was an impossible idea will say the same thing to the Chancellor or his Treasury colleagues when interviewing them.

I look forward to a time when the next Labour Chancellor, if there are more Labour Budgets before the change of Government at the next election, will put all the news into the Budget statement, rather than leaving it in the press notices, or even out of the press notices and on page 278 of the Red Book.

Will the Economic Secretary try to ensure that the next Minister to speak from the Dispatch Box confirms that the tax reduction, which was cheered so loudly by Labour Back Benchers, will be more than outweighed by national insurance contribution increases? I am not sure that the people who were cheering the Chancellor at the end of his speech actually understood the impact of the abolition of the 10p in the pound tax rate. Some of those who will cheer almost any signal—any claptrap, in fact—from the Chancellor should try to listen to what he has said beforehand, and work out how he is managing to achieve the result that he has announced.

Paul Farrelly (Newcastle-under-Lyme) (Lab): Will the hon. Gentleman give way?

Peter Bottomley: I do not want to give way too often, because we have listened to some very lengthy speeches, but I will give way once.

Paul Farrelly: The hon. Gentleman has talked about certain proposals put forward by the Conservatives and by the Liberal Democrats. Will he also give the Chancellor credit where it is due? In the past few years the Opposition have rubbished his forecasts and talked about a black hole, but that has all proved to be unfounded. Will the hon. Gentleman give the Chancellor credit where credit is due?

Peter Bottomley: Yes.

Now let us look at taxes on business. The Chancellor has adopted the Conservative idea of reducing corporation tax, but I did not hear him say in his statement that taxes on businesses will rise by £1 billion next year and £1.8 billion the year after. If those figures are wrong, perhaps we could be told.

Borrowing will increase in the next five years. It has been suggested that the Chancellor will borrow more than twice what he will spend on law and order. The two figures cannot necessarily be compared, because the borrowing may be for investment, and spending on law and order may come out of current taxation, but it is a useful way of looking at the situation.

The Prime Minister says that what matters most is education, but education spending growth is set to fall to 2.5 per cent. a year—lower than the rate of growth of the economy. There may be reasons for that, and I wish to put on record the fact that I welcome the increases in spending on the military, and I am glad that spending on security and intelligence will be increased. Clearly, Governments have to make decisions about how the cake is divided up, but if it is true that education spending will rise at a lower rate than the rate at which economy grows, I would expect the Chancellor to say that. If he is willing to defend it, why not say it in the open?

When a Treasury Minister next takes to the Dispatch Box, will he say how Britain's economic growth last year compared with that of other EU members? Is it true that we came 22nd out of the total of 27 member states?

I turn now to the rate of inflation. Is it true that our inflation rate is the highest for 16 years? Is it double the level of 1997, when the Conservatives left office? Is it above the EU average? One would have expected to hear such details in a Budget statement, but I do not think that we did.

Stephen Hesford: Will the hon. Gentleman give way?

Peter Bottomley: Let me get through the rest of my list, as that may save a number of interventions.

Is it true that the UK's structural budget deficit is, at 2.6 per cent., the largest of all the major EU countries? Is it higher than Italy's structural deficit? Is real take-home pay falling? If we take the increase in the retail prices index to be 4.4 or 4.6 per cent. and say that average earnings, excluding bonuses, rose by 3.7 per cent., is that a fall in real pay?

The Government claim that the 3 per cent. rise in the prescription charge is less than the rate of inflation, but pay for nurses is going up by 1.9 per cent.—less than the rise in the prescription charge. Is that correct? How will that affect nurses' take-home pay in the forthcoming year? What is the forecast for that?

When a Treasury Minister next stands at the Dispatch Box, will he say how business investment as a proportion of GDP last year compared with the figure for 10 years ago? Is the present level the lowest on record? Was last year's 5 per cent. savings ratio half of what it was in 1997?

I am willing to praise the Chancellor for some of the good things that he may have done, and it is clear that the hon. Member for Newcastle-under-Lyme (Paul Farrelly) would like to join me in asking for the whole picture. There are some things for which the Chancellor does not take credit, or even mention. That sort of selection is normal and natural, but it reveals the right hon. Gentleman to be an ordinary Chancellor, and not an extraordinary one. If I were to try to come up with something for his economic gravestone, I might say that his RIP was the RPI.

Is it right that the trade deficit is set to rise to £60 billion, the highest on record? Is it right that there are a million more people in this country who are not in education, employment or training than there were in 1997? The Chancellor talks about the increase in employment, but how many of the people involved were not in this country 10 years ago? They may have come here to take advantage of economic opportunities. If

[Peter Bottomley]

so, they contribute to our economy, but they do not offset the number of people out of work and not in training.

The Chancellor deserves praise for what he said about child benefit. I have long argued that the best way to help people when they have children is to make sure that they have money, resources or cash. It is important that those resources goes to families and households with children, regardless of whether there are two people earning, and of whether there are two adults present.

Child endowment is one of the most important functions of Government. We spend a lot of time arguing about appropriate levels of pension or state benefit income for people in retirement, and it is right that we do—but most retired people have at least had an opportunity during their lives to earn money or to put some by, through growing pension entitlements. Children cannot do that; the law does not allow them to, and their age prevents them. We must make sure that people who have children can give them a decent standard of living.

That matters a great deal, but we will never be able to ensure that every working person can earn enough at work to support children. Conventionally, child benefit comes in when a family goes from having two incomes and two mouths to feed, to one income and three mouths to feed. Arguments will continue about the appropriate levels of working families tax credits, or other benefits, but I have always believed that child benefit should be the centrepiece of the system. I learned that from the writing and campaigning of Eleanor Rathbone, and from the work of Sir Brandon Rhys-Williams, a former colleague in this House.

The Chancellor did not mention local government finance. When we consider the burden of taxation on people we have to include the amount of council tax they pay. Whether the Lyons review has not produced the result the Government wanted, or whether there are awkward decisions to be taken and difficult approaches to identify, is not for me to say. However, until we can look at the overall taxation burden we cannot look at equity and fair distribution over the life cycle between different income groups and owners of different asset classes.

I hope that my party will find a way to make sure that local government has a buoyant source of income—perhaps even a set of buoyant sources. Central Government benefit from rises in revenue from value added tax, excise duties, income tax and national insurance, including fiscal drag as the economy and incomes grow. Local government does not. Until local government can expect a share of economic growth, with more money and more spending decisions, and a variety of income sources, there will continue to be tensions between central Government and local government, and between local government and taxpayers. We need to move forward from that situation.

Stephen Hesford: On local government finance, does the hon. Gentleman advocate relocating some or all of the ability to raise business rates to local government? That would provide the flexibility to which he referred.

Peter Bottomley: It might, but I was not trying to go into detail. I just wanted to make the point—*[Interruption.]* I am not going to answer that. The point that I was trying to raise for discussion was the need for local government to have a variety of buoyant sources of income, and I shall leave it at that. If the hon. Gentleman catches your eye, Mr. Deputy Speaker, he can make his own speech on that issue, or any others that he wants to raise.

I want to move on to the subject of housing investment. It is clear that the amount available for new social housing is inadequate, as are the sources of income for investment in it. I have made the point before—and hope to go on making it for as long as I am a Member—that the sort of investment funds held for people such as me by our trade union, insurance company or pension provider do not go into social housing, for homes for people whether or not they can work. Until we have an investment regime and a housing system that gets a good chunk of money from people's savings—if I may put it like that—we shall have to rely far too much on the taxpayer and on Government decisions.

I should like changes in the tax rules, alongside possible changes in forms of housing tenure, so that it would be normal for a trade union to report in its annual accounts that, for example, 20 per cent. of its members' funds were invested in housing—not necessarily housing for union members. Unions could receive rental income from such homes, and that should be a decent class of investment. The same could apply to insurance companies and pension funds, and, for that matter, to private individuals. I do not see why one should not get the same welcome and proper advantages from providing homes for people who need them, or from maintaining the standard of one's own home in the last 20 or 30 years of life without the complication of equity release, as one does from investing in venture capital or small private businesses. I am not against equity release or private equity; all I am saying is that we should try to find a public purpose for some of the investment funds we hope to accumulate, rather than just chasing up the value of shares on the stock market.

Occasionally, we should consider the contribution that we in this place can make to reducing the burden on the public purse. I do not want my speech to be inordinately lengthy so I shall finish on this point. We have had some debates on House of Lords reform. I declare a sort of interest: I live with someone who is a member of the other place—but the remarks that I am about to make are not personal, either about her or about me.

We ought to ring-fence the budgets for Parliament. Any changes in the cost of the House of Lords should be offset by reductions in the cost of the House of Commons. For example, if we are going to have a number of people who get fuller remuneration or allowances in the House of Lords, either the rate of pay or the allowances for Members of the House of Commons should be reduced, or the numbers here should be reduced. The first bid that I have put in is that over the next 10 to 15 years, we ought to aim to cut the number of Members of this House from about 650 to about 450.

The Economic Secretary to the Treasury (Ed Balls): Will the hon. Gentleman give way?

Peter Bottomley: If the Minister is going to volunteer to be one of them, I will certainly give way.

Ed Balls: Can the hon. Gentleman advise me how that would impact upon Members of the House of Commons who are married to someone in this House, rather than the other House?

Peter Bottomley: Decisions could be made by lottery, according to merit or by popular vote. One day I shall welcome the Minister to my Denis Thatcher Society—for those of us who are married to women who are more important than we are.

Mr. Paul Goodman (Wycombe) (Con): He is.

Peter Bottomley: I know: that is why I said it. Denis Thatcher said that it might be called the Prince Albert Club, to greater advantage.

By reducing the number of Members of this House by about a third, we would have constituencies of about 100,000. In fact, we could set a rule saying that the population of the Isle of Wight will set the number of target voters in each constituency. As the population of the Isle of Wight grows, we would reduce the number of Members of this House. That would be a good way of cutting down on costs.

Lastly, although MPs' pay this year is not controversial, because the increase is, I think, only 0.6 per cent., when our pay is readjusted, we will face the same problem in the future that we have faced in the past—that MPs are on a final salary pension scheme. The House should decide to go on to an average salary pension scheme and our rates of pay during our service should be taken into account in setting our pension, rather than having MPs who retire five or 10 year later getting a dramatically higher pension than people with the same amount of service who retired five or 10 years before. We need to make some kind of contribution to a rational system that would be applicable to others in different circumstances, rather than saying to them, "We'll leave you to rot, or to suffer, and we'll go on looking after ourselves."

3.56 pm

Stephen Hesford (Wirral, West) (Lab): I congratulate my right hon. Friend the Chancellor on his 11th, and what is categorised as his last, Budget speech. It may be that it was his greatest Budget speech—I will come back to why in a moment. It is perhaps a few hours since Members dispersed from the Chamber after the main speeches. I just want to reflect on the alacrity with which Opposition Members dispersed from their Benches. I wonder whether that was because, on the back of what my right hon. Friend said, they all realised, severally and collectively, that they will face another six or seven years of opposition.

Mr. Evans: I suspect that, after listening to Budgets like this over the last 10 years, Members left to make sure that we got our hands on the Red Book so that we could read the small detail to find out what was in the Budget, not just what the Chancellor said at the Dispatch Box.

Stephen Hesford: I am pleased that the hon. Gentleman reads the Red Book.

Reflecting on the earlier debate, it seemed to me that as the rate of income tax went down, that was in direct proportion to the colour draining out of the cheeks of the shadow Chancellor.

Ed Balls: And the Leader of the Opposition.

Stephen Hesford: And the Leader of the Opposition—I am obliged to my hon. Friend.

The speech that I wanted to make nearly hit the buffers in the sense that the wind was taken out of my sails. However, I want to place on the record my thanks to the right hon. Member for Wokingham (Mr. Redwood) for making it relevant. One of the traditional knockabouts in these debates—which I thought was going to go missing, but which, certainly from my point of view, has come back into play—consists of the doom and gloom that Opposition Members put about and the talk about black holes. Other colleagues mentioned all that sort of stuff. In preparation for that, I looked at the financial press with a little care over the past six weeks or so to see what was being said in the run-up to the Budget. It is often said in this place that much of the press is not necessarily friendly to the Labour party—*[Laughter.]* I hear laughter from Conservative Members. I am not sure which papers they read—I see that no one wants to intervene to tell me.

If, as the right hon. Member for Wokingham would have us believe, the Chancellor has got it so wrong in his Budgets over 10 years, let us, almost counter-intuitively, consider the situation in the City of London, which is traditionally thought of as not looked after efficiently or well by the Labour party. A reputable broadsheet that is not always favourable to the Labour party published some figures on the City of London in the past few weeks. It showed that 4.6 million people were employed in London, which is 15 per cent. of the UK total. The number of people employed in the City is 340,000, while up to 1 million are involved in support services. Some 9 per cent. of our gross domestic product is produced from financial services, which is up from 7 per cent. 10 years ago. The City of London's share of the global foreign equity market is 43 per cent., and it accounts for 36 per cent. of global derivates. The City accounts for 31 per cent. of world currency trading, which is more than New York and Tokyo combined.

Stewart Hosie (Dundee, East) (SNP): I am sure that the list that the hon. Gentleman is reading would be very interesting in other circumstances. He talks about the success of the financial sector and the City, but surely he is aware that hon. Members representing every party in the House support the FSA and the fact that it should have a general framework that is light-touch, risk-based and principle-based. The financial sector has been driven forward by that common agreement, not simply the actions of the Chancellor.

Stephen Hesford: The hon. Gentleman makes his point.

The final statistic that I will cite is that the London commodity market's share of world trade in metals is 90 per cent. That piece of financial journalism thus, perhaps counter-intuitively, supports the framework and environment that my right hon. Friend the Chancellor has set up.

I have in front of me a copy of the 4 March edition of *The Sunday Times*, which includes a column by David Smith. Those who have followed the journalistic career of David Smith will know that he is not necessarily a friend of this Government. Indeed, I recall that during the couple of years before we took power in 1997, part of his advice to those who wanted to make investments around the world was that they should leave the country, which shows his pedigree. His piece in *The Sunday Times* was called—this is a description of the economy—"These are the best years of our lives". How did such a respected journalist, who is independent of the Government, come to that view if what Conservative Members often say is true?

David Smith's article included phrases such as

"as good as it gets"

and

"It is hard to think of a better ... period in Britain's modern economic history."

On growth rates, he wrote:

"The average growth rate has been 2.8 per cent. better than Britain's ... long-run average of 2.5 per cent. ... The economy is nearly 5 per cent. larger than it would have been".

That means that some £60 billion to £70 billion extra wealth has been created than would have been the case under the long-term trend growth rate. He also writes:

"Inflation since 1992 has averaged 2.6 per cent."

which is low in any historical circumstances. We still have that kind of average inflation rate. He also talks about stability, which I would say has been a key economic driver, and I am sure that Members in many quarters of the House would agree.

Important though inflation is, we should also take note of the surrounding absence of volatility. In previous economic cycles, and in the 18 years before the Labour Government, there was a trade-off between growth and inflation, but the volatility has come down sharply. In David Smith's words,

"It hasn't just been a case of no more boom-and-bust. There have also been no more wild swings in inflation."

That is good for business, and it is certainly good for my constituency. He rounds off his point on stability by saying:

"Britain's performance in terms of stability has gone from being the worst in the advanced world to something near the best"—

and of course that success story continues.

We should not just take David Smith's word for it. He cast around for other unlikely sources of support to offer an objective view of the Government's record, and he quotes Professor Tim Congdon. Those who have followed the area of policy that we are discussing for a number of years know that Professor Tim Congdon is not acknowledged to be a Labour supporter. In fact, as David Smith says, Congdon was given a CBE by the Tories, but not necessarily for services rendered, but we will not go there. Congdon says that after

"two decades of boom-and-bust"

we have the most stable and successful economy of modern times, with not only low inflation, but a short, sharp drop in volatility. He says:

"The improvement on...inflation...has not been at the expense of the so-called 'real economy'".

In other words, there is a firm basis for the belief that what we see as the proceeds of success—investment in our public services—are based on reality, contrary to what Opposition Members would have us believe.

One point that is raised, almost like a kiddies' scare story, is the subject of debt. It is often said that we are in a kind of overblown bubble and have a debt-ridden economy. Congdon has a view on that. On the idea that we are drowning in a sea of debt, he says that there is probably more nonsense talked on that issue than on anything else. He says that it is consistent with a grown-up economy that people should have control over their own lives, and that included their making decisions on debt. He goes on to say:

"Generally, people have a far better understanding of their own particular financial circumstances than anyone in Westminster, Whitehall or the London-based media."

The article then quotes a few figures:

"Unsecured debt is just 3 per cent.-4 per cent. of household wealth. All household debt is about 1½ times annual income, but the net wealth of the sector is seven times income. The surprise is not that debt has risen but, given the low-interest-rate environment, it has not risen more."

That once again emphasises the idea of stability.

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): The hon. Gentleman is quoting with approbation the words of an economist who would like Britain among other things, to, withdraw from the European Union, so we need to be careful when weighing up the merits of his argument. Is the hon. Gentleman really saying that personal debt totalling £1.3 trillion is something that we should not worry about too much? Does that not reflect the fact that one element of the Government's record to which he has not referred is the widening of the gap between the richest and the poorest in society, and is that not a legacy of which Labour Members should be ashamed?

Stephen Hesford: The hon. Gentleman has only just come into the Chamber, but if he had followed the debate he might have had something more apposite to say. He misunderstands entirely the point that I was making. I was not quoting Congdon verbatim to demonstrate his absolute support; I wanted to show that someone on that side of the economic debate supports the notion that we have achieved stability. He says that the economy is not the scare story that Conservative Members would have the public believe.

The economy is in good shape, despite the list of questions posed by the hon. Member for Worthing, West (Peter Bottomley), who would not allow me to intervene. I do not know what my hon. Friend the Economic Secretary will say in due course, but it is not for me to answer those questions. My constituents are not professional economists or London-based financial journalists, but they share the genuine concerns of

hard-working families in constituencies throughout the country. Given the climate, which is sometimes exaggerated, mums and dads in my constituency have some worries, but it is important to set them against the background of stability. People are worried, even though the economy is doing well, so we must find out the disconnect. This winter, some of my constituents were worried about utility prices, but British Gas and other major utilities have dropped their prices considerably, which I welcome. People are worried about council tax, but I am pleased that my local authority will introduce a council rise below the national average. There have been three interest rate rises in the past six to nine months, which is worrying for people with mortgages.

Nonsense is talked by Opposition Members about the state of the NHS, and they do so to create uncertainty and worry. That is the climate that my constituents have experienced for the past six to nine months. It is counter-intuitive but, unbelievably, the latest polling evidence suggests that the Tories are favoured for their handling of the economy. I was genuinely looking forward to the Budget, as I hoped that it would answer those concerns and worries. My hon. Friends may agree that in the past six to nine months we have failed to construct a narrative or connect with our constituents to enable them to understand where the Government are going. There was therefore a big ask for the Chancellor, as we wanted him to try to answer those serious concerns.

Like every constituency, mine is composed of different sectors of society, and about 20 per cent. of the electorate—that is one of the highest percentages in the country—are pensioners. What did the Chancellor do with respect to pensioners? What I am about to say deals with a sector of the pensioner public who have missed out on our previous efforts to tackle pensioner poverty—those who are just above the pensioner poverty line and sometimes complain that they do not have access to some of the benefits. Since 1997 the Chancellor will almost have doubled the tax-exempt income of pensioners who pay income tax. That will be a significant benefit for a considerable number of my pensioners. The other item that I warmly welcome is the raising of the level of pension credit, which will help the middle sector of my pensioner population.

By far the largest part of my population, as is probably the case in most constituencies, are hard-working families with children. The Chancellor has gone a long way towards settling their worries. First, tax credits for a typical family with two children will effectively wipe out income tax liability on an income of £450 a week. That will be extremely helpful to many of my hard-working families. Secondly, child benefit will rise to £20 for the first child by 2010. That works out at more than £1,000 a year. The House should reflect that, when we came to power, the Major Government had been chipping away with a view to abolishing the child benefit. That was the climate as I recall it.

Peter Bottomley: If the hon. Gentleman can find any basis for that, will he send it to me?

Stephen Hesford: The final piece of assistance for families with children was progress towards equalising the amount spent per pupil in the state sector and in the private sector. That will be widely welcomed by my hard-working families.

The 2p cut in corporation tax will send out a message that the Government are business-friendly, that the economy will be looked after and that growth in employment and jobs will continue to be a feature.

Mr. Mark Hoban (Fareham) (Con): What message does the hon. Gentleman think the increase in the small companies rate of corporation tax to 2[illegible] will send to small businesses in his constituency?

Stephen Hesford: I am sure that the hon. Gentleman will tell me in due course in his winding-up speech.

Kitty Ussher: Is it not my hon. Friend's understanding—this might help him out—that the changes in small company corporation tax are designed to prevent the loophole that allowed people to fudge the difference between being self-employed or working as a small company in order to gain advantage from the different tax rates?

Stephen Hesford: I am grateful to my hon. Friend. *[Interruption.]* My hon. Friend the Economic Secretary says that there is no net increase in taxation.

Mr. Hoban: The hon. Gentleman will find that the changes to which the hon. Member for Burnley (Kitty Ussher) referred were in the 2006 pre-Budget report, not in the Budget.

Stephen Hesford: As I say, I am sure that the hon. Gentleman can make his point in due course.

Mr. Deputy Speaker: Order. I should make it plain to the hon. Gentleman, and to the House in general in case it is not aware of the situation, that there are no wind-up speeches on the first day of the Budget debates.

Stephen Hesford: I am obliged, Mr. Deputy Speaker. We will therefore have to wait with bated breath for a few days for the answer.

Sammy Wilson (East Antrim) (DUP): Does the hon. Gentleman accept that the 2 per cent. increase in corporation tax for small businesses, which represents a net gain of £820 million for the Exchequer, will have a significant impact on small businesses, especially at a time when the Government are trying to encourage growth in the private sector?

Stephen Hesford: My hon. Friend the Economic Secretary is shaking his head, so that cannot be right.

Sammy Wilson: Read the book!

Stephen Hesford: The hon. Gentleman can make his speech if he catches your eye, Mr. Deputy Speaker.

My constituents were looking for real assistance, and I believe that they got it—not gimmicks or unworkable policies such as VAT on air travel that would punish hard-working people who take their holidays as they well might and should not necessarily be interfered with.

I come to the final piece of the jigsaw in my little tour d'horizon of journalism. Tim Hames—he is not a

[Stephen Hesford]

financial journalist but a well-respected commentator in *The Times*—had a piece last week in which he suggested, in the context of the idea of reconnecting, that my right hon. Friend the Chancellor should cut income tax by 1p. I thought, "Yes, I can see why that would reconnect." As the House now knows, my right hon. Friend was better than that and cut income tax by 2p. That will be very welcome in my constituency.

Mr. Evans: Could the hon. Gentleman remind the House of what Tim Hames said about the abolition of the 10p rate?

Stephen Hesford: No.

My right hon. Friend the Chancellor rescued my speech for me. I had been ordering my thoughts on how the various unsettling issues that had unwound over the past six to nine months would be dealt with, but he more than met most of those worries. I thoroughly look forward to going back to my constituency and proselytising—

Ed Balls: Lest there is any possibility that my hon. Friend might have been unsettled by some of the interventions from Opposition Members, he may recall that the Chancellor said in his speech that he is taking action to address the issue of small companies avoiding paying their due through artificially incorporating in a way that will not raise the tax burden on the self-employed and small businesses overall, and that the small companies rate will be raised in three stages from 20p to 22p in 2009, recycling all these revenues to legitimate small businesses investing for the future. Does my hon. Friend agree that if Opposition Members had listened to the Chancellor's speech more carefully they might have understood the point the first time?

Stephen Hesford: I do agree. Of course, I had that in the back of my mind.

I will not detain the House overlong but leave that to other hon. Members who want to speak. I welcome the Budget and the chance to go back and tell my constituents that many of their worries have been settled by today's Budget.

4.25 pm

Stewart Hosie (Dundee, East) (SNP): May I comment first on the corporation tax change? It should have been greatly welcomed, as a cut in corporation tax is something that we have called for, although I am not sure whether the 2p cut will be sufficient to give Scottish business the competitive advantage it needs in order to close the 25-year 30 per cent. growth gap with the rest of the UK. When I see that in two years' time the change to capital allowances on plant and machinery will generate £2.27 billion-worth of yield, yet the corporation tax change will only generate £2.23 billion, I am not sure whether, rather, it is a case of robbing Peter to pay Paul.

I welcome the additional investment of £8 billion in the pension financial assistance scheme. I will look into the detail, of course, but I very much hope that there will be enough money for it to work to assist many of my constituents who have suffered from the failure or collapse of their occupational pension schemes. We all recognise that the biggest threat that we face globally is from terrorism, so I very much welcome the increase in the security budget to £2.25 billion.

I also welcome the announcement of extra money for shared equity. Again, we will have to look into it in more detail, but I hope that it will provide new affordable homes. I have been through the Red Book and cannot see any forecast future revenue from planning gain supplement. I mention that in the context of the shared equity scheme and the Budget. Many hon. Members are very worried that, if the PGS were to proceed and increase the price of land by, say, 30 per cent., even the shared equity scheme announced today might not be able to deliver the number of affordable houses that the Government may expect.

I should also like to comment on the announcement to sell off the student loan debt. That will certainly generate quick revenue for the Treasury, but it is my understanding that to keep the interest rates charged to ex-students low, there will still be a cost of about £1 billion to the taxpayer. Although, as I say, it will generate some quick revenue for the Exchequer this year, there will be a long-term liability to the UK, while it does nothing, of course, to help those paying off the loans for the time being.

The Budget is supposed to lay out to the House and the country the economic position in which we find ourselves, to measure the success or otherwise of economic policy and to map out the Government's future plans, expected revenue, spending, inflation, debt and so forth. It underpins the social and economic policy that the Government intend to deliver in the year ahead.

The Chancellor has set out today what he expects in terms of future investment in—and, indeed, reform of—the public sector. He talked about discipline in public sector pay, but he ignored any real assessment of the many economic reforms and savings that he has made. We now know from the National Audit Office that only £3.5 billion of the claimed £13.3 billion of savings can definitely be said to represent efficiencies. Some of the rest may, but the NAO says that more than £3 billion of those savings do not demonstrate efficiency or may be substantially incorrect.

In previous Budgets, the Chancellor has spoken more about his reform of the public sector, particularly the loss of jobs. That was not mentioned at all today and I wonder whether the balance has been struck correctly in terms of losing jobs. For example, at the moment HMRC currently has a million pieces of unopened mail and has spent £160 million on agency staff to cover some of the manpower gaps that appear to exist.

Ed Balls: Did the hon. Gentleman hear the comment from his colleague, the leader of Plaid Cymru, this afternoon, who said that the only reference to Wales in the Budget speech was to 5,000 shelf-stacking jobs in Tesco? Does he reflect the same disdain for those jobs and share the views of his nationalist colleague, or does he join me in believing that that was a very unfair slur on hard-working people—often Union of Shop, Distributive and Allied Workers members—in our country?

Stewart Hosie: It is for Plaid Cymru to make its own points, and I think the spokesman was referring to the fact that there was only a single reference to Wales in the Budget statement. Perhaps he was also referring to the provision of certain kinds of jobs in the retail sector. However, every job is to be welcomed, and I am sure that none of my colleagues in Plaid Cymru would be dismissive of any jobs—

Ed Balls: Well, they were.

Stewart Hosie: The hon. Gentleman might say that, but I think that my colleagues were being critical of the fact that the Chancellor mentioned Wales on only one occasion in the Budget statement. I think that he mentioned Scotland twice. That is about average for the past 10 Budgets.

The Chancellor said last year that inflation had been virtually halved to 2 per cent., and that long-term interest rates were at their lowest for 40 years at just 4 per cent. Over the past few months, the consumer prices index reached 3 per cent. in December and 2.7 per cent. in January, and the retail prices index hit 4.4 per cent., moving down to 4.2 per cent. In January, however, *The Scotsman*, quoting the Capital Economics consultancy, identified that pensioner inflation was actually running at 9 per cent., and that real inflation for households on a modest income was hitting 4.6 per cent. We know that today the RPI has hit 4.6 per cent. and that the CPI has hit 2.8 per cent. I am troubled that, when the Chancellor is looking at pension increases and forecasts, he is basing those rises on inflation rates of 2.8 per cent.—or 4.6 per cent. if we are lucky—when real inflation, especially for pensioners, is certainly hitting 9 per cent.

No Budget would be complete without the repetition of the assertion that there have now been 59 quarters of unbroken economic growth, and no Budget would be complete without me saying, "Except in Scotland." In Scotland, under this Chancellor, there have been four quarters of falling growth, a full-blown manufacturing recession and only six quarters in which growth outstripped that of the UK. To look at that another way, since the second quarter of 1999 and the start of 2006, manufacturing GVA—gross value added—in Scotland has fallen by 12 per cent. against a modest rise in the UK.

The Chancellor also said, as usual, that the UK was doing very well economically. I think that he said that its economy was growing faster than those of the EU and the G7. However, information published today says that the economies of the UK, the G7 and the eurozone all grew by 2.75 per cent. in 2006; so, at best, the UK is marking time; it is not powering ahead as the Chancellor would have us believe.

The Chancellor also talked a lot about his various golden rules and fiscal rules, and in particular about keeping debt below 40 per cent. of GDP over the economic cycle. The problem is that the debt is being hidden. In particular, the Government's private finance initiative debt is off balance sheet. We know that there are 48 major private finance initiative and public-private partnership projects, with a capital value of £2.7 billion, in Scotland. The Edinburgh royal infirmary project had a capital cost of £184 million, but a repayment of £1.26 billion over its lifetime. We also know about the spectacular failure, in terms of value for money, that led to the Inverness airport terminal—with a capital cost of £9.6 million—being bought out with taxpayers' money to the tune of £36 million. The problem with PPP/PFI is that the cost of borrowing—at rates of between 2.5 and 4 per cent. above public borrowing rates—costs the Scottish taxpayer about £110 million a year extra, which is enough to fund about £2 billion-worth of new public investment.

The UK position is even worse. The 2006 pre-Budget report showed total outstanding PFI payments, over 30 years or so, of £158 billion, which is up 11 per cent. from the £142 billion reported nine months earlier in the 2006 Budget. The cumulative effect today is that payments of £169 billion are to be made up to 2032. These are huge, frightening numbers.

The Chancellor repeated his claims of improving research and development in business, and I welcome the extra £100 million for R and D tax credits. I have raised this issue on a number of occasions and I am glad that that extra money is being put in. It is worth noting, however, that the rates of spend on R and D as a proportion of GDP still pale into insignificance compared with those in our major competitor countries.

The Chancellor also made great play of those who are in work, but it is worth reminding ourselves that, in Scotland, we have lost 90,000 manufacturing jobs since Labour came to power. The figure is about 1 million in the UK.

Mr. Jim Devine (Livingston) (Lab): Will the hon. Gentleman give way?

Stewart Hosie: The hon. Gentleman has only just come into the Chamber, but I will give way to him.

Mr. Devine: I thank the hon. Gentleman, and I apologise. Has not the Chancellor shot the Scottish National party fox this afternoon? If the SNP is voted into power in Scotland next year, and we have independence, people in work will be paying 3p on their local income tax and not getting the benefit of the 2p cut in income tax. That is a difference of 5p in the pound.

Stewart Hosie: When we are talking about the loss of 1 million manufacturing jobs, it is disappointing to be subjected to a question that ignores the net increase in personal taxation because of the removal of the 10p rate. I do not expect the hon. Gentleman to understand that, but the rest of us do. When the general public in Scotland and elsewhere open their newspapers tomorrow and find out that they have been conned, he might be left with egg on his face.

We have lost 1 million jobs. To localise that, Dundee is currently seeing 600 job losses at NCR, which are part of 1,100 manufacturing and distribution job losses announced in the city over the past year. While I concede that there have been some successes, the heart of the economy—the modern manufacturing base—remains under serious pressure.

Kitty Ussher: The hon. Gentleman mentions that manufacturing job losses have been greater, unfortunately, in Scotland than in England. Does he

[Kitty Ussher]

think that that is in any way owing to the fact that industrial policy is devolved?

Stewart Hosie: No, I do not, because many of the drivers of investment, particularly in manufacturing, are reserved matters: the R and D tax credit, corporation tax levels and so on. I understand the hon. Lady's question but I disagree with her premise.

Mr. Jeremy Browne (Taunton) (LD): May I caution the hon. Gentleman against saying that the 10p rate has been abolished? Is it not much more accurate to say that it has been doubled?

Stewart Hosie: I am almost underwhelmed by such wonderful Liberal semantics. The 10p rate has been abolished, and people will pay more tax.

The manufacturing base remains under serious pressure, and while the corporation tax cut of 2p is to be welcomed, some of the other changes are not. There was no hint at support for a reduction in business rates for smaller growing firms, whose tax rate has risen.

There was mention of the creative industries, which I was pleased about, and a clear reference to intellectual capital, about which I am very pleased and have been talking for some time. Important measures must be taken to protect intellectual property. Enforcement raises specific issues in Scotland, although primary legislation is reserved. We must further tighten copyright legislation, not just to avoid losses of profit to business but losses of yield to the Exchequer.

On that point, I want to mention the whisky industry. I am glad that there was no change to duty on spirits, but more protection could be offered to an industry that generates £2.4 billion in exports, supports 40,000 jobs, and if my memory serves, generates about £800 million in duty alone. By protecting its trademarks, descriptions and regional names in law in the UK, we would be seeking the same protection in the overseas market on a much firmer basis. The Government could consider that to protect revenue yield, too.

Willie Rennie (Dunfermline and West Fife) (LD): On the issue of research funding and R and D investment, did you not think that when the Chancellor talked about investment in R and D—

Mr. Deputy Speaker: Order. I remind the hon. Gentleman that he should not be using the second person. By doing so, he is referring to me, and I am sure that he does not mean to do that.

Willie Rennie: When the Chancellor referred to research funding, he neglected to inform the House that there has been a huge cut in research council funding, which is having a huge impact on the science community in universities and the rest of the UK. Does not the hon. Gentleman think that that is a disgrace?

Stewart Hosie: We need to consider all the R and D funding pots in the round. The hon. Gentleman was right to refer to the one that he did, but he will know that there are separate funding pots for research and development in Scotland—SPAR, SPAR plus and SEEKIT—with different programmes available in England, and some UK-wide ones. Some of the money that used to be in the pots to which he referred may now be in R and D tax credits. Yes, that is wrong, but we need to view the issue in the round and work out how we can increase total R and D expenditure rather than concentrating on what has been taken from one particular pot.

What the Chancellor did say today was a great deal about the environment. Perhaps the Government can answer a couple of questions. When will they finally act to end disparity in charges for connection to the national grid? This is an old story. It costs more than £20 per kW to connect to the grid in the north of Scotland, but a subsidy of £8 per kW can be paid in the south of England. The Government promised to do something about that. I raised it with the then Secretary of State for Trade and Industry, the right hon. Member for Kingston upon Hull, West and Hessle (Alan Johnson) during last year's Budget debate, and with the Secretary of State for Environment, Food and Rural Affairs on 30 October last year.

The Chancellor also made great play of carbon capture and storage, but I fear that we have heard all that before. In the 2005 Red Book, he said:

"The Government is therefore examining how it might support the development of CCS in the Climate Change Programme Review, including the potential for new economic incentives."

In his pre-Budget speech in the same year, he said:

"Carbon capture and storage protect the environment from carbon emissions by containing them at source".—[*Official Report*, 5 December 2005; Vol. 440, c. 612.]

In his 2006 Budget statement, he said:

"Following a joint study with the Norwegian Government, we have found that carbon capture and storage in the North sea can reduce emissions from gas and coal power stations by 80 per cent." —[*Official Report*, 22 March 2006; Vol. 666, c. 294.]

In the 2006 pre-Budget report, he said:

"Today, Norway and Britain are together launching the first feasibility study for a new infrastructure for carbon capture and storage under the North sea."—[*Official Report*, 6 December 2006; Vol. 666, c. 309.]

The Chancellor announced today that there would be a competition, about which the Minister for Trade will tell us at some point today or in the near future.

Talk is cheap, and there has been an awful lot of it. The President of the United States has made available a $90 million tax allowance for a carbon capture and storage pilot project in the US. After all the warm words we have heard, intended to reinforce our green credentials, the Chancellor had an opportunity today to announce how much would be provided for the Peterhead CCS project and how the funding mechanism would work.

The Chancellor referred many times to senior citizens. What he failed to do was end the shame of means-testing and introduce a proper living pension. Like the hon. Member for Burnley (Kitty Ussher), I welcome the change in income tax for pensioners—the new threshold will help those who were previously just above the threshold and were missing out—but one in five pensioners in Scotland still lives in poverty. Means-testing has been extended, and nothing was said

today to give me any comfort. With real pension inflation at about 9 per cent., the Government have missed an opportunity to provide a living citizen's pension and to index-link it properly.

I do not recall the Chancellor's saying anything about the Olympics, although I know he has done so on a number of occasions in the past. That may be because he, or a future Chancellor, has written a blank cheque. The cost has already reached £9 billion, and everyone assumes that it will "go north" to £15 billion or £20 billion. This is an open-ended spending commitment, and—as with the war in Iraq and the decision to extend the life of Trident—we will be paying the costs for generations to come.

4.43 pm

Rob Marris (Wolverhampton, South-West) (Lab): I agreed with some of what was said by the hon. Member for Dundee, East (Stewart Hosie), as he would expect—he is a learned Member when it comes to topics of this kind. However, I must cavil at his quibble over the current Chancellor of the Exchequer, who in round terms has been in charge for 40 of the 59 quarters to which he referred. He said that for four of those quarters—I do not know whether this is true, but I take his word for it—economic growth in Scotland had stuttered. He criticised the Chancellor for a 90 per cent. hit rate; I think that that is pretty good going.

Stewart Hosie: Everything in the garden is not rosy. I will give the hon. Gentleman figures later to show that in a large number of other quarters, growth was at 0.1 or 0.2 per cent.—absolutely minuscule. When I give him that information, we will see whether he is really proud of Labour's record in government.

Rob Marris: I concede that I am somewhat greedy and that I want more growth, but growth is growth and that record is much better than that of many, if not all, of the Chancellor's predecessors.

Things are difficult for the Opposition. The most recent Organisation for Economic Co-operation and Development economic survey described the United Kingdom as a

"paragon of stability".

It expects us in 2007 to be the second-fastest growing G7 economy, the fastest being Canada with a growth rate of 2.7 per cent. as against 2.6 per cent. for the UK. I know a little about Canada's economy and, as there is massive development at the tar sands at Fort McMurray and external investment is pouring in, it does not surprise me that Canada has a higher growth rate than us. Also, its proportional population growth is higher each year than ours. However, it is still only slightly ahead of us in terms of the growth forecast not of our Government but of the OECD.

We need to consider the robustness of the economic figures that we are given. The National Audit Office "Audit of Assumptions for Budget 2007" was ordered to be printed today. In that, the NAO looked at some—but not all—of the Budget assumptions. The report is only about 30 pages long, and I would not expect it to look at every Budget assumption, but it has looked at four of them. Its conclusions underline the robustness of the Treasury's model, assumptions and forecasts.

Paragraph 80 of the 2007 report states of the Budget 2004 direct tax and national insurance contributions compliance and enforcement package that there would be

"an estimated yield greater than the revised forecast, and it was therefore cautious on this basis."

I want the Treasury to be cautious—not too cautious, obviously, because that can mislead people and it does not wish to do that—and it was suitably cautious on direct tax and national insurance contributions, albeit in the Budget 2004 as the NAO can look into such matters only in hindsight.

The 2007 report also studied what it calls the VAT gap assumption. I confess that I do not know exactly what that is, but I might have done if I had had time to read the whole report. Paragraph 82 states:

"The use of the VAT gap assumption over the Rolling Review period from 2003 resulted in forecasts which were cautious in three of the four years and over the Rolling Review period as a whole, underforecasting of overall VAT receipts."

Therefore, it is not the case that the Treasury was wildly optimistic in terms of the figures forecast in previous Budgets. The NAO looked at them ex post facto to see whether they were or not, and they were not.

Tobacco revenues are even more difficult for the Treasury to forecast than VAT because of matters such as tobacco smuggling. The NAO report states at paragraph 89:

"The assumed rate of 3 per cent. per year decline in underlying duty paid consumption is consistent with the recent available data".

However, the Comptroller and Auditor General states at paragraph 90:

"I recommend that the Treasury and HMRC closely monitor trends in the monthly data".

Factor income shares are addressed at paragraph 91:

"The assumption of broadly constant factor shares was a reasonable one over the three year Rolling Review period".

Debt interest is addressed at paragraph 92:

"I am satisfied that the calculations of debt interest payments were consistent with forecasts for central government's net financing requirement and with current financing policy at the time of each forecast made since Budget 2004, and are for Budget 2007."

The NAO looked at only a few aspects of Treasury forecasting, but income tax, national insurance and VAT are big aspects. It found that Treasury forecasting is pretty robust—those are my words. That gives me, as a Labour Member, confidence that the forecasts of the Treasury and the Chancellor today are likely to come true; the evidence of the past supports that. That gives me some hope about where our economy and society are heading.

Mr. Mark Field: I accept the argument about growth forecasts. Indeed, it is fair to say that the Opposition have occasionally rubbished those forecasts in years gone by, and been confounded by the outcome. However, does the hon. Gentleman not accept that some of those forecasts have been met partly because of large-scale migration, which has added to the economy's growth? Moreover, many other Treasury

[Mr. Mark Field]

forecasts, such as the overall debt forecast—and, therefore, the overall outcome of the Budget—have proved to be very optimistic. It is our contention that that pattern might well continue in respect of the overall public debt in the next three or four years.

Rob Marris: The hon. Gentleman is gracious in defeat, as ever. Of course migration has had an effect on growth, and some of that, although, as far as I am aware, not all of it—I am not in the Treasury—was taken into account by the Treasury in its forecasting. There are some questions on the national debt, and I will come to where we stand and where we were in that regard.

Our employment rate is the highest of the G7 advanced industrial countries, and is far higher than the EU27 average. Our unemployment rate is only about two thirds of the EU27 average. In one sense, that is a dry economic statistic, but in another, it is not. We are talking about people's lives and independence and the dignity of work, so that figure means something very important to the 29 million people now in work in the United Kingdom—a figure that has risen by more than 2.5 million in the past 10 years. That is a fantastic step forward for many people. Besides their own families, work is the central thing in most people's lives.

Mr. Devine: My hon. Friend is absolutely right. When the Conservatives were in power, unemployment in my constituency was in excess of 20 per cent. I worked in primary care psychiatry, and general practitioners were prescribing anti-depressants and Valium to people who, if they could have been prescribed a job, would have been nowhere near the health centre.

Rob Marris: My hon. Friend is absolutely right. A little Brown pill is much better than a little blue pill.

The flavour of what the Leader of the Opposition and the very knowledgeable right hon. Member for Wokingham (Mr. Redwood) seemed to be saying was that nothing has improved in 10 years: that we have spent all this money—yes, we have, and it is a jolly good thing—and it has all been wasted. The right hon. Member for Wokingham repeatedly used that word, and it was implied, if not used in terms, by the Leader of the Opposition. I do not know what it is like in Witney—I have not been there in probably 40 years—or in Wokingham, which I have never had the pleasure of visiting. However, I know what it is like in Wolverhampton, where I was born and have lived almost all my life, and which I have the honour to represent.

I invite the Leader of the Opposition and the right hon. Member for Wokingham to visit Wolverhampton if they think that nothing has changed, and to consider not just factors such as the dignity of work and people's lives—I referred to them earlier—but the physical things that one can see, which is the simplest measure. There are all kinds of other things going on behind closed doors, if I might put it that way, but let them consider the physical factors. My partner and I have lived in the same house for more than 23 years, and I know the streets in my area like the back of my hand. I know who has had double glazing in the past 10 years. It is not always possible to see round the back of people's houses; even so, I know who has had a conservatory fitted in the past 10 years. *[Interruption.]* Opposition Members are having a little giggle, which is fair enough, but those are visible symptoms of increased prosperity. I can tell who has had a new roof, and so could the Leader of the Opposition, the right hon. Member for Wokingham or any other Member who visited the street where I live, which is in one of the most deprived wards in the country. I can see who has had their dormer windows done. Such prosperity is visible, but it is also visible on a public scale. The idea is that all the money has been wasted somehow, but those right hon. Members could come and see the new—well, it is about three years old—heart and lung centre at New Cross hospital, the acute hospital that serves my constituents in Wolverhampton and some of the surrounding areas. It is arguably—according to the professionals, not just to the politicians—the best in Europe. It is a fantastic facility. Consultants from other parts of the world visit. They look at the machinery and say, "We've got one of those: you've got one for every bed." They are goggle-eyed at the centre, which was built under this Government. It was also financed by this Government, and it is not PFI, I am glad to say.

My hon. Friend the Member for Livingston (Mr. Devine) mentioned his previous career. He and others might wish to visit Penn mental health hospital in my constituency, which has been almost totally rebuilt and deals with out-patients and in-patients. The mental health trust run by the PCT has a three-star rating. Hon. Members could see the new building and the refurbished old building. They could also see the Tettenhall Wood institute community centre, which has had £500,000 of taxpayers' money spent on it, half of which was euro-dosh. The children's centre in my constituency is a brand new building near West park and around 300 m from my office. On a smaller scale, hon. Members could also see the Oakley Buckley community centre, which has been completely refurbished under this Government. The university has had a £70 million investment, including the new glass front on the Mick Harrison building. If my right hon. Friend the Paymaster General, who is in her place on the Front Bench, visited the university of Wolverhampton—I know that she knows it well, but has not visited it for a while—she would be amazed by the development that has taken place.

Mr. Mark Field: The hon. Gentleman is making a great case for Wolverhampton and we might all be tempted to go there. The argument that all the money has been wasted is not very nuanced, and of course not all of it has been wasted, but the question is whether the taxpayer has had value for money, given the amounts that have been put into the health service, education and the other things that the hon. Gentleman mentioned. A lot of public money has been spent in the public realm, but we would argue that much has been wasted and an opportunity lost.

Rob Marris: I am in a marginal seat—Enoch Powell's old seat, as many hon. Members know—so I guess that I will find out in two years' time whether the electors think that it is value for money. They have thought so

thus far. They elected a Labour MP for the first time in 46 years in 1997 and re-elected me in 2001 and 2005. They thought that they had had value for money then and I think that they will still think so in two years' time. The electorate will decide, and so they should in a democracy.

The new St. Jude's school—costing £4.5 million—was recently opened by the Secretary of State for Education and Skills. Hon. Members should see the buildings and talk to the people who use them. The hon. Member for Cities of London and Westminster (Mr. Field) was a distinguished and well-to-do businessman before he entered Parliament—he might well still be, as I do not know whether he is moonlighting. So many hon. Members on his side of the Chamber do—*[Interruption.]* Perhaps he has a two-day a week cleaning job. I did not have as distinguished a business career, but I was a partner in a law firm with a turnover of some £30 million—not peanuts—so like the hon. Gentleman I know that not every investment, whether in the private sector or the public sector, is successful. That is in the nature of encouraging risk and innovation.

Can I say, hand on heart, that none of the money has been wasted? Of course I cannot. Do I think that overall and taken in the round—not on a project-by-project basis—in terms of both the bricks and mortar that I have mentioned, and in terms of the changes in people's lives, we have had value for money? Undoubtedly we have. If we segment the provision, of course we are going to find, for example, a computer that should not have been bought because an office that already had two did not need a third. That can be said about the private sector as much as it can about the public sector, but I have absolutely no doubt that, taken in the round, we have achieved value for money.

The police do not get talked about much when we discuss Treasury matters, but I believe that we have achieved value for money with them, too. Of course, there is a long way to go on crime, and the recent knife crimes are very worrying. Parenthetically, may I say how pleased I was that the Home Office announced a knife amnesty the day after I lobbied Ministers on that issue last year? I do not know whether that was an example of cause and effect.

It is true that we have huge problems with violent crime, and gun crime is a massive problem in Wolverhampton, but what is the true story of crime, overall? The independent British crime survey shows that taxpayers' money has been used in a way that has achieved value for money. It has been spent on the police themselves, and on the other forms of policing—the neighbourhood wardens, community support officers and so on—that we must now call the police family. It is difficult for the Opposition to attack us about that, as we have achieved value for money in our spending.

The private company Manpower UK Ltd. has sent me its employment outlook survey. On page 1, in answer to a question about how total employment might change in the three months to the end of June 2007 compared to the previous quarter, the report says:

"UK employers forecast a steady hiring climate for the second quarter of 2007".

Responses such as that give me confidence in the future. I am aware that there will be undulations and oscillations in the economy, but capitalism is cyclical. However, the Chancellor and his Treasury team have tried to smooth some of those undulations over the past 10 years. I think that they have done well, in general terms, and the outlook—as far as one can ever tell the future—is relatively rosy.

I turn now to tax credits for research and development. I represent a west midlands constituency to which manufacturing is very important. The hon. Member for Dundee, East will recognise what I mean. The Government can do only so much, without returning to the discredited days of a nationalised manufacturing industry. A tiny minority of people in my area wanted to return to that after the closure of Coventry's Peugeot plant, and an even smaller minority wanted it after what happened with Rover in Birmingham. Both closures were devastating, but even so they were handled very well.

If we are not to renationalise, we need to encourage R and D through the use of tax credits. What is the UK's role in the global economy? I believe that we are a niche marketer in certain sectors. For instance, 8.5 per cent. of our economy is devoted to finance matters, and we are also a niche market in Formula 1 racing, which has a manufacturing crossover.

On a global scale, then, the UK is a niche marketer. Our population amounts to one fortieth of the combined populations of China and India, the two most populous countries in the world. To succeed as a niche marketer, the UK must, as has been noted, put the intellectual property rights regime in order, because it goes hand in hand with R and D: no one will develop new products if the ideas—and the profits—are going to be ripped off by someone else.

A little remarked-on element of the Budget is that the R and D tax credit for small and medium-size companies is to rise from 150 to 175 per cent. Not only that but, from April 2008, the tax credit for non-SMEs is to rise from 125 to 130 per cent. That is not a huge increase, but it sends the message that the Government are open for business on R and D. Moreover, the Budget contains investment incentives, with the annual investment allowance and the proposed reformation of the capital allowances regime. All of that is very helpful. Even when corporation tax is cut to below the EU27 per cent. average, as it is in the Budget, we still have to hope that companies stay in the UK and come to this country and invest for jobs and productivity. We can hurl dry economic statistics back and forth across the Chamber, but we are talking about people's lives.

This is the sixth Budget debate in which I have participated on Budget day. There is usually a barrage of criticism and comments from the Conservatives about productivity and Government debt, coupled with stories of doom and gloom, but after 10 years, they are running out of steam—*[Interruption.]* The hon. Member for Ribble Valley (Mr. Evans) is laughing, so we may hear something later, but so far we have heard hardly anything about productivity and not much about Government debt.

The right hon. Member for Wokingham referred to productivity, but only in one undefined sense—we had to infer the definition. In fact, he was talking about output per hour worked. That is an important measure, but we must also consider the output of the economy as a whole and the output per annum per person of

[Rob Marris]

working age. When we have such a high employment rate and such a high proportion of people of working age in work—the number of people in the UK labour force is at a historically high 29 million—the actual pie is bigger. Taken in the round our economy is more productive, so there is a bigger pie to divide. Of course, output per hour worked is important, although I accept that there are questions about the statistics on how much growth there has been and how much we have faltered, but the total pie to be divided among people resident in the UK continues to expand.

High productivity is continuing and, as far as I am aware, gross national income per capita in the UK remains in advance of Germany's. I think our gross domestic product per capita is ahead of Germany's, too. Fifteen years ago, if we had told most people in western Europe that the UK would overtake its European competitors in terms of per capita GDP—or gross national income per capita, which is a slightly different measure although both are measures of prosperity—they would have said, "We think you're wrong. We're not expecting a war in western Europe and we cannot see how else that would come about." I admit that I would have said the same: "Chances of us thrashing Germany economically in 15 years' time? Nah, wouldn't put my money on that." Not that I am a betting person.

Some of the reasons for that growth are what my hon. Friend the Economic Secretary would call exogenous—external factors—but some of them are due to what has been done by the Government and the Treasury team over the past 10 years. That is not to say that things are perfect, but taken in the round we have gone in the right direction in terms of people's lives and the prosperity of our country.

Mr. Mark Field: I cannot let the hon. Gentleman's remarks go without some comment, not least because my mother is German and I visited Germany many times in the 1970s, 1980s and 1990s. One of the issues for that country was the sheer cost of reunification. Much more important in the UK, as German politicians and business men would confirm, were the micro-economic changes of the 1980s under the Thatcher Government, which made a fundamental difference for our future competitiveness. I hope the hon. Gentleman will give credit where it is due for the work that has been done not just in the past 10 years but in the past 25.

Rob Marris: I accept that there were some positive changes under the 18 years of Conservative government. There is one with which Labour Members certainly agree: workers were allowed to strike—without a seven-day ballot notice—for safety reasons. There may have been economic positives as well, but, blow me down, I can never quite bring them to mind when I am asked questions such as that by the hon. Gentleman, for whom I have a great deal of time, and his colleagues. I can never quite remember all the positives, but I can remember—perhaps this crowds out the positives—a whole lot of negatives, be they the interest rates or the high unemployment. I could recite them all and Members on both sides of the House could recite them all. Whether one agrees with them or not—a lot of Opposition Members do not, but Government Members do—we could all recite them. There were all kinds of negatives. Taking things in the round and trying to be even-handed with the hon. Gentleman, the negatives certainly outweighed the positives, in as much as there were any positives.

Mr. Stewart Jackson (Peterborough) (Con): I wonder whether the hon. Gentleman became a Labour Member of Parliament to witness a Labour Chancellor increasing the tax burden on those who earn least—under £17,000—in order to curry favour with middle England.

Rob Marris: This Budget is good for those at the lower end of the income tax scale as it were, because of what has happened with tax credits and so on. I refer the hon. Gentleman to page 208 of the Budget book in terms of what has happened with income tax. Yes, there are people who will lose because of the abolition of the 10p rate, but there are people skewed towards the bottom end of the income scale who will gain, so the measures are redistributive and I support that. I think that most Labour MPs, if not all of them, would support redistribution from the upper end of the income scale towards the lower end of the income scale. I am comfortable with that as a Labour MP.

I want to move on from some of the macro-economic stuff to pay tribute to the speech of my hon. Friend the Member for Nottingham, South (Alan Simpson) on climate change. He made a couple of remarks on what I might unashamedly call my specialist subject, or aspect, of climate change: adapting to its effects. But apart from those couple of remarks, all his speech—it was very worthy and good and I agreed with quite a lot of it—was about dealing with the causes of climate change and what we can do to cut emissions in this country and encourage people to generate their own electricity, and all those kinds of things. He did not deal with adapting to the effects of climate change.

We have a crazy situation in this country, whereby, when we talk about climate change in public or parliamentary debates—whether we are talking about it in some kind of ecological context, or in a Treasury context, as we are today—we talk about the aspect that is beyond our control on a world scale: causes. The United Kingdom is responsible for 2 per cent. of world emissions of greenhouse gases. That is twice as high as it should be given that we have 1 per cent. of the population. However, in order to slow down and reverse climate change we need international agreement and action. The Government have a great record on trying to achieve that, but they have not really achieved it so far in relation to China, India, or the USA. The public debate is skewed in as much as we discuss that which is beyond our control, but we do not discuss that which is entirely within our control: dealing with the effects of climate change.

The effects of climate change are already upon us. One can see that by looking at how early the daffodils came out this year, or whatever measure one wants to take. Whether one looks at anecdotal evidence, or the hard science, we already have the effects of climate change, but we do not talk about what measures

including fiscal measures, that we can use to adapt to the climate change that we already have and that, according to the preponderance of scientific knowledge, we will have for at least the next 40 years, even if the world gets its act together and stops pumping out nearly as many greenhouse gases as it does now. If we stopped pumping out those gases tomorrow, we would still have to deal with the effects of climate change. They would grow roughly on a bell curve over 20 years and then start to come down—that is if we stopped all the greenhouse gas emissions, or the excess ones, tomorrow, which is not going to happen.

Mr. Brooks Newmark (Braintree) (Con): I am somewhat curious, although I sympathise with what the hon. Gentleman is saying. What aspect of the Chancellor's Budget will change the behaviour of consumers, whom the hon. Gentleman sees as causing the greenhouse gases, rather than measures as merely revenue-collecting mechanisms?

Rob Marris: With respect to the hon. Gentleman, he appears to be completely missing the point that I am making. I am talking not about the causes side of the equation, although I have referred to it by saying that we spend too much of the available time talking about it, but about the effects side of the equation. I think that when the hon. Gentleman talks about changing behaviour, he is referring to, for example, people flying less. I am saying not that he advocates that, but that that is the sort of behaviour change to which he is referring. However, that is on the causes side of the equation; I am talking about the effects side of the equation.

Mr. Newmark: We are talking about the Budget, and in addressing the Budget one should examine what the Chancellor is doing to change the behaviour that has led to the effects about which the hon. Gentleman talks. I would thus once again like to ask him what aspect of the Budget will change the way in which people behave, rather than charge already-rich people with 4x4s a few extra pounds that the Chancellor can shove into his coffers.

Rob Marris: I humbly suggest that the hon. Gentleman should make his speech and let me make mine. I am not talking about causes—that is not the point that I am trying to make. If he wishes to speak about causes and behaviour, he will be very welcome to do so, if he can catch the eye of the Speaker or Deputy Speaker. I am talking about effects. There is something in the Budget about effects. It is not enough, but I will go on to speak about it.

Last Thursday, the Minister for Climate Change and the Environment and I went to a conference in Oxford that was held by the UK Climate Impacts Programme. It was very weird for me to go to a conference in the morning that was held at my wife's old college and then to go to a community meeting in the evening that was held at her old primary school, although that seemed to bookend the day nicely. UKCIP is doing wonderful work on climate impacts—this is on the effects side of the equation—although I think that it is underfunded, so I hope that the comprehensive spending review will address that. The Organisation for Economic Co-operation and Development places us as a world leader in addressing the effects and impacts of climate change—the adaptation, as the scientists call it—but we need to do far more.

Many of the issues that we need to address relate to water. Summer droughts will increase, as will winter flooding. It is likely that coastal erosion will increase, as will coastal flooding caused by higher tides. Sadly, I think that that took place in north Norfolk last night. We need to address the effects of those changes, whether that is by building better sea defences, larger diameter storm sewers to take away excess winter rains, or more reservoirs. There is a whole host of stuff that we could do, although I will not go into it now—anyone who is especially interested can look up in *Hansard* my previous speeches on the matter. UKCIP is driving forward, with an incredible amount of regional involvement, all the stuff that is going on below the surface on adapting to climate change that we never really talk about in the House.

Mr. Newmark: Let me address the effects that the hon. Gentleman is talking about. In my constituency of Braintree, the village of Coggeshall faces severe flooding. However, when we ask the Department for Environment, Food and Rural Affairs for money for flood defences, we are told that it is not available. What aspect of the Budget showed that the Chancellor might be allocating more for better flood defences in this country?

Rob Marris: That ultimately is a matter for the Department for Environment, Food and Rural Affairs. In the past 10 years, under this Government, the flood defence budget has increased by about 35 per cent. in real terms. I hope that the hon. Gentleman and the House will forgive me if I am wrong, but I quote that figure from memory. That budget has gone up markedly, but I agree with the hon. Gentleman that it needs to go up more. I have said that to the Government on a number of occasions, and I hope that they are listening.

Climate change and international development are mentioned in the Budget, and that is very important, because historically, principally over the past 200 years, we in the rich north and west of the world have produced a great deal of pollution and greenhouse gases, and we have adversely affected the climate around the world. The area worst affected is, crudely speaking, in the belt between the tropics. We caused the problem, and we are feeling the effects in our country. The Government should do more to deal with those effects, although they are already doing some stuff, but we have caused problems elsewhere in the world, too. We invade countries, steal their people through slavery, steal their raw materials, and leave them with the heritage of a ruined climate and no economic development. I am delighted that there is money for the problem in the Budget; to some extent, it is only symbolic money, but I am delighted that the Chancellor has recognised the issue in the Budget.

PN01 of the Budget press notices booklet, published today, says:

> "The Government recognises the need to urgently do more both to mitigate climate change and to help developing countries adapt to its impact."

[Rob Marris]

The press notice goes on to refer to the Stern review and other matters, and it refers to a point that my right hon. Friend the Chancellor of the Exchequer mentioned in his Budget statement:

"The Government will allocate £50 million from the fund to help tackle deforestation in the Congo basin, led by Nobel prize winner Wangari Maathai."

The chink in the Treasury's armour, if I may say so to Ministers, is that it should do more on adapting to the effects of climate change. We need to take action internationally, because we bear responsibility as a rich, formerly imperialist western country. We also need to do more within the United Kingdom, and I hope that the Government can do more.

I am delighted to say that clause 37 of the Government's draft Climate Change Bill incorporates the proposal set out in my ten-minute Bill, which I have now withdrawn, for periodic reporting to Parliament of steps taken by the Government to address the effects of climate change. We are starting to move, but I urge the Treasury team to do more in that respect. It is right that we should talk about our international leadership and responsibility on the causes side of the equation—that is, in respect of emissions, greenhouse gases and so on. However, we must not neglect the side of the equation that is totally within our control as a sovereign country—the need to deal with the effects of climate change.

5.23 pm

Mr. Nigel Evans (Ribble Valley) (Con): I do not know how much carbon was emitted during the speech made by the hon. Member for Wolverhampton, South-West (Rob Marris), but a lot of trees would need to be planted to offset it. This was supposed to be the green Budget, but it is the Chancellor who thought that we were all green, and that we would buy everything that was said at the Dispatch Box. Perhaps we should change Budget day completely, and just publish the Red Book. We would all sit down and read it, and then we would all be able to work out for ourselves what was in it. We would not have all the spin, or have some points excluded, or have the fast delivery of some announcements. That delivery means that it is only when we sit down and work it out that we realise, "That was a couple of billion of pounds that was just spoken about."

It is amazing how much emphasis was put on the finale of the Budget speech, about the 2p cut in the basic rate, but the simplification of the tax rates, which means the disappearance of the 10p rate, was rattled through. When we sit down and work through all the tax changes in the Budget, including the national insurance contribution threshold rise, we realise that overall there has been an increase in taxation, and an increase in business taxation, too.

Sammy Wilson: Does the hon. Gentleman accept that on page 301 of the Red Book, the line that deals with increase in taxes on income and wealth shows that over the next year there will be a change of 8 per cent., while the Chancellor is predicting growth of 2 to 3 per cent., so the real burden of taxation will increase?

Mr. Evans: The hon. Member for Nottingham, South (Alan Simpson) spoke about "cheat infidelity", which would enable people to offset their cheating behaviour. We should do the same with something called "cheat Budget": one announcement is made to make it look as if everything will be okay, but the devil is in the detail, which shows that there will be an overall increase. I remember that after one Budget, *The Daily Telegraph* chose to examine the impact on four families, but two days later it had to come back and reassess the position. Its original assessment was based on what the Chancellor said, but when it looked at the detail of the Budget, the impact on all the families was worse. The Budget should be far more transparent. When the Chancellor announces something, he should say what the overall impact will be. We ought to know how much money the disappearance of the 10p rate, as well as the increased thresholds for national insurance, will raise.

Mr. Newmark: Does my hon. Friend not agree that this is another classic case of the Chancellor giving something away with one hand but clawing back even more money with the other? A case in point is the impact on a single person without children earning £16,000 as an NHS maternity care assistant, or a police community support officer, who will pay more in tax but fail to gain from the tax credits touted by the Chancellor.

Mr. Evans: As in all cases, there are winners and losers. For the Chancellor to suggest that everyone will win in the Budget, and to dress up the 2p reduction as an additional bonus, is a somewhat dishonest portrayal of what the Budget is all about. There was one win-win situation—the landfill tax and the increase in the aggregates levy mean that the Chancellor will earn money when a hole is created, and then earn more money when the hole is filled up. That is one environmental measure that puts him in a win-win situation.

My hon. Friend the Member for Braintree (Mr. Newmark) said that the wealthy could afford the tax on 4x4s, but in the main, 4x4s in the Ribble Valley are working farm vehicles. The hard-pressed dairy farmers on my patch earn small sums of money—some of them earn less than £13,000; if we counted up the hours that they work they would not even earn the minimum wage—while milk production costs have increased, and the money that they obtain for their products has been reduced for various reasons, including the strength of the supermarkets. It is not right that their working vehicles should be taxed even more, and I urge the Government, even at this late stage, to exclude from the tax increase 4x4s used as farming vehicles.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): As chairman of the all-party group on dairy farmers, may I reinforce the points made by my hon. Friend? All the hard-working Shropshire farmers in my constituency who are struggling to make a living will be badly hit by the tax on 4x4s, which they need for their work.

Mr. Evans: I am sure that the House is aware of the work that my hon. Friend has done in that field. *[Laughter.]* I am sorry, that was unintentional; I was

being funny without meaning to be. Everyone knows what hard work my hon. Friend has done in that area, not just for his local dairy farmers but for dairy farmers throughout the United Kingdom.

A few months ago we saw the stealthy way in which the Chancellor operates, when he doubled the passenger air duty. I know that many in the House would say that that was an environmental measure. My hon. Friend the Member for Braintree (Mr. Newmark) asked about the effects of the taxes announced in the Budget, and I shall be interested to see what impact that measure has on people travelling. I take issue with the Chancellor on the way in which he introduced it. Those who had already booked and paid for their flight turned up at the airport and were told that they had to pay extra. It is one thing to announce a measure in advance so that everybody knows what taxation they will pay. It is quite another thing when people think they have bought and paid for their flight and then get clobbered with another duty at the airport. That is not fair.

Kitty Ussher: I know the hon. Gentleman's constituency well, as it is next door to mine. As a result of the Budget, people living in the Ribble valley may find that there is greater potential to invest in microgeneration, as it is not an unwindy place. The hon. Gentleman questions the impact of the Budget on his constituents, so what is his view of the net benefit to his constituents of the additional grants for microgeneration and the possibility of mortgages for investing in installing microgeneration and reaping the financial rewards, as against the increased duty on 4x4s?

Mr. Evans: This will be an interesting one for me. I know that the hon. Lady knows my patch well. She will also know that many tourists come to the Ribble valley because of its unspoilt beauty. The area round the Trough of Bowland is wonderful. Do I want to see that littered with wind turbines? No, I do not. I am also president of the Country Guardians, and one of our duties is to ensure that the countryside is not scarred with industrial furniture.

I am a sceptic about some of the benefits claimed for wind turbines. I would much prefer the money that has been used to subsidise turbines to be invested in conservation. The Chancellor did some of that today, and I applaud him for it, although I wonder why we have to wait some time before VAT on energy-saving domestic appliances comes down to 5 per cent., yet he could introduce the nicotine VAT change straight away. I welcome the fact that he has introduced some measures on that front, but he could do a lot more, and sooner.

On energy generally, the energy review is trundling on. It is late and I do not understand why. If we want energy security and environmentally friendly energy production, let us get on with it and start the nuclear power building programme. I do not know why we are delaying. We know that it will happen at some stage, so let us just get on with it.

Lynne Jones (Birmingham, Selly Oak) (Lab): Returning to the hon. Gentleman's point about wind turbines, I share his cynicism about their contribution in urban areas, although I believe that wind could have great potential in larger schemes. On energy efficiency, does he not realise that grants will be given only if the householder has already, for example, installed cavity wall insulation and loft insulation? His point about energy efficiency and conservation is not well made.

Mr. Evans: More can be done to incentivise people to conserve energy in their homes. If a small percentage of the money that goes towards subsidising wind turbines went straight into more grants to enable people to insulate homes and be more environmentally friendly, and perhaps give them all those wonderful energy-saving light bulbs, even though they cost a little more, we could conserve more energy than we need to create with those dreadful wind turbines.

As the hon. Member for Burnley (Kitty Ussher) knows my patch well, she will know that Ribble Valley's council tax is going up by 5.1 per cent. this year. We do not know what to believe about inflation these days, as we have heard so many statistics, but I suspect that it is nearer to 5 per cent. than anything else. I heard the hon. Member for Dundee, East (Stewart Hosie) say that for some people, depending on what they buy, it is a lot higher, and could be nearer to 9 per cent. The increase for Lancashire county council—the hon. Member for Burnley will also have that element in her council tax—is 4.95 per cent.

At the same time, just to save money, the Government have cut back on rural buses, which goes against everything that I thought they were trying to achieve environmentally. Twenty-nine of our services are being chopped, which means that many people in rural areas will have no choice but to get into their cars and drive. For many of them it is not a reduction in the service—that happened a long time ago—but an abolition of the service. People are paying more in their council tax, yet having a poorer service as well. Moreover, the Lancashire police authority precept has gone up by 11.4 per cent. I would like to know exactly how every penny of that is being accounted for, because it is at least three times the rate of inflation.

The Chancellor altered stamp duty for carbon-free homes, but only until 2012. I do not know why he set that limit, because if it is such a good idea for all homes to be carbon-neutral, perhaps no sunset date should be put on it. He has done incredibly well out of stamp duty over the years. The Halifax bank has calculated that if the threshold had risen in line with inflation, the £250,000 threshold would now be nearer to £680,000 and the £500,000 threshold would be about £1,360,000. I hope that the Chancellor will reconsider that issue.

There is currently a campaign by nurses about pay. Doctors have done very well out of the Government, but is it not about time the nurses got their fair share for the work that they do? A 1.9 per cent. pay increase is simply insufficient when inflation is running at 5 per cent. One nurse wrote to me to say that she is losing about £570 because the pay increase is so low compared with all the other increases taking place.

Kitty Ussher: Does the hon. Gentleman not agree that as a result of the "Agenda for Change" process the average nurse's pay is much higher now than it was under the Government whom he supported?

Mr. Evans: What I do know is that nurses are so agitated about the level of pay that they are getting that

[Mr. Evans]

they are writing to every Member of Parliament about it. I am sure that the hon. Lady has received several postcards from nurses in her area complaining about the pay increase.

On pensions, there is an issue that has been a bugbear of mine for some time. I am sorry that we did not deal with it when we were in power, and I hope that the Government will consider it in the dying days of their Administration. If not, I hope that we will do something about it when we take over. Pensioners from the United Kingdom who have gone to live in certain countries abroad, such as Australia, Canada, Hong Kong, South Africa and New Zealand, have not had the pensions for which they have paid in uprated. Why not? The Government say that there are not reciprocal arrangements in several of those countries, but I do not understand how that comes about. If somebody from this country retires to another part of the European Union they will get their pension uprated straight away. There are all sorts of links with Commonwealth countries such as Australia and New Zealand, and people like to go and live in or retire to them. This problem affects 520,000 people who have moved to the countries that I mentioned, and I hope that Ministers will re-examine it. If the pensioner moved away from this country 20 years ago, one can only imagine what level of income they have to live on in those countries.

Rob Marris: When I last asked the Government to look into that, the annual cost of what the hon. Gentleman seeks came to £450 million a year. He spoke earlier about paying nurses more money, and I understand his point about vehicle excise duty on 4x4s used by farmers in his constituency, but he started out by talking about transparency and urging it on the Government. In the light of that transparency, will he tell the House what services he would cut, what taxes he would raise, or how much money he believes a Government should borrow, to fund the spending commitments that he urges on the House tonight?

Mr. Evans: I fully accept what the hon. Gentleman says, but when my hon. Friend the Member for Cities of London and Westminster (Mr. Field) was talking about spending, he invited the hon. Gentleman to think of examples of where money has been wasted, and a poor example was given, of some computer that may not have been necessary. The fact is that when the Government are spending something in the order of £685 billion a year, we are talking about substantial sums of money—and we all know about effective spending.

I recently attended a conference where Bill Gates was speaking, and when the richest man in the world speaks, I listen. He spoke about how much money he was giving to help eradicate HIV/AIDS in Africa. He always talked about the effective spending of money—not just spending, but effective spending. That is what the Government should be doing when they spend money. They do not have money of their own; they take it from us, as they have done in increasing amounts over the last 10 years. I want to see the Government properly and effectively spending that money. That is where the transparency lies.

We know that all sorts of computer schemes have cost billions, yet they have not even worked properly. We talk about the tax credit system, and we will all have had constituents in our surgeries complaining about tax credits being overpaid. They have been in touch with the organisation but they are still being paid the extra money, even though they have asked not to be paid it. Somehow or other, something in the system keeps paying the money. Then, of course, six months later, there is an attempt to get the money back, but it has already been spent. There are real problems there. That is where effective spending of money will come in.

I have two further points. The first is about spectrum, which the Chancellor mentioned. I do not know how much money he thinks he will get for the spectrum, but it will certainly not be anything like as much as when the 3G licences were first auctioned off, raising bumper sums in the region of £25 billion. I have one particular worry. If the entire spectrum is going to be auctioned off at the best price and none of it is to be allocated to the terrestrial channels, I am afraid that we could see an HDTV divide in this country, whereby high definition will appear on the Sky platform but not on freeview, which simply does not have the capacity. Attempting to put it on freeview would mean a reduction in the number of channels, which runs counter to providing choice. If that were attempted on freeview with the same number of channels, the picture would pixellate and freeze. I hope that we will look further into how spectrum will be allocated for those with terrestrial reception only, and, indeed, for theatres on radio mics, which I understand will also be affected.

I declare my interest as a retailer of tobacco and alcoholic products. I am also vice-chairman of the all-party beer group, so we are making our usual representations about alcohol, particularly beer. I know that spirits have been protected—I scratch my head and wonder why—as opposed to wines and beers. I know that the on-trade is finding it incredibly difficult, in comparison with supermarkets, which seem to be doing amazing deals for the public. I rather hoped that the Government would have been persuaded of the argument for a freeze on beer duty, particularly for on-sales, though it is difficult to differentiate.

Mr. Jeremy Browne: Every item that the hon. Gentleman has mentioned would cost more public money than the Chancellor announced in the Budget today. Is that why the Conservative party is now in favour of higher income tax than either the Liberal Democrats or the Labour party?

Mr. Evans: The hon. Gentleman clearly was not listening. We are in favour of the effective spending of the huge sums of money that are being raised from the public. One has only to open the public appointments section of *The Guardian* to see huge sums of money being offered for what I would term non-jobs. Huge savings could be made there. As I have said, the Government do not have any money of their own; they have only the money that they take from us in increasing amounts.

Huge amounts of beer and other alcoholic drinks are being smuggled in and sold in car parks, pubs and clubs all over the country. This affects not only the

businesses of those who live near Dover, but the Government's tax take. The Chancellor has raised the duty on these products, yet they are also being smuggled in through the back door. By buying those smuggled products, people are stealing the taxes that would otherwise go into the national health service, education, or law and order, which is where we want to see money being spent effectively. Will any money be earmarked for bearing down further on people who smuggle products on which taxes are levied into the United Kingdom, whatever they happen to be? Such practices undermine the Government's health and taxation priorities for this country.

5.46 pm

Kitty Ussher (Burnley) (Lab): I am grateful for the opportunity to speak in the debate, and it is of course a pleasure to follow my neighbour, the hon. Member for Ribble Valley (Mr. Evans), although I do not agree with everything that he says. I did not want to intervene on him for a third time, but I wondered what kind of jobs advertised in *The Guardian* he would define as non-jobs. He and I can, however, agree on one thing, which is that it is completely absurd that Lancashire county council should cut school bus transport. I have lobbied hard locally and nationally on that issue.

Mr. Jeremy Browne: I wonder whether the hon. Gentleman was referring to the large number of jobs in the office of the Leader of the Opposition that were advertised in *The Guardian* today, all of which are paid for by Short money from the taxpayer.

Kitty Ussher: I have not been looking for a job, so I did not notice those jobs being advertised. However, I can think of some excellent readers of *The Guardian* whom we could ask to operate as spies.

Anecdotally, it is said that if we ask two economists the same question, we will get two quite different answers. Speaking as someone with two degrees in the dismal science, my experience is that the number of answers is often at least four or five. On a serious note, I believe that the Chancellor has added even more answers over the past 10 years to some of the questions that have been out there since the dismal science first became a discipline. In a sense, he has confounded the textbooks. When I was at university, I learned as a fact that there was a trade-off between inflation and unemployment, for example. Indeed, brains bigger than my own have earned their reputation by describing that trade-off and plotting the graphs to illustrate it. The experience of the past 10 years has been precisely the opposite, however, with low inflation and low unemployment occurring at the same time.

I also learned from political theory that there was a trade-off between parties that promoted economic prosperity and those that prioritised social justice, and that the two were mutually exclusive. The experience of the past 10 years has shown that there are new answers in that field as well, given that we are now in the longest period of sustained growth for 200 years under this Chancellor, and that 2.5 million people have been taken out of relative poverty. Relative poverty is the hardest measure of poverty, involving those on less than 60 per cent. of median income, even accounting for overall incomes going up. Within that overall figure of 2.5 million, pensioner poverty has improved dramatically, as I have seen directly in my constituency. There have also been measures to improve child poverty, which perhaps have not taken effect as fast as we would like, but I am sure that the measures announced today will be faster.

I want to delve deeper into the concept of relative poverty and how it has changed. A briefing note from the House of Commons Library, including a useful time series, showed that, according to the definition that I have explained, 12 per cent. of people lived in relative poverty in 1979. By 1997, that figure had risen to 18 per cent. That is the legacy of the Conservative years. By 2005, the trend had moved in the opposite direction: it rises, plateaus, then starts to fall again. The latest data, from 2005, show the figure to be 16 per cent. That is not as fast a fall as we would like, but I think that the figure will fall faster in subsequent years, and I am convinced that it will continue to fall as a direct result of today's Budget. It is a redistributive Budget, and I am extremely proud to be a member of the party that proposed that.

We have seen a shift in the way in which the UK economy works. We are a richer and more just society. We have low inflation and low unemployment. How has that been achieved? It has been done in a number of different ways, and I want to pick out three in particular. First, and most importantly, the Government had the foresight to realise that reducing levels of debt at an early stage would free resources later. When I was working in the dismal science, it was my job to forecast macro-economic trends in countries in eastern Europe and the former Soviet bloc, which are in no way comparable with our own. I remember looking at the levels of debt in different economies and forming an understanding of the impact that critical levels of debt have on living standards. To reduce our debt to below 40 per cent. is a substantial achievement, and has freed up the resources that we are now able to spend on investment.

Sammy Wilson: While, on the surface, the national debt figures appear to have been held, does the hon. Lady accept that the exclusion of huge amounts of capital expenditure that would normally have been part of the public sector borrowing requirement means that the debt picture is not, in reality, as rosy as she describes?

Kitty Ussher: No, I would not accept that. Very good economists have analysed whether that expenditure should be included, and concluded that it should not. Furthermore, we are talking about direct Government debt, for which the Government are responsible, and because the Government are by far the largest player in the economy that has a direct macro-economic effect. Perhaps my hon. Friends on the Front Bench would like to respond further to that later, but that is my understanding.

Secondly, the Government set a low and credible inflation target—credible because it was managed by an independent central bank, which has been long debated. The effect, which we have seen recently, is to bring down inflationary expectations, and therefore interest rate expectations. Consequently, when companies and individuals seek to borrow, they can do

[Kitty Ussher]

so at much more preferential rates, which has had a huge effect on building the capacity of the economy and keeping more people in work.

Thirdly, and crucially for this Budget, the Government have not been afraid of massive interventions on the supply side to raise the capacity in the economy and to increase levels of education, research, science and so on. Conservative Members may mock the new deal, and they did so while the Chancellor was speaking—that is not surprising, as perhaps they would abolish it—but they must realise that that kind of targeted welfare-to-work policy has had a transformational effect on employment levels and on the individuals affected. My argument is that it should go further. I am delighted that we are now using the same techniques to lift the long-term unemployed and those on incapacity benefit into the workplace where that is possible for them.

We now need to focus on people in work with low salaries. Immediately and crucially, we must do so through the tax credit system, but we should also learn some of the lessons of the welfare-to-work and new deal programmes. We should consider a new deal for those in work, with targeted career advice so that they understand where, if they invest in such training, it could be expected to take them in five or 10 years' time. Experience has shown that such an approach is effective for people who are out of work; let us apply it more widely and, perhaps, draw lessons from organisations such as learndirect in extending it to the workplace. I should be interested to know what Conservative Members think of the idea, but I doubt that they could cope with it conceptually.

Rob Marris: They are thinking about it.

Kitty Ussher: I can see them thinking hard.

Over the past 10 years or so, our policies have shifted the United Kingdom's economy to a different paradigm. It has more capacity than it used to have. As a relatively new Member, I can see the effects on my constituents. Employment levels are high—higher than they have been for a long time.

I look at newspaper cuttings and I talk to my predecessor Peter Pike, who served Burnley well for many years. He says that people no longer turn up looking for work as they used to do. When the structure of the economy changes and factories close, people do not tend to be out of work for long now because there are other opportunities—although I am proud to say that much of our manufacturing sector is doing extremely well. In the past six months I have visited 10 or 15 high-tech manufacturing companies, the vast majority of which are taking people on. I am sure that businesses in my constituency will welcome the fall in corporation tax, and people who have been employed in firms that have gone bust will certainly welcome the extension of the financial assistance scheme.

As a result of the improved national economic situation, my constituents are benefiting not only from higher employment levels, but from direct transfers from the centre. That is right and proper, because ours is one of the poorest parts of the country.

Rob Marris: In terms of football?

Kitty Ussher: I am loth to mention football, given Burnley's current position, but I am sure that that will improve.

National money is being invested in the regeneration of some of what must be termed our outdated stock of terraced housing. All our secondary schools are being rebuilt under the 'Building Schools for the Future' programme. The public sector in its various guises, through the regional development agency, the Higher Education Funding Council and the Learning and Skills Council, is putting together an exciting project for a university in Burnley town centre that will specialise in advanced manufacturing, building on our experience and skills base. I am sure that Members will be intrigued to learn that phase 5 of the development of Burnley general hospital, which has involved capital investment, is opening today. I am only sorry that I cannot be there.

I have talked about the national macro-economic situation and the dramatic way in which it has tunnelled into one of the poorest parts of the country, in terms of both direct transfers and individual opportunities for my constituents. The Budget will be good news for them. The 5,000 or so who are pensioners will benefit from the increase in pension credit and the tax-free allowance, while working people will benefit from the £1 billion being spent to raise the value of working tax credit. Families will benefit hugely from the increase in child benefit.

I want to say something about the environmental measures in the Budget. My constituency contains more terraced housing, and more people eligible for the warm front scheme, than any other constituency. The hon. Member for Ribble Valley (Mr. Evans)—my neighbour—nods. The Warm Front scheme is providing precisely the type of energy efficiency help, central heating help and similar measures that will reduce fuel poverty. The hon. Gentleman questioned their existence earlier. I can assure him that they do exist, because I see them being implemented throughout my constituency.

The Warm Front scheme is a win-win. It is good for our carbon footprint, and it also benefits people on low incomes who will end up spending less on fuel as a result of the Government's investment. As a result of that and our measures to reduce pensioner poverty, we need no longer deal with the problems with which my predecessor says he had to deal. Elderly people were coming to his surgery and saying, "I don't know what to do. I don't have enough money so I have to choose between heating and eating." That used to happen—I am sure that it did not happen only in Burnley—but it no longer happens because of the investment that we have put in. In terms of what we have achieved, that, if nothing else, is something to be incredibly proud of.

There has been huge progress on fuel poverty, as has been mentioned. However, in the last year that progress has plateaued—and perhaps has gone slightly backwards—because of the blip in oil prices that translated into astonishing fuel bill costs for everybody, and which hit the poorest the hardest, of course. I want to highlight how some of the measures that the Chancellor announced today will prevent such problems from arising in the future. When people are

on a budget they budget their income, and they might do so for every element of their expenditure. Therefore, the last thing they need is a fuel bill that they were not expecting that blows all of that budgeting out of the water. That is fundamentally unempowering, and when that bill comes from a private sector company very little can be done. Of course, we can help in various ways, but volatility in fuel bills affects the poor disproportionately.

There are various things that we can do immediately to alleviate that, and we have heard about some of them. I am attracted by the solution of smart metering technology, which enables people to realise on an hour-by-hour, day-by-day basis the value of the energy that they are consuming. Therefore, if there are simple things that people can do that will make an impact, such as turning down the thermostat by 1° or washing clothes at 30° rather than 40°, they will be aware before it is too late that they need to start doing them now. I understand from people who know more about this subject than I do that there is a new generation of smart meters that will not only tell people how much in monetary terms they have already spent, without them having to put 50p pieces and pound coins into the machine or having to buy a card at the newsagent which costs more per therm than any other way of paying for heating. The new generation smart meters can also be used to provide the necessary infrastructure to enable people to sell surplus electricity generated at home back into the grid. It is inevitable that everybody will have such kit in a few years' time and I urge my Front-Bench colleagues to work with Ofgem to try to find a way to accelerate the roll-out.

Let me explain what the Chancellor has, effectively, done today. He has provided a mechanism for the fuel poor to trade their way out of fuel poverty by giving grants for microgeneration and financial instruments that can be used—as I mentioned in my intervention on the hon. Member for Ribble Valley—to invest in the necessary capital equipment that will reduce people's fuel bills and enable them in time to sell surplus generation back into the grid. That will not require there being huge eyesore wind turbines. I do not know whether the right hon. Member for Witney (Mr. Cameron) is selling any surplus generation back into his local grid—or, indeed, whether he needs to do so. *[Interruption.]* Just hot air, an hon. Friend says. What I am discussing is theoretically possible. It happens in other parts of the world. I am told that it happens routinely in Germany. However, it need not just apply to wind turbines; it can apply to many other forms of generation, such as solar panels.

What better solution can we offer to the less well-off than the following? Instead of just saying, "We're using Warm Front to introduce central heating so you don't have to rely on expensive electric heating", or "we're using Warm Front to put in cavity wall insulation", we can say, "We're also, with a Government-assisted scheme, giving you the means to control your own bills—and, what is more, there is the potential for you to make a small income out of it for yourself."

I urge colleagues to consider this measure. It works on several levels. It reduces the amount of CO_2 emissions that we produce as a country. We could catch up with, and possibly overtake, other European countries in being innovative in this way. It is good for the fuel poor, too, as it reduces their budgets. It will also, of course, provide more jobs in the type of 21st-century advanced manufacturing of the future in which constituencies such as mine have the potential to be involved. I am extremely encouraged by what the Chancellor said about mortgages for capital investment in energy efficiency and working with Ofgem to offer that. I am encouraged that he specifically mentioned the possibility of selling back into the grid. In a few years' time, such ideas will be regarded as obvious.

The past 10 years have confounded standard economic thought. As I said at the outset, if we put more than one economist into a room—perhaps just one would do—we get several different views. However, one point on which future economic historians will be united is that we have seen something spectacular in the past 10 years.

6.5 pm

Mr. Mark Field (Cities of London and Westminster) (Con): It is always a great pleasure to speak in a Budget debate, representing as I do the City of London, as well as the city of Westminster. In many ways, this Budget has not involved that much economics. Bearing in mind the contribution of the hon. Member for Burnley (Kitty Ussher), I am always a tad sceptical when people suggest that the economic cycle has ended or that this Government's economic record in the past 10 years is beyond any norm. I am afraid that it is always the way that, on thinking that one has reached a new paradigm, reality comes back to bite before too long. The hon. Lady raised a number of issues that I, too, wish to discuss, but I am less convinced than she is that there has been a turnaround in all economic fortunes and that it is entirely down to the current Chancellor.

To a large extent, this Budget will be remembered as a great political Budget. For those who were here, the first 48 minutes or so perhaps did not seem terribly exciting. Then, the Chancellor pulled the rabbit out of the hat in the last 30 seconds with a cut in the level of income tax, but it has to be said that it will not come into play until some 13 months' time—from 5 April 2008. This Budget reminded me of one that seemed to go down very well with the press, as I suspect this one initially will, on the television tonight and in the headlines tomorrow—that of March 1992, which was presented by the now ennobled Norman Lamont. As Chancellor, he introduced the lower, 10 per cent. tax rate, which has now been abolished. I suspect that it will reappear before too long, when a future Chancellor wants to pull such a rabbit out of the hat. There are similarities between the two Budgets, and as I say, I suspect that this one will also go down quite well. People will then begin to unravel its fiscal and economic sense in the weeks and months ahead.

Today's Budget is also politically quite clever. Its income tax and corporation tax cuts could drive a wedge between members of my party, and bring the tax cuts debate nearer to the surface in a party that considers itself—rightly—as a potential Government in waiting.

Like one or two other contributors to today's debate, I feel it appropriate to take a broad overview of the past decade. It might well be the Prime Minister's last Budget, but—who knows?—it might not necessarily be

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the Chancellor's last. We assume that he is going to make the move from No. 11 Downing street to No. 10. He may yet produce further Budgets—perhaps not—but presumably, this 11th Budget will indeed be his last. It is only fair to give credit where credit is due: there has been a tremendous record of economic stability. As someone who used to be in business, I wanted stability, and most incumbents in business do. However, one problem with a somewhat flat level of stability—I am not suggesting that we have that now—is that it is often a big disincentive to innovation. So we should not look upon stability itself as a tremendous goal, but it must be recognised that we have had great stability in the past decade, and most people in business would give the Government credit for that.

It has been remarked that one of the most important early developments was giving independence to the Bank of England. However, it is less well remembered that in transferring responsibility for interest rates to the Bank, the Government took away its regulatory role. As a result, the Treasury's role within the City and economic affairs has been enhanced, compared with that of the Bank.

There is no doubt that growth has been maintained and that is partly as a result of global expansion. The economic power of India and China, which are the great super-powers of all of our lifetimes—I suspect that we will see accelerated evidence of that in the decade to come, let alone in the generation to come—has had a great deflationary effect and will continue to do so. There is an enormous amount of spare capacity in both India and China, assuming that neither has any political upheavals.

I recognise that there has been some skilful management of the economy, both here and in the US. One looks at Alan Greenspan's actions, especially in relation to the downturn in the fourth quarter of 1998 in south-east Asia, but also in the aftermath of 9/11. We also had a terrorist attack, on a much smaller scale, less than two years ago, which might have had a negative effect on the City and tourism in London, and we have to give credit where it is due to the Chancellor and the Treasury for the skilful management after that event.

That management stands in contrast to what has happened with many of our European neighbours, but as I said in an earlier intervention, it smacks of a paucity of aspiration for us to talk endlesly about our record in relation to Germany, France or Italy over the past 10 or 12 years. In many ways, those countries have not succeeded to any great extent and we should aspire higher.

Kelvin Hopkins (Luton, North) (Lab): Would the hon. Gentleman also give credit to the Chancellor for keeping us out of the euro, which has had a deflationary effect on those countries across Europe to which he has just compared us?

Mr. Field: I would give the Chancellor even as much credit as the hon. Gentleman would do for that policy. I know that the hon. Gentleman's view on that important decision is supported by many of his colleagues. The practical reality is that there is now, and has been for many years, a single world currency in the US dollar and its relative strength, but we have had great benefits from remaining outside the euro. A certain amount of credit has to go to the Treasury for that decision.

An issue close to my heart is the continued strength of the City of London. In the US, New York and Wall Street have been deeply concerned about the great strength of the City of London in recent years. Undoubtedly, after WorldCom and Enron, there was a rapid move towards regulation that was not entirely thought through and had unintended consequences, such as Sarbanes-Oxley. That has given London yet another competitive advantage. The lesson is plain. It is not that we want to be a bandit state—and we should be careful about the accusations that have been made about overly deregulated areas, whether in private equity or hedge funds—but we should ensure that regulation is kept to a sensible minimum. We also need to keep taxes low. The lesson comes not only from the past five years after Sarbanes-Oxley, but—perhaps more importantly—from the fact that the whole Eurobond and Eurodollar market came about only as a result of high US taxes some 40 years ago. We need to remain aware of problems that may arise. If there are crooks around, they will find a way to abuse any system, but I hope that the City of London has the balance right. It is greatly to the advantage of the UK as a whole to have a strong City. In many ways, without a strong financial services sector, our country would be in deep trouble.

There are knock-on effects, as was mentioned yesterday, of effectively having a City state in London, with so many of our indigenous population being left behind. That applies not only in London, but beyond. The hon. Member for Luton, North (Kelvin Hopkins), for example, must look in horror at the way in which house prices have exploded in his constituency, and the same applies in many other areas in the home counties. There is a risk that those who do not work in the financial services or do not inherit wealth will be left behind and be unable to get on to the housing ladder, which so many of our young people wish to do.

In years gone by, the Opposition may have lacked a nuanced approach to certain aspects of the Government's record on the economy. We all remember in 1998 "the downturn in Downing street" that was about to take off. We have also been confounded many times by growth figures that turned out better than predicted. However, as I mentioned earlier, the practical reality is that more people are in work, although some of the jobs are part-time. In recent years, we have been able to maintain a high level of growth partly owing to migration, which has brought with it problems to do with housing, health and so on. Nonetheless, we must give credit where it is due, and the growth figures have remained fairly intact.

Even so, the Chancellor will leave the Treasury with many of the fundamentals not looking nearly as good as they did in 1997. The tax system is very complex and, although I accept that today's Budget contained a certain amount of simplification, the Tolley's tax guide is twice as thick as it was a decade ago. The spirit of the age supports simplicity, and we must simplify our tax system if we are to make a full impact in a global economy.

Stephen Hesford: China and India are often spoken of as the tiger economies of the east that are ready to overtake us, but is not India's tax code even larger than ours?

Mr. Field: In fairness, India is the only country with a more complicated tax code than ours. My point was that, in a global world, we need to have an eye to simplicity. In many ways, our tax system has become overly complex, so I am happy to take this opportunity to welcome the Chancellor's move today to simplify income tax. It also makes absolute sense to align the higher rate of tax with the national insurance level, as that will remove all the little overlaps with which I am sure that the Financial Secretary is familiar.

One legacy of 10 years of this Chancellor is the level of public debt. The golden fiscal rule, insofar as it still exists, has been breached on a number of occasions. The date of the economic cycle has been changed three times to force the facts to fit the theory. Spending is at almost £600 billion a year, and is reliably forecast to rise to about £670 billion by 2010. Too much has been—and will continue to be—funded by debt.

The public finance initiative is another problem. Much of the building of schools and hospitals to which the hon. Member for Wolverhampton, South-West (Rob Marris) referred earlier has been funded by the PFI, and there is a sense that we are relying on future generations to pay for what we are consuming today. Much of that off-balance sheet financing is delaying the tough decisions that need to be made about the future of public expenditure. I fear that this era will come to be regarded as the best of times, because we are consuming now without paying proper regard to future generations.

Mr. Newmark: Off-balance sheet financing is a legitimate device, and I appreciate why the Government use it, but they are never going to let NHS buildings or schools collapse. Does my hon. Friend agree that there needs to be far greater transparency in off-balance sheet financing? Should not items such as hospitals or schools that the Government stand fully behind be put on the balance sheet, or be noted somewhere in the accounts as Government liabilities?

Mr. Field: My hon. Friend is absolutely right. We have long argued that much of the off-balance sheet financing, especially in PFI and the public-private partnerships, should appear on the balance sheet. The obvious reason why that does not happen is that, if it did, public debt and public liabilities would rise to levels much higher than any prudent Chancellor could like. The invidious effect of the PFI is that it creates liabilities today that others in the future will have to pay for. The criticism has been muted, understandably, because contractors, lawyers, accountants and people in construction have benefited from PFI to a large extent. The great genius of PFI has been the way in which, in my view, it was abused over the past decade.

Kelvin Hopkins: The hon. Gentleman seems to be making a critique of PFI, which I should be happy to support, especially if he went further and said that it would be much more sensible to invest with publicly borrowed money. That would be much cheaper and save the Exchequer a lot of money in the long term. I have written an article on the subject that he may have read in *The House Magazine*.

Mr. Field: The operative word is "seems". I disagree with the hon. Gentleman's analysis. I would rather that we did not take on such debts. If we cannot pay for things now, the golden rule, which supposedly guides us, should not be breached. It should be for today's taxpayers to pay for the benefits that we receive.

From the Treasury's point of view, the real genius is that the increased tax burden on all of us for decades ahead to pay for many of the schools and hospitals built in recent years will be difficult for any incoming Government, Conservative or otherwise, to reverse. Furthermore, in 25 years, districts will need new or upgraded schools or hospitals. In many ways, we have the mirror image of privatisation in the 1980s and 1990s. Labour went into the 1997 election with a firm commitment to reverse the rail privatisation that had taken place only a year earlier, but the Labour Government quickly discovered that they had to jettison their commitment. I fear that when the Conservatives come back into government, we, too, will have limited room for manoeuvre due to the PFI liabilities that will come on stream in great number.

David Taylor (North-West Leicestershire) (Lab/Co-op): It is estimated that the tax to GDP burden in the year we are about to enter is about 42 per cent. Does the hon. Gentleman care to recall the typical tax to GDP level at the time of Mrs. Thatcher?

Mr. Field: I suspect that the figure would be about 42 per cent., if not slightly higher. I am sure that was the figure the hon. Gentleman had in mind.

I have another general concern about the Chancellor's record—the unreformed state of our public services. The real losers now and in the future will be the impoverished, the vulnerable and the voiceless. The question that faces all of us in the political world is how to manage an ever larger state, which within the next few years will gobble up £680 billion and rising. Whether health care, law and order, education or security, the public services are in something of a mess—although not for the want of significant expenditure over the past six or seven years.

Many of the Government's more recent NHS reforms are to be welcomed, even though, to a large extent, they merely re-establish the position before 1997. My party has started a campaign to say "No" to what are regarded as NHS cuts, although we all appreciate that they are not actual cuts and that ever more money is being spent on the NHS—albeit at a decelerating rate. The Government used similar tactics to criticise the Conservatives during the general election two years ago. However, we need to consider not just tactical benefits; we need greater strategic insight on the better running of health care.

We have a stark choice in health care. The Budget was supposed to be a Budget for the NHS. Perhaps that will be more apparent in the Finance Bill and beyond. We need to support local decision making. I want the empowerment of primary care trusts and foundation hospitals. It is beholden on everyone who wants a locally oriented health service not to make cheap

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political points about postcode lotteries. Nothing will guarantee firmer, more inflexible centralised control of our public services than campaigns on those lines.

I should have liked more vision, insight and political courage from the Chancellor. In the Government's first two terms he had an enormous parliamentary majority and, in the early years at least, limitless public good will to bring about some of the fundamental reforms required in the public services. I fear that opportunity has been wasted.

We have an increasing number of supplicants of the state. One of the more shocking elements of that was the inadvertent revelation from the Paymaster General at the last Treasury Question Time that the parents of more than 10,000 children in the constituency of the shadow Paymaster General, my hon. Friend the Member for Rayleigh (Mr. Francois), were in receipt of child tax credits. That is a relatively prosperous, middle-class, southern English constituency. None the less, even in that sort of constituency, a five-figure number of children are getting tax credits. As a backdrop to the changes in the income tax regime that were announced today, there will be even more reliance on child tax credits and working tax credits for those who are paid at the lowest levels, who will no longer benefit from a 10 per cent. tax band.

Mr. Newmark: I acknowledge what the Chancellor said about tax credits, but there is no point in continuing to give out with largesse tax credits, day after day, unless there is fundamental reform of the tax credit system. Is my hon. Friend aware that three out of every five people who receive tax credits get the wrong amount? That is a significant problem.

Mr. Field: I am aware of the great problems that exist. My hon. Friend rightly used the word "largesse". I worry that there is a sense of great public sector largesse. That may prove electorally beneficial to the Labour party and a Labour Government going forward, but there will obviously be great concerns about our global competitiveness.

During the course of the last few hours, the debate has touched on India and China. I again give credit to the Chancellor: he was probably the first leading-rank politician to identify those two countries as important trading countries going forward and to recognise the benefits of the deflationary pressure that their influence has on the world economy. He is also right to regard that as a great opportunity for this country—a challenge, of course, but not necessarily a threat. As the hon. Member for Luton, North pointed out earlier, the Chancellor has also been right to stay very much at arm's length from further integration into the European Union and the single currency.

To conclude, looking at the Chancellor's track record over the past decade, as it has affected the UK economy, we see a picture of unparalleled economic calm. Yes, the Chancellor is entitled to some significant credit in relation to Britain's performance. In the years and decades ahead, these times will be regarded by all of us here as the very best of times, but I fear that we may also look back upon this era as one when we failed to lay the foundations to ensure that, in the decades ahead, we could see the next generation prosper in a similar vein.

6.27 pm

Lynne Jones (Birmingham, Selly Oak) (Lab): I come from a different political philosophy from the hon. Member for Cities of London and Westminster (Mr. Field). There was much in his speech with which I disagreed, but there was also much with which I agreed—particularly his point about means-testing and the level that tax credits go up the income scale. I will make some comments about that. I congratulate him on giving credit to the Chancellor where it is due and not indulging in political point-scoring.

The last measure that the Chancellor announced was the reduction in the basic rate of income tax. I have not seen the news, because I have mostly been in the Chamber, but I suspect that that is what has grabbed all the headlines. I believe in a progressive, fair tax system that is as simple as possible. In so far as the measures announced today have moved towards a simpler system, I welcome them. I am not intrinsically enthusiastic about cuts in the basic rate of tax, but I think that it is right to go to a 20 per cent. rate, if only because it is simple. However, we must not forget that—as the right hon. Member for Wokingham (Mr. Redwood) quite rightly pointed out—that has been primarily paid for by the abolition of the 10p tax rate. I shed no tears over that either, because I thought that it was a gimmick when it was introduced. I am worried that far too many people are paying tax. The Red Book refers to a single-earner couple without children on half-median earnings of £13,500 a year who are in receipt of working tax credit being £175 a year better off. It is good that they are better off, but why are they paying tax in the first place?

The Chancellor has brought the national insurance and personal tax allowances into line and raised the threshold for the higher rate of tax. That is a welcome simplification, but I would like him to move down the radical road of raising substantially the threshold at which people begin to pay taxes. Such a measure would take many people out of income tax altogether and reduce the need for so many people to be in receipt of tax credits. I am unhappy with a system that takes on the one hand and gives on the other to make a neutral transaction. Such a process is unnecessary.

I accept that if we were to raise the threshold at which people started to pay tax, we would need to make adjustments at the higher levels. That could be achieved by introducing a 30 per cent. rate between the 20 per cent. and 40 per cent. rates. It is right that the threshold for the 40 per cent. rate should have been substantially increased because I have always been worried about people on moderate incomes paying the same rate of tax as millionaires.

Kelvin Hopkins: Although I agree with my hon. Friend about raising thresholds, has not the focus in recent years been on the lower end of taxation, rather than the higher end? Does she agree that we need to re-examine the whole income tax system and to reform it thoroughly to make it much more dramatically progressive?

Lynne Jones: I do. Perhaps I am not being very clear, but that is what I am trying to say. When the Chancellor becomes Prime Minister, perhaps he will be bold enough to go down the route of developing a fairer and simpler system that people can understand. My problem with tax credits is that while we will always need to give help to low-income families, especially those with a large number of children, any system that is so complicated that people cannot understand it is not sustainable. It would be easy for future Governments to allow the largesse that we are seeing to wither on the vine. If we want a long-term legacy, we need a robust tax system that is fair and that people understand. When people receive benefits, they should understand what they are getting so that they can defend themselves against any attempts to cut them.

For children, the bedrock of such a proposal would be a high-value child benefit system. I know that that would reach better-off families, but if we had a progressive tax system, it would be clawed back from their other income. The advantage of child benefit is that it is reliable and understood, so people know what to expect. Although I welcome the Chancellor's proposed increase in child benefit for the first child to £20 by 2010, I do not think that it goes far enough. The same amount of benefit should be received for second and other children. However, the Budget is good for families. I especially welcome the commitment to the continued expansion of the Sure Start scheme.

I also welcome the Chancellor's commitment to invest in our science base, which is crucial if we are to compete against the tiger economies. We will have to compete on value-added and innovation. The investment that we put into our higher education and research institutes pays for itself and encourages private investment in research and development. If I have had criticisms of the Chancellor over the past 10 years—I suppose that I have just mentioned some of them—my biggest has been the lack of investment in our physical infrastructure, especially in our transport and housing infrastructure.

The hon. Member for Cities of London and Westminster seemed concerned about levels of debt. The Chancellor has a prudential rule—I do not think that it is a golden rule—under which a total debt of more than 40 per cent. of gross domestic product is unacceptable. I have asked many questions to try to elucidate the reasons for that arbitrary 40 per cent. figure, but I still cannot get a logical explanation. As hon. Members may recall, the Maastricht criterion for total Government debt was 60 per cent. of GDP. That is rather too high, and it is good that we are well within that. However, if we are keeping our debt artificially low by allowing our public infrastructure to decay, and if we are not investing at least the amount that is necessary to enable us to compete with other countries, not borrowing is imprudent, and borrowing is the prudent thing to do.

Mr. Newmark: Perhaps I could help the hon. Lady. The Chancellor is in a difficult position, because he has set an artificial level of 40 per cent., as she says, but the problem that he faces is that he has put twice as much money off balance sheet. In fact, the real level of debt is 105 per cent. of GDP. The bind that he faces is that he can either continue to put things on the balance sheet, and breach the mythical 40 per cent. mark, or he can put more and more money off balance sheet, which will take us way over 100 per cent. of GDP.

Lynne Jones: I do not accept those figures. I am not a fan of private finance initiatives, but they are a relatively small proportion of overall investment. The figures are in the Red Book; they are relatively small compared to overall debt, and indeed compared to capital spending. Current annual capital spending is about 1 per cent. of GDP, which takes us back to the levels of 1992.

I am pleased that the Chancellor has announced a substantial increase in capital spending, which will go up to £60 billion in 2011-12. I accept that we cannot dramatically increase spending if we do not have the capacity to do so, so it is excellent that, under the Budget, there is to be a sustained increase in capital expenditure, which will rise from £43 billion in the current year to £60 billion in five years' time. I hope that that will mean that we can start to catch up in the areas of investment that are of great concern to me. I mentioned transport and housing, and I shall first deal with housing.

When I first became involved in politics, it was in local government. I was elected as a councillor for Birmingham city council in 1980. At the time, the housing investment programme was about £100 million a year—and that was at 1979-80 prices. Birmingham city has had a total of £80 million over the past two years for investment in new social housing, and that figure includes the housing associations. Investment in council housing stock is about £20 million. It does not take a financial genius to realise that although those figures sound large, the sum is only a minor proportion of the investment that was being made under the previous Labour Government. We are now seeing the effects of that; in Birmingham, thousands of council homes have been demolished. There used to be 150,000 council homes in Birmingham, many of which, particularly houses, have been lost as a result of the right to buy, so the majority of stock consists of the less popular apartments and flats. Only about 70,000 homes are left in council ownership, and there has been inadequate investment over the years to maintain them properly. However, investment is needed to meet the decent homes standard, so the response under the previous Labour council, which has continued under the so-called progressive alliance of Conservative and Liberal Democrat councillors, was simply to knock down large numbers of houses. As a result, we have a dreadful housing problem in the city. In the past, we never used temporary or bed-and-breakfast accommodation, but now there are several hundred families in temporary accommodation. It takes two months to obtain a decision on homelessness, and even longer to secure permanent accommodation.

Anyone living in unsatisfactory council housing—perhaps a family living in a flat that is not on the ground floor and does not have a garden, or someone with disabilities or suffering from ill health—has virtually no chance of being rehoused. I make regular inquiries on behalf of constituents with housing needs, and the council regularly sends me letters giving their position in the queue. Usually, they are well down in 200th or 300th place, and only one or two properties in that category become available every year. The market

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in social housing has seized up, and people are thought to be lucky if they have any accommodation at all and are not homeless.

The use of the private sector is growing. Proper investment in council housing would save us money spent on housing benefit and subsidies for privately rented accommodation. It is particularly odious that former council properties are let back to councils at double or treble the council rent so that they can house homeless families. We have not come close to implementing the recommendations of the 2004 Barker review for an additional 17,000 social housing units a year. A further 9,000 units are needed to deal with the backlog of need, and I very much hope that the promised investment in social housing that we were led to expect in the comprehensive spending review will be fulfilled. In announcing the increase in capital spending, the Chancellor has provided the money.

David Taylor: Like my hon. Friend, I entered politics because I realised the value of affordable, decent housing provided by accountable landlords. Does she accept that the pressure for coerced stock transfers away from local authorities flies in the face of those objectives, and does she hope that the next Prime Minister will encourage his Chancellor of the Exchequer to take a more flexible approach to the direct provision of housing by local authorities?

Lynne Jones: The Government say that they believe in choice, so council tenants who wish to remain council tenants should not be penalised for their decision.

The recent Eddington report concluded that there was a strong economic case for investment in transport. Rod Eddington said that transport projects can offer benefits that are worth four times the cost of investment. He discussed the huge cost to businesses if we fail to check the growing problem of congestion, which, he said, will cost £10 billion a year by 2025, and an additional £12 billion in wasted time for households. In the west midlands, it is reckoned that our economy suffers a loss of £2.3 billion a year as a result of congestion. Since I became a Member of Parliament in 1992 and have regularly attended meetings of the chamber of commerce and other business organisations, there has not been one meeting at which the need for greater investment in transport has not been mentioned. I hope that some of the additional capital spending will go into transport.

Recently the Environment Committee visited Baden-Württemberg in Germany. One of the cities that we visited was Freiburg. When we asked people there whether they were thinking of a congestion charge, they looked at us completely nonplussed. They said, "Why should we need a congestion charge? A third of our journeys are by bicycle and everybody else uses public transport. People only use their private cars for recreational journeys, because our public transport is so excellent." In Baden-Württemberg €1.25 billion a year goes into transport investment, and one can see the impact of that in a city such as Freiburg.

Sadly, we have not put in that investment, and the only option is to move to road pricing. The sooner we do that, the better for the health of our economy. I have often congratulated the Mayor of London on the brave move to introduce the congestion charge, which shows that when politicians are brave and do the right things, they get the reward. We are now in the position where we will have to invest in the implementation of a road pricing scheme. Had we been putting the money in over the past 10 years, perhaps that would not have been necessary.

On environmental issues, I agree with the points made by my hon. Friend the Member for Nottingham, South (Alan Simpson). The Chancellor announced today an additional £6 million for the low carbon buildings programme and tax relief on renewable obligations certificates. These are minuscule measures. At present, in the low carbon buildings programme there is a monthly allocation and it runs out within 75 minutes. The Chancellor has put in an additional third, so perhaps the money will not run out for 100 minutes.

About tax relief on renewables obligation certificates, I am rather sceptical. It has all the hallmarks of a gimmick. The system of ROCs was set up for larger generators of renewable energy. It is an extremely bureaucratic process to obtain the certificates and the transaction costs will heavily outweigh the benefits for small developments. My hon. Friend the Member for Nottingham, South was right to commend the German system—and it is not just the German system; most other European countries operate the feed-in tariff.

The proof of the pudding is in the eating. With our system of renewables obligation certificates, renewable generation has increased from 2 per cent. in 1990 to 4.22 per cent. in 2005. In Germany the increase has been from a slightly higher base, 3.2 per cent., to 10.2 per cent. The costs of the measures are similar. It costs the consumer in Germany about £12 a year, compared with £7 in our system, but obviously the German system is much more successful. I hope the Government will move away from the renewables obligation method to the feed-in tariff. That will be a sign that they are taking their obligation to tackle climate change seriously.

If we had good feed-in tariffs, the grants would not be nearly as relevant. There would be every incentive for local communities to set up community renewable energy schemes. We saw that in Germany, in a village with its own combined heat and power system, which was set up by two farmers who wanted another means of selling their arable crops. They were able to get investment on the back of the amount of money that they obtained from selling the electricity they generated as a by-product of the heat that heated the village.

Similarly, they had a photovoltaic system on the roof of the building where they stored their tractors, and I reckoned that that was bringing them in about €30,000 a year as a result of the feed-in tariff. That tariff also encourages innovation, because although the payment received from a particular investment is consistent over 20 years, a new investment the following year gets a lower payment. The big plus of that system over ours is that it is reliable. People know that they are going to get that income over the 20-year life of a project.

I disagree with my hon. Friend the Member for Nottingham, South about the emissions trading scheme. I would like to suggest a trading scheme for aviation. The proposal made by the Leader of the Opposition on aviation taxes has been rightly pilloried. An idea that has been suggested to me is that every individual should be given a personal air miles allocation equivalent to, say, a return trip to Spain, which they would be able to cash in for a holiday. People who do not travel abroad because they are too poor or think that it is better to holiday in this country would be able to trade their unused permits for income. That would benefit poorer people. If we had such a system, we could tax aviation more highly.

Finally, I should like to mention mental health. I am very pleased that on page 97 of the Red Book there is mention of the review of mental health and employment outcomes. It talks about an holistic approach to helping people with mental health problems who are in employment, on incapacity benefit, or out of employment and trying to get back into work. I look forward to the additional spending in the comprehensive spending review on talking therapies, counselling and other tried and tested support for people with mental health problems.

Overall, there are many welcome and positive features in the Budget, particularly on capital expenditure. However, in some measures, particularly on climate change, we are seeing no more than token gestures. If we are to meet our climate change targets, the Government will have to be much more radical in future.

6.53 pm

Sammy Wilson (East Antrim) (DUP): I thank the hon. Member for Birmingham, Selly Oak (Lynne Jones) for stopping short so that I have the opportunity to make a few remarks at the end of this debate.

Along with many other Members, I welcome the fact that for most of the past 10 years the Chancellor has overseen a strong economy. That has benefited people in Northern Ireland, where we have a much lower unemployment rate, where there is considerable private investment, and where there has been a change in the economy from the days of 15 to 20 years ago when we were at the height of the terrorist troubles.

However, those years of prosperity have, to a certain extent, been wasted, and the figures in the Red Book provide some evidence of that. If there is ever to be any chance of reducing the burden of taxation and keeping public finances under control, it should be during a period of growth. We will certainly not be able to do it during a period of economic stagnation or decline. Yet according to the figures in the Red Book, the burden of taxation in the economy has increased. The net public sector borrowing requirement has increased. As the hon. Member for Cities of London and Westminster (Mr. Field) mentioned, that is bound to make us look back from future years and say that the best of times did not result in the best use of resources.

Stephen Hesford: Which bit of public investment in Northern Ireland—or, indeed, in any part of the UK—would the hon. Gentleman have cut over the last 10 years?

Sammy Wilson: We have already had this argument across the Chamber. It is not a case of cutting a piece of public investment, but making better use of available resources. We know that there have been huge amounts of waste. Indeed, at Question Time every week, Members point out examples of wasteful public expenditure, which Ministers sometimes oversee.

As for the specifics of Northern Ireland, the Chancellor has said that he intends to announce an innovative fund, so we await to see what is in it tomorrow.

Mr. Andrew Love (Edmonton) (Lab/Co-op) *rose—*

Sammy Wilson: I have only about three minutes and I am not taking any more interventions.

The Chancellor is going to announce tomorrow what will happen to education expenditure in Northern Ireland. Of course, there is also the whole question of the economic package that will be required if the new devolved Administration are to be sustainable.

Let me come to some of the matters that cause me concern. The philosophy of our party is that a low-tax economy is a better economy—one that will have more sustainable growth—than a high-tax economy. It is quite clear, despite the euphoria with which the Chancellor's announcement was greeted on the Labour Benches, that as far as taxation is concerned, this Budget increases the burden. It increases the burden of personal taxation, as can be seen on page 208 of the Red Book. If we add in the taking away of the 10p income tax band and the changes to national insurance contributions, it is clear that taxpayers will be worse off.

I suppose it was a classic piece of Stalinist propaganda at the end of the Chancellor's speech—and it was cheered to the hilt by Labour Members. I know that the Chancellor has been compared to Stalin, but perhaps it would be better to compare him to Fagin—some kind of fiscal pickpocket who has people cheering him when he picks their pockets. That is exactly what is happening here. Indeed, according to the Red Book, the overall tax burden will go up by 8 per cent., while growth is predicted to be at 2.5 per cent. So the real burden of taxation will increase, even though the Chancellor claims that this is a Budget that rewards taxpayers and lightens the burden. All that, of course, impacts on personal initiative, which will in turn impact on economic growth.

My second area of concern is the increase in corporation tax for small businesses. The Secretary of State has quite rightly said that Northern Ireland must become less reliant on the public sector and more reliant on the private sector. I agree with that, but if we are to move towards a more private sector-based economy, the initial growth will be in small businesses. Yet here we have a Chancellor who is penalising small businesses. Again, if we look at the figures we find that when the impact of the increase in corporation tax for small businesses comes through, £820 million will have been taken from such businesses. That hardly provides a basis for moving from greater reliance on the public sector to greater reliance on the private sector.

The construction and haulage industries in Northern Ireland will be affected by the 20 per cent. increase in the aggregates tax. Northern Ireland has a specific problem in that regard, in that we have a border with the Irish Republic, where similar taxation is not imposed.

Debate adjourned.—*[Steve McCabe.]*

Debate to be resumed tomorrow.

PETITIONS

Chowns Mill Roundabout

7 pm

Mr. Peter Bone (Wellingborough) (Con): I would like to present a public petition to the House of Commons from the residents of Higham Ferrers, Rushden and the surrounding areas. At this precise moment, the Chowns Mill roundabout in Higham Ferrers will be gridlocked; people will not be able to move. Mrs. Julie Nacca had an accident at that roundabout a little while ago, and she was so incensed that she could get nothing done to improve the roundabout that she, on her own, compiled a petition. There are, incredibly, 1,332 signatories to it. The problem is that even though the roundabout gets gridlocked now, 167,000 new homes are to be built in Northamptonshire over the next few years, and there are no plans to improve that junction.

The petition declares:

That the roundabout at Chowns Mill, Higham Ferrers, Northamptonshire, where the major roads of the A45, the A6 and the Higham Ferrers bypass interchange, currently causes much congestion and danger to pedestrians, cyclists and users of motor vehicles. It is envisaged that this situation will become untenable due to the major expansion of housing in Northamptonshire as a consequence of the Milton Keynes and South Midlands Spatial Strategy.

The Petitioners therefore request that the House of Commons urge the Secretary of State for Transport to urgently bring forward proposals:

(1) to implement temporary provisions to alleviate the congestion Chowns Mill

(2) to bring forward plans for a major re-development of the Chowns Mill interchange to provide a permanent resolution to the problem.

And the Petitioners remain, etc.

To lie upon the Table.

Knife Crime

7.2 pm

Bob Russell (Colchester) (LD): I should like to present a public petition to the House of Commons in the name of my constituent, Mrs. Ann Oakes-Odger, which has been signed by 5,000 people. On 12 September 2005 her son, Westley Odger was brutally murdered at 3 pm. It was a bright sunny day. This barbaric act was witnessed by people of all ages, many of whom were traumatised by what they saw: a single fatal stab wound to the neck. Despite all attempts, people were unable to save his life. He was aged 27.

Following a trial, Mark Fredericks was sentenced to seven years for manslaughter. He was to serve half, having already spent 321 days in custody. His brother, Andrew Fredericks, was sentenced to life, but need serve only 15 years before applying for parole. Both had a history of violence and were known to carry knives.

The Petitioners declare:

We are appalled by the number of people killed through the use of guns and knives; we are further appalled that, although the number of people who are killed by knives is three times higher than those who are killed by guns, the legal system treats knife crimes less seriously than gun crimes.

The Petitioners therefore request that the House of Commons urge the Home Secretary to introduce legislation so that the carrying of knives and the use of knives, and sentencing policies, are treated on the same terms as gun crimes.

And the Petitioners remain, etc.

To lie upon the Table.

Bailiffs

7.4 pm

Mr. Andrew Love (Edmonton) (Lab/Co-op): I wish to present a petition collected by the Zacchaeus Trust 2000 and others. The trust is a registered charity of members with a strong religious conviction who are focused on the alleviation of poverty in this country. In that regard, they are particularly concerned about the behaviour of bailiffs in executing warrants on behalf of the courts and, in particular, about the rights of citizens to refuse entry to a bailiff. That right was established in about 1300 and has been upheld by the courts ever since. That common law right was abolished by the Domestic Violence, Crime and Victims Bill, and the petition draws attention to the failure of the then Minister who introduced the change to refer to the importance of this long-established right, and to the fact that the change was never debated on the Floor of the House of Commons.

The Petition states:

The Petitioners request that the House of Commons restore the ancient rights of British citizens to refuse the forced entry of bailiffs.

And the Petitioners remain, etc.

To lie upon the Table.

Rural Post Offices

7.5 pm

Mr. Jeremy Hunt (South-West Surrey) (Con): I wish to present a petition from the residents of Waverley and the "Save Our Rural Post Offices" campaign.

If you visited my constituency, Madam Deputy Speaker, you would see a number of villages that, on first sight, appear pretty idyllic. The fabric of those communities, however, depends very much on rural post offices, which are much more than places to buy stamps; they are places where people from the whole community can interact, particularly older people, of whom there are many in the villages. The petitioners have collected a total of 627 signatures as an indication of their concern and strength of feeling about their community's vital lifeblood, which is seriously under threat.

The petition states:

The Petitioners therefore request that the House of Commons urges the Secretary of State to ensure that these vital community services that make up such an essential part of the social fabric of our communities are kept open.

And the Petitioners remain, etc.

To lie upon the Table.

York Minster

Motion made, and Question proposed, That this House do now adjourn.—*[Dan Norris.]*

7.6 pm

Hugh Bayley (City of York) (Lab): York Minster is a special place. It is a huge building, but intimate at the same time. It has played a central role in the history of Christianity in our country for 1,400 years, and yet it also draws people together—Christians and those of other denominations—as we saw just three weeks ago in the service at York Minster to commemorate the bicentenary of the vote in this House to abolish the slave trade.

The place is of enormous national and international significance. In the undercroft, one finds oneself among the remains of the Roman legionary fort, where, in 306 AD, Constantine was declared emperor. Constantine went on to reunify the Roman empire and grant religious freedom to Christians, which moulded Europe's religion and culture, including the concepts of freedom of expression and toleration, which are such important parts of our way of life today.

The minster itself was founded in 627 by Edwin, King of Northumbria, after his conversion to Christianity. About 1,300 years ago, the minster library was founded. It is still there and contains the York gospels, an illuminated manuscript made closer to the time of Christ than to the present day. The minster building that we know today dates from the 12th century. The great east window was made and installed by John Thornton between 1405 and 1408, almost 600 years ago. It is the largest medieval work of art in the world—the size of a tennis court. From the ground, it looks almost like an abstract work of art, but up close, a wealth of detail is visible—some of the most delicate, sensitive and descriptive stained glass that has ever been made. The window is to stained glass what the Sistine chapel is to fresco. It is one of the greatest art works in the world.

Two years ago, York Minster established a development office under the direction of Dr. Richard Shepherd, to raise funds for the restoration and conservation of the east front and the great east window. The whole project will cost about £30 million. It includes not only restoration work, but work to improve access and public understanding of the minster and the window. The restoration of the window will cost about £19 million. The development campaign has raised an astonishing £5 million in just two years, which reflects the public interest in and concern for the minster, as well as the energy of Richard Shepherd and his staff. Many of the gifts have been made anonymously—people are not seeking self-aggrandisement; the gifts simply reflect the importance that the building has in their hearts.

The Heritage Lottery Fund has given great support to the development campaign. In January last year it provided a £50,000 project planning grant, and in September it provided a further grant of £390,000 to minimise the risk to the window—what it described as an immediate risk of deterioration. The grant will enable the 311 glass panels to be removed from the window and stored in the Bedern chapel, where visitors will be able to see the panes being conserved and the iconography—the pictures in the windows—explained. In December 2006, York Minster submitted its grant request for £10 million for its "York Minster Revealed" project to the Heritage Lottery Fund. Richard Shepherd has told me how beneficial the application process has been. Because the application is so large, it has undergone several iterations. It has been strengthened enormously as a result of the input and advice of staff of the fund. "York Minster Revealed" is more than just a restoration and conservation project, although that is at its heart. It will also pass on craft skills in carving stone and conserving stained glass to another generation. At present there are two stonemason apprentices in the York Minster stoneyard, and the aim is to add a further five. There is one apprentice in the York Glaziers Trust, and the trust wants another three.

The application to the lottery fund will improve physical access to the minster by facilitating public access through the main entrance in the south transept. There will be a better ramp to provide access for disabled people, and for the first time they will have access to the undercroft by means of a lift. There will also be what is described as "improved intellectual access". That is culturespeak—a language that I do not understand myself—for interpretation of what is in the minster for the benefit of the public. It does not mean that special walkways will be established for university professors; it means that people like my hon. Friend the Minister and I will be able better to understand the history and purpose of the minster, including the meaning of the great east window and its use for teaching in mediaeval times. All that will be done through the latest technology and through publications, short courses and lectures. I know that my hon. Friend the Minister has a strong personal interest in and knowledge of cathedrals in general. He was a chorister at Peterborough cathedral. I also know that he has a great interest in York Minster and the "York Minster Revealed" campaign in particular. He visited the minster in November last year, and is consequently well briefed on the state of the east front.

Two thirds of the stone in the window needs to be replaced. Some of the stone, particularly high up on the minster towers, is so loose that it could fall. That state of disrepair become apparent only when the scaffolding was erected. I thank the Heritage Lottery Fund for its "In the Beginning" funding, which allowed the scaffolding to be erected so that the window could be removed. Repairing the stonework will require 2,500 new blocks of stone to be carved, each a sculpture in its own right. The average cost of carving each block will be £600, and members of the public can sponsor a block by paying that sum. If people reading the report of the debate wish to do so, they should contact the minster to be told how they can make a contribution to this enormously important work.

The restoration is needed in heritage terms. I do not want the east front of York Minster to fall during my watch as Member of Parliament for the City of York, and I am sure that the Minister does not want to be seen to fail to protect a building of such importance on his watch. York Minster has cultural and economic importance, in addition to its supreme importance to our national heritage. It is the most important icon representing Yorkshire's identity, and it is a symbol of

[Hugh Bayley]

the quality of life in the city that I represent in Parliament. That quality of life has helped the city to attract new investment and new jobs in science, financial services and information technology—and, indeed, in heritage and conservation—which have replaced the manufacturing jobs that the city has lost over the past two decades. The minster is one of the most visited tourist attractions in the country. It has long been important to tourism, which brings millions of pounds to the city of York and to the region of Yorkshire. It has played that function for centuries.

I will not ask the Minister to approve the Heritage Lottery Fund grant, as I know that the fund is independent of his Department, but I appeal over his head to the trustees. I welcome the decision of the chair of the trustees, Liz Forgan, to visit York Minster in May, and I hope that she and her colleagues on the board will approve the large grant in July. I do, however, ask the Minister to ensure that the Government signal their own interest in, and support for, the restoration by discussing the project with Yorkshire Forward and by asking what contribution it can make to the restoration, and I ask the Minister to write to me after he has had such conversations.

I particularly welcome the announcement made in the Budget speech today that the Chancellor has launched a review of church funding, to be undertaken jointly by the Treasury and the Department for Culture, Media and Sport, and I hope that the Chancellor will meet representatives of the cathedrals to discuss what additional support the state might be able to give them. I also welcome the partnership between English Heritage and the Wolfson Foundation, which will provide grants up to the value of £250,000 to cathedrals. I understand that it is possible for cathedrals to apply for those grants from September of this year. I know that the York Minster appeal will make such an application, and I hope that the Government will support it. If the Government acknowledge the importance of the restoration with their own statements and financial support, that will encourage the HLF to give the project the support that it needs, and encourage members of the public to make private donations.

The decision to be taken by the lottery fund in July is extremely important. We all know that the resources available to the HLF will fall between now and the Olympics, and I am afraid that if a grant is not approved this year the work on the window could be delayed for quite some time. It would be a disaster—a tragedy—if the window were missing or boarded up and millions of visitors over years to come were denied access to one of the art treasures of the world. When John Thornton completed the window in 1408 he was paid £58 for his labours, including a £10 bonus for completing it on time—within three years. I asked the statisticians in the House of Commons Library to calculate what £58 was worth in today's prices and I was astonished to learn that the answer was just the sum of £38,000. We all wish that the restoration could be completed for £38,000. However, restoration is harder and more costly than creating a new work of art, and the cost of labour and materials are much higher now than they were 600 years ago. It would, however, be a real shame and a failure of our stewardship of our country's heritage if a window that took three years to make 600 years ago were to take a decade, or even longer, to restore.

I hope that my hon. Friend the Minister will do whatever he can to make sure that we do not face such delay. Indeed, as next year will be the 600th anniversary of the completion of the window, I hope that we will know by then that there will be sufficient funds to keep it in good repair for the next 600 years.

7.20 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. David Lammy): I begin by congratulating my hon. Friend the Member for City of York (Hugh Bayley) on securing this important debate, and by thanking him for his valuable insights into this most iconic of buildings. As he pointed out, the contribution that York Minster makes to our nation and to all in our society—be they Christians, those of other faiths or of no faith—is nothing short of immense. It is of course primarily fulfilling the spiritual needs of many people, and it is extremely active in meeting the needs of its local community.

In heritage terms, York Minster's significance is immeasurable. It is a most intricate and exquisite building, and its archives and artefacts are of international importance. Its contribution to the arts is also huge, and it has a never-ending programme of events and exhibitions. It is a major provider of educational services, hosting innumerable school visits in its excellent education centre, and holding lectures and events for learners of all ages. It also provides training and apprenticeship in a range of traditional building skills, including stonemasonry and glazing. It is upholding the fine choral tradition of our country—a subject very close to my heart. That is perhaps why it is the most visited cathedral in our country.

The minster employs many people, thereby making its own direct contribution to the local economy, and it is a centre of much volunteer activity. A dedicated band of 500 people help to enhance the visitor experience and to keep everything going. As I said, it is a hugely important tourist magnet that attracts many people from all over the world not just to the minster itself, but to the surrounding areas, thereby benefiting the neighbouring businesses—the cafes, restaurants, pubs, hotels and guest houses—and providing a huge boost to that important local economy.

The Government know that such a huge, intricate and historic building is always going to need a lot of care and attention to ensure that it remains in the best possible condition, so that it can be enjoyed by those who come after us. I am of course aware of the conservation projects being undertaken, and they do not come any larger than the restoration of the east front, which is an enormous undertaking. I understand that well in excess of 100 panes of glass in the great east window need to be repaired, and that some 2,500 stones need to be replaced due to the ravages of time. The whole project will keep many people busy for 10 years or more, and they include some of our most skilled craftspeople, whose talents will be tested to the full.

As my hon. Friend said, I had the great privilege last November of visiting the minster to look at the restoration work. I visited the masons' yard and the glaziers' workshop, and I met some of the people striving to take this huge project forward. It was a great privilege to talk to the conservationists, particularly the glaziers, about that intricate work and to see some of it in progress. I was impressed with the skill and dedication with which these people were working, and I enjoyed learning about their work and their individual contributions to the wider project.

I am also very pleased that the restoration is itself being used as a way of engaging the public in the history of the minster and its methods of conservation. What better way to get a Minister's attention than to invite him to spend time on the roof of the York Minster? I wore a hard hat and I was petrified at the prospect of ending up on the ground, but I was delighted by the vista before me. I had a wonderful time and I thank Richard Shepherd and his team very much for making that so.

I recognise, of course, that there are enormous costs associated with the ongoing project, and I wish to congratulate all of those engaged in fundraising activity, and all those individuals and businesses who have contributed to this vital work. The Government make significant investments in the preservation of our ecclesiastical gems. Taken together, the Government and lottery support in that area has averaged around £60 million per year. Of course, it is necessary to target those resources on those buildings most in need of repair and least able to afford the work or raise the funds to pay for them.

My hon. Friend referred to the level of grant funding available through the English Heritage grants for cathedrals scheme. The scheme has been a success, pumping more than £43 million during its lifetime into cathedrals, and doing exactly what it was set up to do—to tackle the backlog of high-level repairs. As my hon. Friend said, English Heritage is now in an exciting partnership with the Wolfson Foundation, which is matching its contribution for three years, for which we and the cathedrals are grateful. I would encourage York Minster to make an application under the scheme and I wish it every success in doing so.

While the amounts of money dedicated to the scheme are a matter for the English Heritage commissioners, we in the Government support the refocusing of resources into our churches and places of worship of all faiths and denominations that are less able to raise the necessary funding themselves. York has benefited under the English Heritage cathedrals programme and it has received much more than £1 million for various previous projects.

English Heritage has also been extremely active in other ways in supporting and advising on the project. York has also had funding from our excellent listed places of worship scheme, which returns VAT on repairs. Historic buildings with a measure of commercial use are able to reclaim elements of the VAT incurred on repairs via their VAT returns. That is certainly the case for the minster, and any portion not reclaimable in that way can still be recouped from the LPW scheme. While I mention the LPW scheme, I remind the House that grants totalling more than £55 million have been made since 2001, and more than £1 million per month is being given out at present.

York Minster also has an excellent record of successful applications to the Heritage Lottery Fund, in respect of a variety of projects, including the extension of the library, the re-organisation of the exhibition space, support for craft skill training, a project planning grant for the planning stage of the current project, and a large contribution to the York Glaziers Trust so that work on the east window could start.

Turning to the issue of the future of funding, I am of course aware of the views of the heritage sector on the need for further funding for the conservation and care of those buildings whose importance to our heritage could not be more obvious. I acknowledge the requests for further funding as set out in the "Inspired!" campaign, in the paper "Building Faith in our Future" and in the Church of England's "Next Steps" document. I have already outlined some of the funding that is already in place.

My hon. Friend will know that I cannot comment on future funding during the course of a spending review. The sector's case has been well put and will be considered during the course of the work that is continuing on the spending settlement, but I must repeat that it will be a tough spending round and that I can make no attempt to second guess the final outcome. However, my hon. Friend will have heard what the Chancellor said from this Dispatch Box this afternoon about church heritage. My right hon. Friend set out the work that he is doing in that regard with my right hon. Friend the Secretary of State for Culture, Media and Sport. We must all be pleased that that attention is being given to funding our heritage, and especially our church buildings.

The Heritage Lottery Fund should receive more than £700 million of new lottery money between 2008 and 2012, notwithstanding last week's announcement of the use of the fund for the Olympics. My hon. Friend the Member for City of York will know that it is for the HLF to make decisions about applications, and he will understand that I cannot comment. However, I wish the application every success, and the relationship between the HLF and York Minster means that it must be a worthy candidate.

The Government are also keen to support other areas of the life of our cathedrals, and that is why money is made available, where it is needed, through the choir schools scholarship scheme, which is funded by the Department for Education and Skills. Also, in respect of training for craft skills, the Government are keen to do what they can to ensure that there are sufficient people trained in all of the skills necessary to keep our historic buildings in good order.

I am pleased to note that York Minster is involved in the Yorkshire and Humber heritage skills academy, which is supported by Government money through the Department for Trade and Industry and the construction skills training board. York is also part of the cathedral workshop fellowship, which is joining up cathedrals across the country to provide a broader training experience for apprenticeships. Moreover, a large HLF grant is being used by English Heritage, the National Trust, Cadw and others to provide a range of bursaries for training in traditional craft skills. It is

[Mr. David Lammy]

exactly these kinds of partnerships across the sector that will ensure that the skills will be there when needed, and that the resources that are available are used to maximum effect. I shall be happy to speak to the local regional development agency, Yorkshire Forward, to ensure that York Minster receives the attention that it deserves. I shall report back to my hon. Friend about that.

The House will be aware that two weeks ago my right hon. Friend the Secretary of State launched "Heritage Protection for the 21st Century", the long promised White Paper on the future of heritage protection. Last week, I attended the heritage forum, at which all the major heritage bodies for England are represented. I am pleased to say that the White Paper was met with support and enthusiasm across the board. Among many other provisions, a key feature of the White Paper is a proposal that will reduce the administrative burdens associated with work to historic churches and cathedrals. In dialogue with the exempt denominations, we propose an increase in the scope of the ecclesiastical exemption so that a wider range of assets can be free from the need for parallel permissions before vital works of repair can commence. A wide range of Government-sponsored activity is in place, designed specifically to make life easier for cathedrals and churches, not only in the area of conservation, but in wider ways that connect the preservation of the fabric into the life of the building.

York Minster is an ongoing success story: success in attracting people through the doors and into the area, success in its huge range of complementary activities and community outreach, and success in accessing support of all kinds for the massive job that is the restoration of the building. There is support from the Government and the lottery and from the local people, communities and economy that gain so much from having the minster at their heart. I have no doubt that the restoration of the east front will be part of that continuing success story.

Question put and agreed to.

Adjourned accordingly at twenty-five minutes to Eight o'clock.

House of Commons

Thursday 22 March 2007

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

TRADE AND INDUSTRY

The Secretary of State was asked—

Energy Policy

1. **Mr. David Hamilton** (Midlothian) (Lab): If he will make a statement on the cross-departmental co-ordination of energy policy. [128947]

The Secretary of State for Trade and Industry (Mr. Alistair Darling): My Department works with a wide range of organisations in relation to energy policy. It might be helpful if I inform the House that the energy White Paper will be published in May.

Mr. Hamilton: I thank the Secretary of State for that answer. First, may I welcome the Chancellor's statement yesterday that moves will be made to help families caught in the fuel poverty trap? From the Scottish perspective—and for me as an ex-miner—it is also welcome that we are now moving forward on carbon capture and on setting up a plant in the UK. My right hon. Friend has announced that the energy White Paper will be published in May. Would it not be prudent to consider the possibility of cutting across all the Departments that deal with energy and set up an Energy Department?

Mr. Darling: My hon. Friend's final suggestion is a matter for the Prime Minister, but let me respond to his earlier points. He is right to say that we have done a great deal to help families on low incomes who face rising fuel bills. Among the measures we announced yesterday were those to help improve the insulation and energy efficiency of homes, which will assist people to cut their fuel bills. My hon. Friend is also right about carbon capture: if we reduce the amount of carbon emitted from gas and coal-powered fire stations, that could enable Britain to become a world leader in essential technology.

Susan Kramer (Richmond Park) (LD): Yesterday afternoon, the Chancellor announced a £6 million boost in the budget for household renewable energy grants; that is welcome but modest. Yesterday evening, the Department of Trade and Industry issued a press release announcing a two-month suspension of the current programme. What does the Secretary of State have to say to the householders and businesses who were relying on the promised grants, and would he care to bridge the gap between rhetoric and reality?

Mr. Darling: Actually, the press releases were issued at the same time, and deliberately so. As the hon. Lady knows, there have been problems with the grants, because the current arrangement is unsatisfactory: at the beginning of each month we make grants available and they run out almost immediately. We have also found that about £5 million of claimed grants have not been spent. The industry knows that there are problems, and we do too. I am glad that the hon. Lady acknowledges that additional money is being made available, and I would like us to take the necessary time to get the scheme right so that we do not repeat past mistakes. Up until yesterday evening, the industry itself had said that we needed to have discussions with it to make sure that the scheme works satisfactorily. It is important that we get the revised scheme up and running. It is also important that the scheme should be time limited to encourage people to do what they can to make their homes more energy efficient and also less dependent on carbon sources of energy generation. The scheme will be in place, but it is better to get it right than again to rush into doing something and to repeat the mistakes that were made in the past.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): As part of the Government's energy policy, my right hon. Friend is rightly looking into renewable forms of energy and, increasingly, into offshore wind farms. What liaison is he having with the Department for Environment, Food and Rural Affairs so that the voice of the fishermen is heard as more wind farms are licensed, and what liaison is he having with the Department for Transport so that ferry routes are protected, because our seas are not empty and when wind farms are erected that has an impact on other industries?

Mr. Darling: That is true up to a point, but it is perfectly possible to set up offshore wind farms and at the same time meet fishermen's concerns and make sure that those wind farms are not put in sea lanes. We have been doing that satisfactorily across the piece. Let me say, however, that especially at a time when we are concerned to get greener sources of energy, we need more renewables. It is all very well for people to say, "Yes, we agree with that," but not if they then come along and object to every planning consent that is sought whether onshore or offshore—in other words, if they are in favour of measures, but not in their backyard. We cannot proceed on that basis. If we do so, we will not get more renewable forms of energy. It is also worth bearing in mind another point, in respect of which I am sorry that not a single Scottish National party Member is present. The fact that yesterday's Budget revealed that the projected revenues from North sea oil have fallen dramatically means that—

Alan Duncan (Rutland and Melton) (Con): You taxed it.

Mr. Darling: Interestingly, investment has gone up following last year's tax change. The oil industry knows

that it is a mature field with limited available reserves, which is why the SNP's policy, under which Scotland would be totally dependant on one very unpredictable source of revenue, would be absolute folly. As I have said, I am sorry that not a single Scottish National Member could be bothered to come along to today's Question Time.

Charles Hendry (Wealden) (Con): The Secretary of State has had eight months since the energy review in which to prepare the White Paper. He tells us today that it will be published in May with the same certainty that he told us on an earlier occasion that it would be published in March. If he carries on like this, his Department will have been abolished before it gets to be published. Does he not understand that those postponements are delaying vital investment decisions in future generating capacity while investors wait for details about a cap-and-trade system, the future of renewable obligation certificates or ROCs, feed-in tariffs, the role of Ofgem and the whole future of the planning system? He cannot just blame that on the judicial decision to require better consultation, as there are many other outstanding issues. Does he not understand that our energy security requires that we have a Government who are prepared to act and lead rather than a Government who put off the difficult decisions?

Mr. Darling: That is a bit rich coming from a party that does not have a coherent energy policy. The hon. Gentleman will recall that following the judicial review I said that it was likely that the White Paper would be published in May, but that if I could publish it before Easter, I would. As there is precisely one week between now and the Easter recess, it is perhaps a statement of the obvious that it will not be possible to publish it next week, so I thought it helpful to tell the House that it will definitely be published in May.

On the hon. Gentleman's substantive points, yes, I know that the industry wants a degree of certainty, but it is not possible to publish an energy White Paper without the consultation paper on nuclear alongside it, because nuclear is an important part of that consideration. I want to make sure that we get the nuclear consultation right, and I do not have the slightest doubt that there are those who will want a judicial review whatever we decide; some people are implacably against nuclear, come what may. However, I want to get these things right, and the overwhelming view in the industry is that it is important that we publish the two papers together, which I will certainly do.

Productivity Rates

2. **Andrew Selous** (South-West Bedfordshire) (Con): What assessment he has made of the effectiveness of his Department in raising UK productivity rates. [128948]

The Minister for Industry and the Regions (Margaret Hodge): I thank the hon. Gentleman for that very helpful question. The Chancellor's excellent Budget statement yesterday spelled out our very successful record in delivering sustainable macro-economic stability and our equally successful performance in making effective micro-economic interventions to remove the barriers that prevent markets from functioning efficiently. That has enabled us to raise productivity rates and to enhance UK competitiveness. Since 1997, we have halved the previous gap in UK output per worker compared with France, and closed the gap in output per worker compared with Germany. The Department of Trade and Industry has played its part in stimulating competition and enterprise, enhancing flexibility, and promoting science, innovation and skills. We have provided the first-class stewardship of the economy that has helped to raise productivity rates, and that is something that only a Labour Government can do.

Andrew Selous: In order to boost our productivity to French and German levels and to provide the skills that our businesses are crying out for, will the Minister become the champion across Whitehall of the lost generation of 5 million adults who cannot read properly and the 7 million who cannot do basic maths? This is a vital issue on which a cross-departmental lead needs to be taken. May I ask that the DTI do some serious work on it?

Margaret Hodge: I agree with the hon. Gentleman that this is an important issue, which is why we have done something about. We have reduced the figure that we inherited—6 million adults with no basic skills—to the still far too high figure of 5 million. I agree entirely that we must continue to work to provide the basic skills, because it is high skills that will enhance our productivity rates. We in the DTI play our role across government in ensuring that we have the proper structures, programmes and interventions in place to do just that.

David Simpson (Upper Bann) (DUP): Last year, a DTI report stated that low business investment "hinders" productivity and growth. Yesterday, the Chancellor increased taxation on the small business sector. What are the Government doing to encourage investment in that sector across the United Kingdom?

Margaret Hodge: If the hon. Gentleman looks closely at yesterday's Budget statement, he will find that we introduced a new annual investment allowance of £50,000 that will benefit small businesses in particular. He will also notice that we will increase the tax credit rates for research and development, particularly those for small businesses, so he has got it wrong in suggesting that yesterday's Budget did not enhance our competitiveness and encourage investment in the small business sector.

Mr. Jim Cunningham (Coventry, South) (Lab): Would my right hon. Friend agree that the top productivity levels of the German economy still lag behind those of this country?

Margaret Hodge: I entirely agree that we are doing especially well in our management of the economy. The advantages that we have over the German economy are our flexible labour markets, our high investment in research and a strong academic base. The latter means that we have good innovations and we are getting better and better at translating those into products and services. The fact is that we have closed the productivity gap with Germany through our management of the macro-economy and other interventions to support productivity and we are being extremely successful.

Justine Greening (Putney) (Con): I am sure that the Minister recognises that one aspect of productivity growth is skills investment in staff. Does she agree that at a time when we have 1 million people on jobseeker's allowance, 1.5 million people saying that they want work and 2.7 million on incapacity benefit, the vast majority of whom also say that they want to work—a huge stock of people who would like jobs—it is ironic that we have invested nothing in skills, so that British industry has had to go across the world to pull in economic migrants to do jobs in this country? Does she agree that that is a real indictment of the Government's policy?

Margaret Hodge: I have to say that people are living in two parallel worlds. There is the real world, of the real UK economy, with real performance and 2.6 million extra jobs; a massive investment in skills and education; a huge investment in our science base and research activity; and with an enormous investment in enterprise. Then there is another little world of Conservatives who promise either unaffordable spending commitments or unachievable tax cuts. I know whom the British people believe.

Mr. Mark Prisk (Hertford and Stortford) (Con): I welcome the Minister to planet earth. It is nice of her to join us this morning. I agree with her that improving our productivity is vital, but after 10 years and 11 Budgets filled with complex schemes and political tinkering, the truth is that our labour productivity, as we have heard, is still behind France and Germany and way behind the US. Is not the real issue the quality of business management and, as my hon. Friends have rightly said, poor labour skills? When will the Government focus on that rather than on cooking up over-complex short-term schemes? What does planet Minister say?

Margaret Hodge: The planet Opposition spokesperson has not seen or understood the impact of all the investment that we have made in skills over the past 10 years. I do not know which planet the hon. Gentleman lives on, but were he to look at the statistics—which are not produced in a party political way, but by the Office for National Statistics and others—he would see that the productivity gap between ourselves and France and Germany is closing. He would also see that we are the only country that is maintaining the same level of productivity in relation to the US as we had 10 years ago, although productivity in other European countries has declined. Were he to go around his own constituency, he would also notice that the investment in skills and education is raising standards and ensuring that British companies can perform effectively with the skills that we need.

Mr. Dennis Skinner (Bolsover) (Lab): Does the Minister agree that our unemployment levels are far below those in France and Germany? Will she also agree that the massive amount of enterprise that was a result of the coalfield plan that we introduced in 1997 has meant that unemployment in Barnsley, where every single pit was shut, is 2.8 per cent. or half the national average? In nearly every coalfield in south Yorkshire, north Derbyshire and other parts of the British coalfield area, the unemployment rate is below the national average. The result is that we have jobs in every pit yard in my constituency, even though every one of those pits was shut by the Tories when there were 4 million people out of work.

Margaret Hodge: My hon. Friend is absolutely right. Unemployment is at the lowest level for a very long time, while the employment rate is higher than it has ever been and much higher than the rate in all our competitor countries. Most importantly, it is this Government who have made the appropriate interventions to ensure that the benefits of stability and growth are enjoyed by all areas of the country and not just the richer ones. That is why employment rates are high in my hon. Friend's constituency.

Steel Industry

3. **Dr. Ashok Kumar** (Middlesbrough, South and East Cleveland) (Lab): If he will make a statement on the future of the UK steel industry. [128949]

The Minister for Science and Innovation (Malcolm Wicks): Despite significant restructuring over the past 30 years, the UK steel industry remains a significant employer and an intensive research and development contributor to the UK economy. We believe that the investments, strategies and measures implemented in the sector provide a solid platform for the future prosperity of UK steel operations in a rapidly changing global landscape.

Dr. Kumar: Will my hon. Friend join me in welcoming the recent news that Tata Steel will take over the Corus iron and steel making company? What help and support will be given to Tata Steel to ensure that we have a strong manufacturing base on Teesside? Manufacturing is our bread and butter, as 3,000 jobs depend on it directly, and 30,000 indirectly.

Malcolm Wicks: My hon. Friend brings much professional expertise to this subject, and is a steely champion of that important industry. We are pleased that Tata has chosen to invest in the UK steel industry through its acquisition of Corus, and believe that that will lead to a fruitful and productive partnership. The Tata deal will provide access to low-cost raw materials, and to high-growth markets for products in which Corus has a particular strength. That will enable the company to compete on a global scale and thereby help secure the future of plant located in the UK. I look forward to having an early meeting with the leadership of Tata Steel.

Sir Nicholas Winterton (Macclesfield) (Con): While I accept that we are in a global trading situation, I do not share the views of the hon. Member for Middlesbrough, South and East Cleveland (Dr. Kumar). It is extremely dangerous that our strategic industries are being acquired by overseas interests. Corus is not the only one: more industries in this country have been acquired by overseas interests than is the case with virtually any other country in the EU or elsewhere in the world. Does the Minister accept that the remittances and profits are sent overseas and so do not benefit the UK Exchequer or taxpayer? Does he also agree that jobs can be transferred abroad extremely easily?

Malcolm Wicks: That was a passionate onslaught on the reality of globalisation. We have had enough banter—some of it not very good—about real worlds this morning, but globalisation is here to stay. The important thing is that British industry should regard it as a challenge and not a crisis. We welcome inward investment and, just as British companies will take over companies in India and elsewhere, some of that business will go the other way. I am confident that the deal is a good one for the UK steel industry, and for jobs.

Mr. Iain Wright (Hartlepool) (Lab): In an era of globalisation, the ability to innovate is essential for the long-term sustainability of the UK steel industry. My hon. Friend the Minister will know that Hartlepool's steel pipe mills are a good example of that innovation, as he opened one last year. However, price is also important, and sterling is nudging $2 this morning. I know that the problem is extraordinarily difficult, but what can my hon. Friend do to ensure that the UK steel industry remains competitive in the global economy?

Malcolm Wicks: I certainly remember opening that plant. I learned a great deal, and was very impressed by the R and D work going on there and by the sheer skill of the work force. Corus has invested a great deal in the steel industry, and I have no doubt that Tata will do the same. The general message is that we need to compete by adding value to the excellence of the goods and services produced in this country. The hon. Member for Macclesfield (Sir Nicholas Winterton) spoke of challenges in the global markets, but the inward investment by Tata augurs very well for the British steel industry and its highly skilled work force.

Businesses (Taxation)

4. **Mr. David Jones** (Clwyd, West) (Con): What recent discussions he has had with the Chancellor of the Exchequer on the effects of taxation on businesses. [128950]

The Secretary of State for Trade and Industry (Mr. Alistair Darling): I discuss a wide range of issues with the Chancellor.

Mr. Jones: I am grateful for that answer. Most enterprises in my constituency, and in Wales as a whole, are small businesses, primarily in the non-capital intensive service sector. Could the Secretary of State explain how such small companies are expected to develop and grow when they are to be subjected to an additional tax burden of 3p in the pound, and indeed will be taxed at a higher rate than when Labour to power in 1997?

Mr. Darling: First, I am glad that the hon. Gentleman found my answer so helpful. On his second point, about small companies, one of the problems that became apparent was that an increasing number of people were incorporating and becoming small companies to avoid paying tax and national insurance. Any Chancellor must have regard to a pattern of behaviour that leads to people avoiding payment of tax when it is not right that they should do so. The answer to the hon. Gentleman's friends is, first, that incorporated businesses will benefit from the reduction in corporation and, secondly, that unincorporated businesses will benefit from the reduction in the basic rate of income tax. Firms that invest will benefit from the allowance of up to £50,000 that the Chancellor announced yesterday. All in all, I believe that the changes are welcome and I am surprised that the hon. Gentleman did not welcome them, especially as the shadow Chancellor gave the distinct impression earlier in the week that he wanted to see those changes, too.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): Unless I am very much mistaken the Scottish National party Whip is sitting next to me and has been there for 10 minutes. Incidentally, there is not one Scottish Labour Back Bencher in the Chamber—people in glasshouses.

To reinforce the point that has already been made, 90 per cent. of employment in Wales is in the small business sector. All the baloney about R and D is absolute nonsense, because only one in five ever have an interest in taking it up.

Mr. Darling: But should we not be encouraging more companies to invest in research and development? The hon. Gentleman must know that our future lies in our ability to innovate and to undertake research and development, yet we have it officially from Plaid Cymru that it is all baloney. Surely, that is no way to build a successful Wales or a successful Britain. The changes we announced yesterday in relation to reducing the rate of both corporation tax and basic income tax will help businesses. On top of that, the fact that we are simplifying allowances, making sure that there is relief and help for companies that invest up to £50,000, demonstrates the differences between Labour and the hon. Gentleman's party: we want to encourage enterprise and innovation.

Peter Luff (Mid-Worcestershire) (Con): In the bipartisan spirit that is appropriate for the Chairman of the Select Committee on Trade and Industry, may I urge the Secretary of State to reflect with more care on the answers he has just given? I am deeply concerned that the service sector—small businesses in particular—can take no advantage of the reliefs that are offered in the Budget and face massive increases in their basic corporation tax bill. Indeed, the one relief they might have been able to claim—for cars, which are very important for getting around and meeting suppliers and customers—is specifically excluded from the new annual investment allowance, so I have deep concern that the Budget is actually rather bad news for the vast majority of small businesses in this country.

Mr. Darling: I do not agree with the hon. Gentleman. The changes that we announced yesterday will be beneficial both for large companies—those paying corporation tax will see their rate reduced—and for small companies, which are taxed on their income, because the basic rate of income tax will come down. It is absolutely right that we have a more up to date system of allowances; at the moment, it is nonsense that people can claim allowances for investing in foreign plantations yet not for investing in a science park, for example. I would have thought—again in the bipartisan spirit in which the hon. Gentleman approaches these things—that we should have an up to

date system of allowances rather than relying on a system that was largely put in place after the second world war when we were more interested in reconstruction than in dealing with the problems we face at the beginning of the 21st century.

Alan Duncan (Rutland and Melton) (Con): The Budget delivered by the Chancellor yesterday had the net effect of piling an extra £1 billion in tax on to UK business next year. Is that bad news for business the result of the Secretary of State having no influence at all around the Cabinet table or, now that he no longer expects to be Chancellor himself, is it the result of him choosing not to use what little influence he seems to have?

Mr. Darling: The reduction in corporation tax is a tremendous help. Indeed, businesses and companies have for a long time called for a reduction in that tax. Interestingly, on Monday the shadow Chancellor—he had clearly thought up his new corporation tax policy at the weekend—said that he wanted to reduce corporation tax. He said:

"There will be some people who make particular use of capital reliefs. The judgment I've made is that even they would end up being beneficiaries of a much simpler and more competitive tax system."

Yet he reached the judgment that it was worth getting rid of those reliefs—we are introducing new capital reliefs, while the Tories are not proposing any.

Alan Duncan: We welcome the fact that the Chancellor has been listening to our advice by reducing the headline rate of corporation tax, but will he not accept that, behind his headline rate, tax on business will still increase by £1 billion and that small businesses will be hit most severely by his 3p in the pound increase in tax rates?

Mr. Darling: As I said to the hon. Member for Clwyd, West (Mr. Jones) earlier, we are making changes to the taxation of small businesses because we need to deal with the growing problem of people who are incorporating to avoid paying tax. If the hon. Gentleman is saying that that is all right by the Tories, I do not agree with him. It is far better to move to a simpler system with two rates of allowances running at the same time so that we can encourage businesses to invest. Increased allowances of up to £50,000 are being made available, but the lower rates of corporation tax and income tax will help businesses. That is exactly what is needed to meet the long-term challenges that we face in the future.

Surface Mining

5. **Mark Pritchard** (The Wrekin) (Con): What discussions he has had with UK Coal on the future of surface mining in England and Wales. [128951]

The Minister for Science and Innovation (Malcolm Wicks): My noble Friend the Minister for Energy met Gerry Spindler, the chief executive of UK Coal, on 22 February and the future of surface mining in the UK was among the topics discussed. The issue has also been discussed in the Coal Forum, of which they are both members.

Mark Pritchard: Where does the Minister think surface coal mining fits within the so-called renewable energy policy of the Government? Given that research and development into clean-coal technology is at a very early stage, does he share my concern about UK Coal's plans to extract 900,000 tonnes of coal from an area of outstanding natural beauty in Huntington and New Works in my constituency? Would he like to elaborate on his conversation with the chief executive, specifically on that point?

Malcolm Wicks: The hon. Gentleman will know that, quite properly, I cannot comment on a particular project that is going through the planning process. That would not be the right thing to do. All these matters are, of course, considered very carefully on environmental grounds. We hope that UK coal production has a significant future in Britain—an issue discussed in the Coal Forum. UK production amounted to some 9.4 million tonnes of deep-mined coal and 8.6 million tonnes of surface-mined coal. The hon. Gentleman will understand that that makes a not insignificant contribution to energy supplies. Given the difficulties in world markets, we need to produce more of own energy in Great Britain. We need a balanced and rational approach to the issue, but none of my comments relates to the particular project in the hon. Gentleman's constituency.

Judy Mallaber (Amber Valley) (Lab): After last week's appalling decision to allow UK Coal to ruin the beautiful countryside at the Lodge House site in my constituency and a recent similar decision at Longmoor in the constituency of my hon. Friend the Member for North-West Leicestershire (David Taylor), will the Minister urgently discuss with his colleagues in the Department for Communities and Local Government how to stop planning inspectors totally misinterpreting the original intention of the revised MPG3—mineral planning guidance—guidelines and how to reassert the presumption against open-casting? As stated in those guidelines, local authorities know best about the balance of local factors and it is not environmentally acceptable to state that immediate appalling damage can conceivably be put right by dubious assertions about the long-term restoration of a site. Will the Minister also have urgent discussions with—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. That is a statement.

Malcolm Wicks: I do understand the question. Although I gave the figures for across our countries, in fact less than 1 million tonnes was produced through surface mining in England. There are tight planning controls—

Alan Duncan (Rutland and Melton): What!

Malcolm Wicks: We have talked about skills, and I am happy to educate the shadow Secretary of State on this matter. There is a presumption against development if the proposal is not environmentally acceptable or cannot be made so by conditions or obligations attached to a consent, or does not offer local or community benefits to offset the adverse impact. I will not ask the hon. Gentleman to repeat that, but that is the situation. I hope that my hon. Friend the Member for Amber Valley (Judy Mallaber) will forgive me, but it would be inappropriate for me to comment on a particular planning decision.

Marine Renewables Deployment Fund

6. **Mr. Alistair Carmichael** (Orkney and Shetland) (LD): If he will make a statement on the operation of the marine renewables deployment fund. [128952]

The Secretary of State for Trade and Industry (Mr. Alistair Darling): The Department's £50 million marine renewables deployment fund was established to assist the continued development of wave and tidal-stream energy technologies.

Mr. Carmichael: I am surprised that the Secretary of State did not also tell us that since the fund was opened for applications in February last year, it has received only two applications, both of which were rejected. Does he share my concern that the fund might not be as effective as we would both wish in retaining the world lead in the development of marine renewables? Now that a year has passed, will he review the access criteria for funding applications, with a view to introducing more flexibility in the fund in order to allow more companies to get more devices into the water?

Mr. Darling: I suspected that the hon. Gentleman would raise that point—and I am worried that there have been only two applications. The difficulty is that in order to qualify for the grant a project has to have been operating in the sea for three months. In other words, the idea was to help projects that had significantly proved themselves to be a real possibility for development. There are other grants around, however, to help with development at a far earlier stage. I am reluctant to reopen this matter, because it is important that we encourage projects that have a real chance of success. If it appears that no projects have reached that stage, however, perhaps we ought to look at some other form of assistance. The hon. Gentleman and I both agree that marine generation of electricity is important, and there are good examples of such work being carried out in his own constituency. The reason why this grant is difficult to get is that it sets quite high criteria for eligibility.

Citizens Advice Bureaux

7. **David Taylor** (North-West Leicestershire) (Lab/Co-op): What recent discussions he has had with ministerial colleagues in the Treasury on the future funding of front-line services provided by citizens advice bureaux; and if he will make a statement. [128954]

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): I have had no recent discussions with ministerial colleagues on the future funding of front-line services provided by citizens advice bureaux. However, the DTI and the Treasury work closely together on the administration of the £47.5m face-to-face debt advice project that is funded from the Treasury's financial inclusion fund.

David Taylor: DTI backing for face-to-face advice is most welcome. The Minister will know that Citizens Advice annually provides a vital, trusted, value-for-money lifeline to about 2.5 million people, with 6 million problems, nationwide. It also helps to deliver the Government's agenda of eliminating poverty, preventing homelessness, improving health and well-being and reducing reoffending. Does my hon. Friend agree, however, that there is still a significant unmet need for telephone, weekend and online services, and that continued support for—and strategic Government investment in—Citizens Advice will lead to major social and economic benefits?

Jim Fitzpatrick: I certainly agree with my hon. Friend, and I am sure that all right hon. and hon. Members admire and respect the work that the citizens advice bureaux undertake. I can advise my hon. Friend that, last week, the Economic Secretary to the Treasury announced a new financial inclusion fund for the next spending period. The DTI will be part of a cross-departmental ministerial working group that will determine fund priorities and publish a detailed action plan after the comprehensive spending review. I am sure that my hon. Friend will supply details of the difficulties that he has outlined, and that the working party will look at them so that they can be resolved in due course.

Postwatch

8. **Greg Mulholland** (Leeds, North-West) (LD): What progress has been made in discussions on the role of Postwatch in scrutiny of the post office closure process. [128955]

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): The Government's consultation on the post office network ended on 8 March. We have received more than 2,500 representations, and are grateful to those who took time to participate in the process. We are giving full consideration to the comments received and hope to be able to announce our final decisions in May. Discussions are in progress between Post Office Ltd and Postwatch, and we expect to set out Postwatch's role in developing local area closure proposals in our decision.

Greg Mulholland: Does the Minister agree that when the Government are about to embark on a huge post office closure programme, which he has acknowledged will have a massive impact on consumers throughout the country who rely on that important service, the idea of simultaneously abolishing the Post Office watchdog is madness?

Jim Fitzpatrick: We have included specific provisions in the Consumers, Estate Agents and Redress Bill, which had its Second Reading this week, to ensure that the new national consumer council has a role, as Postwatch does now, in advising on the number and location of post offices and their accessibility to users. We are also involved in ongoing discussions between Post Office Ltd and Postwatch to make sure that the arrangements are as robust as they need to be.

Mr. David Drew (Stroud) (Lab/Co-op): I am glad to hear how many organisations and individuals took the trouble to take part in the consultation; I hope that their contributions will be read carefully and listened to. However, does my hon. Friend agree that one simple way of making sure that communities have a voice and are able to retain their services is to accept the Sustainable Communities Bill, which is going through the House?

What it provides would be much better than any regulator, because communities would have their own voice and their own means of retaining their services.

Jim Fitzpatrick: I am sure that the Sustainable Communities Bill will provide adequate opportunities to enable communities best to defend themselves. As my hon. Friend knows, we have just completed Second Reading of the Consumers, Estate Agents and Redress Bill, which we believe offers the appropriate place to integrate the Postwatch service, and which will provide consumer protection for those who use any of the services of Royal Mail Group.

Mr. Peter Bone (Wellingborough) (Con): The Secretary of State has said that 2,500 post offices will be closed with compensation, but the national access criteria will allow thousands more post offices to close. How does the Under-Secretary reconcile those two facts?

Jim Fitzpatrick: The hon. Gentleman has participated in many of our debates on the future of Post Office Ltd. There is clear recognition that the estimated £4 million a week that the Post Office loses is unsustainable, and there is consensus across the board that something must be done to put the post office service on a more sustainable footing for the future. That is agreed by the National Federation of SubPostmasters and by the Select Committee on Trade and Industry, and we are doing our best to ensure that that happens. As I said, my right hon. Friend the Secretary of State will make his announcement in due course—in May—and we hope that as a result of that, the future of Post Office Ltd will be more secure.

Science Funding (York)

9. **Hugh Bayley** (City of York) (Lab): What support his Department provides to science in York. [128957]

The Minister for Science and Innovation (Malcolm Wicks): The Department's primary support for science is through grant in aid to the eight UK research councils. Colleagues will have noted the very good settlement for UK science announced in the Budget yesterday. In 2006, UK research councils funded £17.8 million in research grants to York university. In addition, £35.9 million has been invested jointly with the Department for Education and Skills under the two rounds of the science research investment fund to update and renew university research infrastructure, and £7.8 million has been invested under the higher education innovation fund and its predecessors to facilitate knowledge transfer from science research.

Hugh Bayley: I warmly welcome yesterday's Budget announcement that funding for science will increase by 25 per cent. by 2010—an additional £1,300 million pounds. My hon. Friend will be aware that Science City York and the other five English science cities have put proposals to the Treasury on promoting science and technology as a driver of economic development. Will those proposals benefit from some of the additional funding for science, and will the Government consider the proposals and respond?

Malcolm Wicks: I am sure that there will be a response. I am encouraged by the way in which science cities are flourishing. I had an opportunity at a recent conference, up the road in Newcastle, to meet colleagues from Science City York and others, and I am encouraged by the development and the way in which a range of bodies, such as the learning and skills councils and the regional development agencies—Yorkshire Forward, in my hon. Friend's case—are coming together to make sure that science cities flourish in the future.

Renewable Energy

10. **Mr. Philip Dunne** (Ludlow) (Con): What recent discussions he has had with the Chancellor of the Exchequer on initiatives to promote renewable energy. [128958]

The Minister for Science and Innovation (Malcolm Wicks): As was discussed earlier, my right hon. Friend the Secretary of State has had regular discussions with the Chancellor on a range of issues, including the promotion of renewable energy.

Mr. Dunne: The Chancellor's flagship stop-start scheme to promote the domestic renewable energy industry, the low carbon buildings programme, received 10,000 online applications at 9 am on 1 March. Only 186 were approved. Does the Minister expect that the 50 per cent. increase in funding announced yesterday in the Budget will give rise to a 50 per cent. increase in successful applications—from under 2 per cent. to under 3 per cent?

Malcolm Wicks: We had some discussion about that earlier this morning. I am proud of the record of this Labour Government and I would be pleased on another occasion to compare it with the lamentable record of previous Administrations on climate change and renewables. The Government are reforming the renewables obligation, have targets for renewable energy, and have introduced the low carbon buildings programme—with £80 million of funds—not only for householders, but for voluntary organisations and public sector buildings. That is important. There has been a huge demand for householder grants. That is why yesterday it was announced that an additional £6 million for householder capital grants will be available from the Budget, bringing the total funds for householders up to £18 million. We are now having a quick look at that, so that we can announce a new programme. That is why there is a brief suspension of grants during the April period. It is sensible—I think that the industry expects this—to look at that before we announce the way forward.

David Howarth (Cambridge) (LD): Will the Minister confirm that according to the Treasury, the microgeneration measures announced in the Budget yesterday will produce carbon savings that, because they are so timid, are too small to measure, and that if one adds up all the energy measures announced in the Budget yesterday, they account for less than 2 per cent. of carbon emissions? That amount will be wiped out by the increase in carbon emissions now taking place.

Malcolm Wicks: There are a wide range of measures and a number of areas of the economy, including the houses in which we all live, that will contribute to

getting on the right side of the climate change argument. The Government have set what I would contend is the most ambitious target ever for a democracy: to reduce carbon emissions by 60 per cent. from what they were in 1990, by the middle of this century—2050. A range of programmes and changes of behaviour will enable us to hit that target. Microgeneration and, more generally, renewables have an important role to play, but not the only role.

Women Entrepreneurs

11. **David Wright** (Telford) (Lab): What steps he is taking to encourage greater entrepreneurship among women. [128959]

The Minister for Industry and the Regions (Margaret Hodge): We have 1 million women entrepreneurs, who contribute £60 billion GVA—gross value added—per annum to the UK economy. If we had the same rate of women's entrepreneurship in the UK as there is in the USA, we would have 700,000 more businesses adding to the wealth and well-being of the UK economy. I am actively tackling the barriers that prevent women from setting up their own businesses. For instance, I am addressing the gender penalty that women face when borrowing from banks, whereby they pay 1 per cent. more than men over the base rate. That is over £80 a week more in interest payments each month on a £100,000 loan, just for being a woman. It should make no difference whether a man or a woman walks into a bank; each should walk out with the same deal. I am meeting the British Bankers Association later today to discuss and address that issue.

David Wright: There is a welcome growth in the number of women entrepreneurs right across the UK, but it is interesting to note that recent studies show that the growth is larger in the service sector. What more can we do to encourage women entrepreneurs in the manufacturing sector of our economy? That is extremely important, especially in the west midlands.

Margaret Hodge: I agree entirely with my hon. Friend. That must be achieved through both our work on education and skills training and our efforts to encourage entrepreneurship among women, especially as they take the decision to set up their own businesses at a different time from me—perhaps after they have had their first child, or when their children have left home. Such work to encourage women into entrepreneurship in manufacturing will be an important aspect of righting the situation.

WOMEN AND EQUALITY

The Minister was asked—

State Second Pension

18. **Anne Snelgrove** (South Swindon) (Lab): How many more women will receive entitlements to the second state pension as a result of the Government's pension proposals. [128967]

The Minister for Women (Ruth Kelly): As a result of our pension reform proposals outlined in the Pensions Bill, which include extending credits to those caring for children up to the age of 12 and the new carers credits, about 1 million extra people will accrue state second pension entitlement, of whom approximately 90 per cent. will be women.

Anne Snelgrove: That is indeed welcome news, but does the Minister agree that women are overwhelmingly the poorest pensioners because of their caring responsibilities, so it is absolutely imperative that the Government act quickly? Will she reassure me that that will happen, and that her proposals will make a big difference? Will she consider including in the proposals women who retire before 2010?

Ruth Kelly: My hon. Friend is absolutely right to draw the attention of the House to the impact of caring on women's ability to build up pension entitlements for the future. One of the key aspects of the Pensions Bill that is going through Parliament is the fact that it puts as much emphasis on caring as it does on paid work. By 2010, as a result of that Bill, about 70 per cent. of all women will be able to build up a full basic state pension, compared with 30 per cent. now. Of course, more will be able to save as well, through the new personal accounts. Although I am, of course, attracted by her proposal of introducing this earlier—I hesitate, perhaps, to say—I think that we have a package that is both affordable and sustainable in the long term. We will bring in the proposals as soon as is practically possible.

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. May I say that Ministers seem to have the habit today of courteously turning round to speak to their colleagues on the Back Benches, but they then go off microphone, which is a great disadvantage to those who are trying to record our proceedings?

Miss Anne McIntosh (Vale of York) (Con): Will the right hon. Lady explain what the Government are doing about the cohort of women who might have paid too much in pension contributions? Will the matter be resolved in this tax year?

Ruth Kelly: The hon. Lady makes the important point that it is right that we try to resolve and address these issues. The matter is under discussion in the Department for Work and Pensions, and as soon as it is possible to make progress, we will, of course, do so.

David Taylor (North-West Leicestershire) (Lab/Co-op): At the moment, about 2 million carers, 90 per cent. of whom are women, are accruing entitlement to state second pension. Will the Minister tell us what effect the proposals to extend pension credits to carers will have on that group?

Ruth Kelly: My hon. Friend rightly draws our attention to the impact of the reforms that are going through Parliament on not only the basic state pension, but the state second pension. As a result of the new carers credit, about another 80,000 women will be drawn into the system. They will thus be able to build up state second pension rights, as well as their basic

state pension entitlement. It is right that as we do that and reduce from 39 to 30 the number of years' contributions for women, we provide a system that is fair and, most importantly, that values care not only for young children up to the age of 12, but for the severely disabled, because many of such people's carers do not have the opportunity to work and pay the national insurance contributions that others do.

Mrs. Eleanor Laing (Epping Forest) (Con): I very much welcome what the Minister has said so far about help for women pensioners under the new proposals. However, is she aware that some 600,000 women in the UK today are low-paid, part-time workers, often with more than one job, who will not benefit because they fall below the threshold in each of their jobs? The Government say that that cannot be tackled because it is administratively difficult. Does the Minister agree that that, like so many of the hidden messages in the Chancellor's Budget yesterday, is simply unfair? In the end, because of that administrative difficulty, it is the poorest, lowest-paid workers in our society who suffer the most under the Chancellor's policies.

Ruth Kelly: Of course the House will realise that it is the poorest, lowest-paid pensioners who gain the most from the Budget proposals announced in the House yesterday, and from the successive measures that we Labour Members have taken to boost pensioners' incomes, to tackle pensioner poverty and to make sure that women who care and who have dependent relatives are able to build up pension entitlements. The hon. Lady draws attention to an important point: what about those women who earn less than the lower earnings limit? It is right that we think about them, too, but our pension proposals are a package, and many of those women will benefit from other reforms in the system. For example, if they are spending only a short time outside the labour market on a low income, and have perhaps one or two jobs that leave them below the earnings limit, they will benefit significantly from the reduction in the number of years that they have to contribute. They will also benefit from other measures that take them out of having to pay tax in retirement. Overall, the pension deal clearly benefits women, particularly low-paid women.

Human Trafficking

19. **Mr. Peter Bone** (Wellingborough) (Con): If the Government will take steps to create an office of commissioner on human trafficking. [128968]

The Minister for Women and Equality (Meg Munn): After consideration, we do not believe that the creation of the office of commissioner on human trafficking is necessary or appropriate at this time. The inter-ministerial group, of which I am a member, effectively leads and monitors cross-Government work on human trafficking, which includes the soon-to-be-launched action plan and implementation of the Council of Europe convention.

Mr. Bone: Naturally, I am disappointed by the Minister's reply. The only country in Europe that has such a commissioner is the Netherlands. I am always keen to learn from good things in Europe, and as a result of the Netherlands experiment and the commissioner there, we have learned much more about human trafficking and the evils going on in that country. If we only had such a commissioner in this country, we could start to tackle the problem.

Meg Munn: I pay tribute to the hon. Gentleman and many other hon. Members on both sides of the House for their interest in and concern about the issue. I am sure that he, like me, wants effective action. Of course, we Labour Members are always happy to learn from our European partners about what measures are working, but it is important to consider what progress we can make in this country. The inter-ministerial group that looks into such issues has been in place for some time. It enables us to bring together the work being done in many Departments across Government. There is now a United Kingdom Human Trafficking Centre, which is the first centre of its kind in Europe, and we are bringing together all the work on the issue. We continue to make progress, but we will of course continue to look at what works elsewhere.

Mr. Sadiq Khan (Tooting) (Lab): My hon. Friend will be aware that earlier this week there was an excellent debate on the commemoration of the 200th anniversary of the abolition of slavery. She attended the entire debate, and will have heard the comparisons that were drawn between modern-day slavery—human trafficking—and slavery 200 years ago. In the light of that, will she let us know what progress has been made in ratifying the Council of Europe treaty to which she referred earlier?

Meg Munn: My hon. Friend says that we had an extremely interesting debate, and indeed we did; it was possibly the most interesting and informative debate that I have attended in this House. He rightly draws a parallel, and I am pleased to say that the Council of Europe convention will be signed tomorrow. We will set out the action that we will take to move towards ratification. The Government take signing such conventions seriously, and have not wanted to do so until we were in a position to make rapid progress towards ratifying it. The UK human trafficking action plan will be published at the same time, and that will give hon. Members a great deal more detail on the subject.

Equal Opportunities (Ethnicity)

20. **Mr. Philip Hollobone** (Kettering) (Con): What guidance she issues to other Government Departments on the use of ethnicity as a factor in decision making. [128969]

The Minister for Women and Equality (Meg Munn): The Commission for Racial Equality, on behalf of the Government, issues guidance to public authorities on meeting their obligations under the Race Relations (Amendment) Act 2000. The commission issued a statutory code of practice in 2002 on the steps that public authorities can and should take to meet those obligations.

Mr. Hollobone: My constituents who work at Her Majesty's Prison Service office at Crown house in Corby are disgusted that the Prison Service should cite

as one of the key influencing factors for trying to relocate the office to Leicester the perceived ability to recruit a more diverse work force there. In other words, my constituents are being told that they are too white and too British. Will the Minister undertake to ensure that the Commission for Racial Equality issues guidelines to the Home Office and its quangos to say that the Home Office should recruit people on the basis of their ability to do the job, and not the colour of their skin?

Meg Munn: Of course, the hon. Gentleman has raised that issue before with my right hon. Friend the Leader of the House, who is here on the Front Bench now. The issue, as I understand it, is that there was no alternative to relocation. The building in which the current staff worked was being sold, so there was a need to look at other locations. There was a comprehensive consultation of staff to consider a range of issues that had to be addressed, and the hon. Gentleman's portrayal is not accurate or true, so he should reconsider his position.

Keith Vaz (Leicester, East) (Lab): May I confirm that there are lots of white British people in Leicester, and say that we welcome the relocation of those jobs to the city? On the wider point, the Minister is abolishing the Commission for Racial Equality. What discussions has she had with the Lord Chancellor about the Carter proposals, which will have a huge impact on the number of ethnic minority firms doing legal aid work?

Meg Munn: I thank my right hon. Friend for his comments about the city of Leicester, and I pay tribute to his representation of all his constituents, whatever their ethnic background. Issues relating to the employment and representation of people from ethnic minorities will be taken over by the Commission for Equality and Human Rights, and guidance will continue to be available on a range of issues, including that raised by the hon. Member for Kettering (Mr. Hollobone). It is a factor to be taken into consideration, but the notion that it is the only factor in any relocation or change is nonsense.

Andrew Stunell (Hazel Grove) (LD): I was surprised that the Minister did not mention the report by the Equal Opportunities Commission entitled "Moving on up? Ethnic minority women at work", which paints a dismal picture of the situation facing black and Asian women. What specific advice has she given the Department of Trade and Industry so that it can support firms that want to break down the barriers and employ more black and Asian women, but find it difficult to do so?

Meg Munn: I thank the hon. Gentleman for his question. I am sure that if I tried to mention everything, you would have words to say about the length of my answer, Mr. Deputy Speaker. However, the hon. Gentleman is right to draw attention to that report, which identifies the fact that ethnic minority women, many of whom do better than their counterparts, still have great difficulty finding employment. I am pleased to say that this is not just a matter of my giving advice to the Department of Trade and Industry, as it has long had a committee that looks into such issues and seeks to ensure that exactly what he described takes place. We are beginning to see progress, although it is not fast enough, and we want to see more.

Business of the House

11.33 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to give us the forthcoming business?

The Leader of the House of Commons (Mr. Jack Straw): The business for the next week will be:

MONDAY 26 MARCH—Continuation of the Budget debate. Just before that, there will be an oral statement on Zimbabwe.

TUESDAY 27 MARCH—Conclusion of the Budget debate. Just before that, there will be an oral statement on Northern Ireland.

WEDNESDAY 28 MARCH—Motions relating to communications allowance, notices of questions during September, Select Committee reports and parliamentary contributory pension fund, followed by a motion to approve a statutory instrument on casinos.

THURSDAY 29 MARCH—Motion on the Easter recess Adjournment.

The provisional business for the beginning of the week commencing 16 April, when we return after the Easter recess, is:

MONDAY 16 APRIL—Second Reading of the Mental Health Bill *[Lords]*.

May I remind right hon. and hon. Members that tomorrow is the closing date for submitting responses to the survey of Members' services, which provides an important opportunity for all Members to tell the House authorities, including the House of Commons Commission, on which the shadow Leader of the House and I sit, what they think about the services provided for Members and their staff? If they wish to improve services or simply celebrate the excellence of the services that are already provided, including IT services, it is extremely important that they complete and submit the survey.

Mrs. May: I thank the Leader of the House for giving us the future business. In particular, I welcome the statement on Zimbabwe promised for Monday. We are indeed witnessing a tragedy in that country. A failing regime is brutally repressing Zimbabwe's future, and I am grateful to the right hon. Gentleman for listening to the House. I also welcome the announcement of a statement on Northern Ireland, and I am sure the whole House will be hopeful that a settlement can be reached and devolution restored.

Last weekend, Sir Alistair Graham told the truth about the Government's attitude to ministerial accountability. He said that the Prime Minister

"has helped to undermine trust in politicians through the way he has handled alleged breaches of the ministerial code."

Last week the Leader of the House said that Sir Alistair

"served his five years and we are grateful to him."—[*Official Report*, 15 March 2007; Vol. 458, c. 442.]

Is he still grateful to him? On the same day as Sir Alistair's interview, two Ministers were accused of helping a lobbying company by giving it sensitive information. May we have a debate on Ministers' adherence to the ministerial code?

This week the Treasury's ex-permanent secretary said that the Chancellor has a

"very cynical view of mankind and his colleagues".

That is not just name-calling; it has serious consequences for Government policy.

Perhaps it was the Chancellor's cynical view of mankind that made him think that he would get away with presenting yesterday's tax con as a tax cut. According to the Institute for Fiscal Studies, 3.5 million families will be worse off. It is a con because when the Chancellor says that he is cutting income tax, people opening their pay packets will realise that his so-called tax cut is cancelled out by stealth taxes elsewhere; it is a con because when he says he is cutting business taxes, small businesses will know that their corporation tax is going up; and it is a con because the changes to income tax will not even come into effect for another year. Will the Leader of the House confirm that when we vote next Tuesday, we will be voting for the existing income tax system—a 10p starting rate and a 22p basic rate?

Given his smoke and mirrors performance, it is perhaps no wonder that the Chancellor went quiet on the Lyons review—another tax bombshell waiting to hit hard-working families. Given his reluctance to talk about council tax, may we have a debate on the Lyons review?

When he is hitting hard-working families, the Chancellor likes to talk about his tax credits, but Sarah Walker, his director of benefits and credits, says that officials do not expect claimants to understand their tax credit

"because it can be quite complicated".

It is no wonder that four in 10 of those eligible do not claim it, but how typical of the Chancellor that he takes people's money with one hand and gives it back with the other, but only if they have filled in a form first. May we have a debate about the chaos of the tax credit system?

Before the Budget, the Chancellor and the Prime Minister gave keynote speeches on increasing choice in the NHS; but it is the Chancellor's Stalinist desire for central state control that has caused the cuts in NHS services. Last weekend, 12,000 doctors turned out on the streets of London to protest against the Government. On Monday, the Secretary of State for Health refused to apologise to them. Yesterday in his Budget speech, the Chancellor referred to himself 96 times, yet he mentioned the NHS just once, and that was to re-announce what he said three years ago. May we have a debate on the crisis in the NHS?

I am sure that, like Macavity, the Chancellor and the Leader of the House will have an alibi or two to spare, but to describe yesterday's Budget as a tax-cutting Budget was worthy of propaganda from Stalin's Politburo. Was not yesterday's tax cut yet another tax con for Britain's hard-working families?

Mr. Straw: Those are tired old lines that should have been used yesterday.

On Zimbabwe, I am glad that the right hon. Lady welcomes the proposed statement. She is absolutely right in what she says about the way in which that once wonderful country has collapsed as a result of the mismanagement, and much worse, of President

[Mr. Straw]

Mugabe. One figure tells it all: life expectancy has shifted in recent years from the age of 60 to 34.

I am glad that the right hon. Lady welcomes the statement on Northern Ireland, too. Let me make it clear again, as I did last Thursday, that the choice for the Northern Ireland parties on 26 March—next Monday—is either devolution or dissolution. There can and will be no legislation to alter that date. Her Majesty's Government believe that the people of Northern Ireland want to see the institutions restored and very much hope that the parties will seize the opportunity of restoration on 26 March.

On Alistair Graham, I pointed out last week that it was perfectly normal for the term of office of the Chairman of the Committee on Standards in Public Life to end after one term, and that has indeed been the consistent practice. In respect of trust in politics, I will send the right hon. Lady interesting opinion survey material which shows that in recent years trust in politicians has actually increased. It is particularly high where people know and appreciate the work of their own politicians. That may have something to do with the fact that we have been returned to office in three successive general elections.

The right hon. Lady then wittered on about the Chancellor and a tax-adding Budget. She has obviously not read the Red Book, or the National Audit Office endorsement of the figures in it, because if she looks down the figures in table 1.2, to take one of the many tables, she will see that hard-working families have in fact benefited significantly as a result of my right hon. Friend's Budget. She talks about 3.5 million families. Since she raises the issue of tax credits, let me tell her that their introduction has transformed the lives of millions of hard-working families. Moreover, it has ended the genuine and serious evil under the Conservatives whereby people were trapped in unemployment and unable to get out of that trap because it would cost them more to go back to work than to stay on benefit.

I also say to the right hon. Lady that what we have had from the Chancellor—who has been a brilliant Chancellor over the past 10 years, setting this country on a course, from bottom among the G7 countries to second only to the United States—is sensible prudence in being able to balance moderate increases in public spending against what the country can afford. I contrast that with the utter failure of the shadow Chancellor in recent months. He says that he is going to read the riot act to his shadow Cabinet colleagues to avoid their making further spending plans. The shadow Transport Secretary evidently did not hear that, because he went on to announce just recently that he was going to spend an extra £14 billion on building a new rail link from Scotland to London.

Conservative Members do not like my mentioning this, but if one adds up Conservative spending plans and then takes account of their pledges to cut taxes, one sees that Conservative economic policies simply do not add up one little jot, whereas Labour's economic policies for the past 10 years, and going forward, not only added up but produced unparalleled prosperity, investment in public services and jobs.

Finally, the right hon. Lady asked me about a debate on the national health service. I would be delighted to have such a debate any time. Part of that debate can be about the huge improvement in East Berkshire primary care trust in the right hon. Lady's constituency. She forgot to welcome the fact that yesterday there was a £38 million increase in spending for her PCT, announced as part of the £8 billion increase for the health service.

Mr. David Heath (Somerton and Frome) (LD): May I also thank the Leader of the House for the innovation of announcing statements in advance?

In the Budget statement, the Chancellor said:

"Nearly 2 million people will see their income tax bills cut in half, and take home 90p of every pound they earn."—[*Official Report*, 9 March 1999; Vol. 327, c. 188.]

Of course, that was when he introduced the 10p rate in 1999. He has now removed it by sleight of hand. The right hon. Member for Witney (Mr. Cameron) did not notice, but we did. The effect is to increase higher marginal tax rates for the low paid, discourage work and increase in-work poverty. Following the Budget, can we have a debate on inequality, because inequality is increasing in this country, as the Young Foundation report on rural poverty—often hidden in this country—pointed out yet again? It is time that we had a debate on the effects of what the Chancellor is doing.

May we also have a debate on the position of small businesses? The right hon. Member for Maidenhead (Mrs. May) mentioned small businesses, but did not refer to the fact that small businesses are facing a £900 million hike in corporation tax. Earlier, we heard the extraordinary, preposterous argument from the Secretary of State for Trade and Industry that that would somehow benefit small businesses, who would be delighted to pay £900 million more, because they might be able to claim some of it back in allowances. The increase will hurt small businesses, and we should have a debate.

Last week, I asked whether we could have a statement on the Lyons report. The Leader of the House said that that would be encapsulated in the Budget debate. However, the Budget statement did not mention council tax once. It mentioned the Lyons report, but only in respect of industrial property. Council tax is the tax that has the biggest impact on pensioners and those on fixed incomes. After long cogitation, the Lyons report says that the answer to reforming council tax is to carry on with council tax. The only answer to council tax, however, is to scrap it. Can we have a debate on that?

Lastly, can we have a debate on surveillance? The Leader of the House may have noticed the innovative plans by the Conservative-run Ealing borough council to put spy cameras in tin cans to catch people putting out wheelie bins early. Obviously, for Ealing borough council, beans means fines. May we have a debate on whether Big Brother is getting out of hand?

Mr. Straw: I award the hon. Gentleman the Leader of the House's prize for a very good line: far better than the ones that we get from the Conservative Front Bench.

My right hon. Friend the Member for Southampton, Itchen (Mr. Denham), the Chairman of the Home Affairs Committee, is about to announce an inquiry into issues of surveillance. I hope that he will ensure that the activities of Conservative-controlled Ealing borough council and its spy cameras in tin cans are given a wider audience in evidence to his Select Committee.

On the more serious matters of the Budget, the hon. Gentleman needs to look not only at what my right hon. Friend the Chancellor spelled out in great detail in his excellent Budget statement yesterday but at what is in the Red Book and the National Audit Office endorsement of the Red Book figures. He will see that small businesses, and business overall, have benefited, as have the majority of working people, as has become clear from the individual examples given by many newspapers, not necessarily Labour-supporting, in their Budget analysis today.

The hon. Gentleman has every opportunity to debate the issue of the Lyons report and the effect on small businesses in the next three days of debate on the Budget. As I am sure that you will confirm, Mr. Deputy Speaker, that is absolutely in order. I am interested that the Liberals have decided to lead with their chin on their demand to abolish the council tax. We all accept that it is not a particularly popular tax, but the one thing that can be said about it is that it is infinitely better than the alternative so often trumpeted by the Liberal Democrats—a local income tax.

The hon. Gentleman has failed to read what Lyons says about the local income tax on page 272 of his report. For the sake of greater accuracy, let me read an extract. The report states that a local income tax

"might mean substantial increases in tax for the working population."

The hon. Gentleman sheds crocodile tears for small businesses. The report says:

"Particular attention should be given to the likely costs to employers, and particularly small business, of administering locally-variable income tax rates."

If ever we had a local income tax, a Liberal Democrat Government would not last a week.

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. It seems to have become the custom for Front-Bench exchanges during business questions to be somewhat amply padded. I hope that questions hereafter, if I am to fit them in before the resumption of the Budget debate, will be leaner and fitter.

Tony Lloyd (Manchester, Central) (Lab): I will do my best, Mr. Deputy Speaker.

My right hon. Friend will have read the very serious stories about the stabbing to death of a young boy in the streets of London. He may also be aware that three people were killed in Greater Manchester in entirely separate incidents involving the use of knives. It is a fact that in our society the knife is probably the most dangerous weapon of choice when it comes to serious injury or death. May we have a serious debate about how we can begin to roll back this menace in our society, and how we can change the culture that dictates that the knife and the gun are acceptable and tell our young people that it is necessary to carry knives to be safe and secure in our streets at night?

Mr. Straw: The whole House will share my right hon. Friend's concern, and we will of course seek an opportunity to ensure that the issue can be debated properly in the House.

Mr. Roger Gale (North Thanet) (Con): In response to my right hon. Friend the Member for Witney (Mr. Cameron) yesterday in Prime Minister's Question Time, the Prime Minister said that tomorrow the Government would

"sign the convention on human trafficking."—[*Official Report*, 21 March 2007; Vol. 458, c. 809.]

Apart from the fact that it has taken months for that to happen, for no apparent good reason the Deputy Minister for Women and Equality, the hon. Member for Sheffield, Heeley (Meg Munn) said this morning that measures would be taken and that the treaty would then be ratified. It is, of course, the measures and the ratification that matter, not the signing of the convention. May we have a debate on human trafficking in Government time, so that we can hear from a Minister what measures will be taken and when ratification will take place?

Mr. Straw: The hon. Gentleman knows that a standard process has always been followed in respect of international treaties and conventions: a signature is followed by a pause to ensure that the necessary measures can be taken to ensure that it is ratified and comes into force. That is what has happened with this convention. As for opportunities for debate, if the hon. Gentleman feels strongly about the issue he has an opportunity to raise it on the Adjournment or in Westminster Hall.

Mrs. Ann Cryer (Keighley) (Lab): Is my right hon. Friend aware that yesterday the Home Office's Advisory Board on Naturalisation and Integration held a seminar at the British Museum on the introduction of the new tests in English language and life in the United Kingdom for applicants for indefinite leave to remain? Many Members have anxieties about the implementation of the regulations. Might time be found for a debate along the lines of the seminar, so that Members can be better informed about the regulations?

Mr. Straw: I will certainly consider the issue sympathetically. My hon. Friend and I share a particular interest in ensuring that adequate resources are available for the teaching of English as a second language. The Minister for Higher Education and Lifelong Learning, my hon. Friend the Member for Harlow (Bill Rammell), recently announced improvements in the system, and, as my hon. Friend will know, we have trebled the resources for English as a second language in recent years.

Dr. Julian Lewis (New Forest, East) (Con): I am sure that the whole House shares my sense of shock at the loss of two Royal Navy submariners on HMS Tireless.

[Dr. Julian Lewis]

Although the Leader of the House did not refer to an upcoming statement on what we hope will be happy news about the ordering, at long last, of the two aircraft carriers, if and when such a statement is forthcoming will he seek to ensure that it is in sufficiently broad terms to allow us to consider also the future size of the Type 45 frigate force and the Astute submarine force, which will be part and parcel of any fleet package centred on the new aircraft carriers?

Mr. Straw: I am sure that the hon. Gentleman speaks for the whole House in expressing his condolences for the loss of those two brave sailors who were killed. We send our sympathy to their families and colleagues. Those of us who have been on board submarines know what a potentially dangerous environment it is, and the safety record of the Royal Navy overall is second to none.

I can tell the hon. Gentleman that Defence questions will take place on Monday, and also that we are planning a day's debate on defence towards the end of April.

Martin Salter (Reading, West) (Lab): Does the Leader of the House welcome early-day motion 1137, in support of Anti-Fascist Fortnight?

[That this House warmly welcomes the Anti-Fascist Fortnight being organised by Searchlight between 24th March and 7th April 2007; commends the trades unions and other organisations who are supporting this initiative; believes that the British National Party promotes the politics of hate and bigotry and stands opposed to the creation of a harmonious and cohesive society; and believes that the Anti-Fascist Fortnight will be a chance for all decent people, particularly at a community level, to celebrate the positive diversity of British society.]

A campaign by *Searchlight*, the *Daily Mirror*, trade unions and many other organisations has organised the "Hope not Hate" tour to oppose the message of poison and bigotry peddled by the British National party and other far-right groups.

Mr. Straw: Yes, I greatly welcome that. I also welcome an article in today's *Daily Mirror* which contains information about two men from my constituency, Khadim Hussain and Ali Akbar Khan, who gave years of brave service for the British forces in the last world war, as their fathers had in the first world war. Hundreds of thousands of people whom the BNP and their allies now wish to denigrate gave their lives to save this country from fascism. We all need to remember that.

Mr. Andrew Mackay (Bracknell) (Con): May we have a debate on the workings of the Electoral Commission, which seems to be seriously overstretching itself at taxpayers' expense? To encourage the Leader of the House, may I refer to a document entitled "Guidance for candidates and agents" and subtitled "Local government elections in England, 3 May 2007"? It stretches to 115 glossy pages, and is being sent to every candidate and every agent. It is a total waste of taxpayers' money. We need to get the commission back under control, or scrap it.

Mr. Straw: I met the chairman and deputy chief executive of the Electoral Commission just two days ago to discuss the commission's plans to ensure, as I think is the will of the House—it is certainly in recommendations from the Committee on Standards in Public Life, the Phillips committee and the Constitutional Affairs Committee—that the operations of the Electoral Commission should be slimmed down and focused on the core work of regulation. That is, I think, now accepted by the chairman.

Keith Vaz (Leicester, East) (Lab): The Leader of the House will recall that on 1 February I raised with him the case of my constituent Rafiq Gorgi, whose wife was killed in Saudi Arabia. He promised to raise it with the Foreign Secretary. Despite numerous attempts, the Saudi Arabian Government refuse to give Mr. Gorgi a copy of the police report on his wife's death. I think that that is appalling, in view of our very close relationship with Saudi Arabia and the work done by the Leader of the House in setting up the haj committee when he was Foreign Secretary. May we please have an urgent debate on our relationship with Saudi Arabia and the way in which it treats our citizens?

Mr. Straw: It is plain from what my right hon. Friend says that the Gorgi family have not received the service that they are entitled to expect, notwithstanding the great assistance that they have had from consular officials of the British Foreign and Commonwealth Office. I will certainly raise the matter again with the Foreign Secretary. In the meantime, I hope very much that my right hon. Friend will find an opportunity to raise the matter either in Westminster Hall or on the Adjournment.

Jo Swinson (East Dunbartonshire) (LD): There is growing concern, both in this country and abroad, about Japan's efforts to use aid to countries to encourage them to vote in favour of resuming commercial whaling. Given that the International Whaling Commission meets at the beginning of May, can we have a debate about international whaling before then?

Mr. Straw: The British Government have taken a resolute approach on whaling. I will certainly ensure that the hon. Lady's comments are conveyed to my right hon. Friends the Foreign Secretary and the Secretary of State for Environment, Food and Rural Affairs, and I will seek—although I cannot promise—an opportunity for a debate.

Chris Bryant (Rhondda) (Lab): I congratulate the Leader of the House on his innovation of announcing statements in advance, not least because I called for it four weeks ago. While I am on a roll, may I suggest to my right hon. Friend that when debating statutory instruments the House sometimes covers itself in glory because it debates them properly, but sometimes an hour and a half simply is not enough time without the opportunity to amend a statutory instrument? This

week the House of Commons has not covered itself in glory, although I entirely support the statutory instrument that was carried yesterday.

Mr. Straw: I always listen to constructive suggestions made from all parts of the House and try to implement them as quickly as possible. However, I am not sure that I can respond as positively on this occasion to my hon. Friend's request as I have done in the past. As I said last week, the key difficulty is in scheduling the many demands on time, especially in respect of statutory instruments. I should also point out that when there was a discussion in Committee the hon. Member for Buckingham (John Bercow) said that he had notified the right hon. Member for Maidenhead (Mrs. May) of his desire for it to be debated on the Floor of the House and that she had replied after reflection that

"the official Opposition would make no such request."—[*Official Report, Standing Committee 12 DL*, 15 March 2007; c. 18.]

It was also made clear that there was a desire for that matter to be raised Upstairs.

Philip Davies (Shipley) (Con): May we have a debate on the support that is given to the armed forces and their families? My constituent, Karen Webster, has set up an organisation called "Support our Soldiers". One of its requests is for a comprehensive free postal system for armed forces on active service and their families back home. I am sure that the Leader of the House understands that if post were constantly to-ing and fro-ing that would provide a good boost to soldiers' morale and reassure family members back home. This issue is of great importance to our soldiers, who risk their lives each day in the service of this country, and to their families, so may we have a debate on it?

Mr. Straw: All of us who have family or friends serving in the armed forces are well aware of the pressures on the families, especially when their loved ones are abroad on active service. I cannot give a precise answer to the question asked, but Defence questions will be held on Monday and there will be a defence debate before the end of April, at which I hope the hon. Gentleman will raise that constructive suggestion with my right hon. Friend the Secretary of State for Defence.

David Taylor (North-West Leicestershire) (Lab/Co-op): In the name of efficiency targets, Tory-controlled Leicestershire county council plans to levy charges for travel to denominational schools, which is a major blow to the parents of the 1,600 children affected, not least the Catholic families in North-West Leicestershire whose children attend the excellent and good-value De Lisle secondary school in Loughborough. May we have a debate on school transport to examine how best to protect and finance the right of children to attend Catholic schools without that being dependent on the means of their families?

Mr. Straw: I hope that my hon. Friend has the good fortune to secure an Adjournment debate on that—perhaps in Westminster Hall. The problem he raises is a consequence of Conservative Administrations, both national and local. The Conservatives say one thing but we know what the old Tories always do—they cut, and they cut, and they cut. That was what they did when they were in power for 18 years. We have increased the sums put into education so much that the amount per head has almost doubled in the past 10 years.

Mark Pritchard (The Wrekin) (Con): To follow on from the question of my hon. Friend the Member for Shipley (Philip Davies), may we have an urgent debate on welfare services for Her Majesty's armed forces, especially telephone services for troops in theatre? Does the Leader of the House share my concern about the fact that Iraqi detainees are allowed to use a phone card for an hour-plus each week to call their families while incarcerated, yet our own troops—brave men and women—are given only 30 minutes a week in which to call home?

Mr. Straw: I do not think that what the hon. Gentleman says is necessarily correct, but in any event I refer to the answer I gave to the hon. Member for Shipley (Philip Davies). I know that my right hon. Friend the Secretary of State for Defence is anxious to do everything that he can to ensure that there is the maximum welfare, particularly for troops serving abroad.

Ann Coffey (Stockport) (Lab): The Mental Health Bill has completed its passage through the Lords, and that passage has not been uncontentious. It is due to come to the Commons for Second Reading. Will the Leader of the House ensure that the Bill is referred to a special Standing Committee so that written and oral evidence can be given to Committee members on the issues that were of concern to the Lords before the Bill passes on to the full Committee?

Mr. Straw: My hon. Friend will be aware that we have replaced special Standing Committees with Public Bill Committees. We have agreed that it will not be the practice for Bills that were "Lords starters" to have the equivalent of a Select Committee hearing at the beginning. However, I will think about my hon. Friend's suggestion and discuss it with Ministers and my business-manager colleagues.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): May I ask again for a debate on trains, principally so that I can highlight the concerns of Milton Keynes commuters who can no longer get on a Virgin train during peak hours? The last time I asked for such a debate, the Leader of the House said that he had been on many trains that had stopped at Milton Keynes during peak hours. Now that he has seen the timetables that I sent him and has realised that no such trains exist, will he reconsider?

Mr. Straw: Following the break-up of the railways—[HON. MEMBERS: "Ah!"] The hon. Gentleman forgot to send me the timetable for Silverlink trains as well. When I went through it, I discovered that there is a train about every 15 or 20 minutes from Milton Keynes to London. As on the economy, education and health, commuters in Milton Keynes now have a better service than they had 10 years ago.

Ms Sally Keeble (Northampton, North) (Lab): I have raised previously with my right hon. Friend the case of Gareth Myatt. The inquest into his death opened and adjourned again pending an appeal to the

[Ms Sally Keeble]

High Court for judicial review. Gareth's mother says that as yet no official regret has been expressed at her son's death. Will my right hon. Friend ensure that she gets a letter expressing real regret at the loss of that very young boy?

Mr. Straw: We all share my hon. Friend's concern and distress, and I will do my best to ensure that what she seeks is achieved.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): As many people know, the North sea plays a vital role in our energy supplies of oil and gas and many jobs in north-east Scotland are linked to it, yet it is facing great difficulty in attracting investment because of rising costs and increasing difficulties in production. Will the Leader of the House ensure that during the debate on the Budget the Government explain why they have denied to the North sea the cut in corporation tax that large business on the mainland will receive, and why they have therefore not made the North sea more attractive to investors?

Mr. Straw: The hon. Gentleman knows that the overall tax regime for oil exploration and lifting is a different one from that for corporations generally. My right hon. Friend the Chancellor made it clear yesterday that he had no plans to change the oil tax regime. The hon. Gentleman is right that to say that there has been a decline in production from the North sea, which has been unexpectedly sharp, but there was buoyant revenue and production in recent years under the same tax regime, so he cannot suggest that the tax regime has been the cause of the decline.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): May we have a debate on the need to educate the British public on the dangers of exposure to asbestos? May I also draw to the attention of the Leader of the House early-day motion 1179?

[That this House welcomes the Mesothelioma Framework, launched on Action Mesothelioma Day, 27th February 2007, and urges the NHS to implement the guidelines in the Framework as soon as possible; regrets that 37 per cent. of the British public are unaware that exposure to asbestos can cause cancer and that 65 per cent. have never heard of mesothelioma; further regrets that bereaved families report that legal procedures followed by the coroner constitute a distressing chain of events at an extremely difficult time; and welcomes the recommendations contained in the British Lung Foundation's report An Unnatural Death for making this process more sympathetic to the relatives left behind.]

It highlights the facts that 37 per cent. of the British public are unaware that exposure to asbestos can cause cancer and that 65 per cent. have never heard of mesothelioma. We need a debate on the dangers of being exposed to asbestos, not only for workers but for their families, too. Anything that my right hon. Friend can do to educate the British public to stay away from asbestos unless they have protective equipment would be extremely welcome.

Mr. Straw: I commend my hon. Friend for his efforts in that regard and for his early-day motion. He is right to draw attention to the alarming lack of information that many members of the public have about the often lethal dangers of asbestos and the diseases associated with it. We will certainly look for an opportunity to debate the matter.

Sir Nicholas Winterton (Macclesfield) (Con): The Leader of the House is a distinguished and experienced parliamentarian, but may I request that he devote more of his time at business questions to replying about the business for the following week than to political rhetoric?

He assured me on a number of occasions in the past that there would be a debate on Zimbabwe, and while I welcome that there will be a statement next Monday will he assure me again that there will be a full debate? We are partially responsible for the chaos and brutality in Zimbabwe. I believe that we should have a full day's debate in Government time on the subject to enable those who are experienced in Rhodesian affairs to contribute fully to a debate to influence Government.

Mr. Straw: I am very grateful to the hon. Gentleman for his flattery. I wondered what was coming next, and I was not disappointed.

John Bercow (Buckingham) (Con): He is distinguished, as well.

Mr. Straw: Ditto.

We could not fit in a debate on Zimbabwe before the recess, for reasons that I am happy to explain to the hon. Gentleman in more detail outside the House, but the Foreign Secretary and I both thought that a statement by a Foreign Office Minister on Monday was the least we could do for the House. I promise the hon. Gentleman that we continue to try to identify a day—it will now have to be after the recess—in Government time for a debate on Zimbabwe.

Mr. Andrew Love (Edmonton) (Lab/Co-op): Will my right hon. Friend join me in welcoming Thames Water's announcement of the investment of £2 billion to clean up the Rivers Thames and Lea in my constituency? Some 52 million cu m of waste, which destroys the environment of our rivers and kills our marine life, will thereby be diverted. Will my right hon. Friend make Government time for a debate on the environmental quality of our rivers?

Mr. Straw: I, too, am glad to welcome this investment. I know extremely well the area that my hon. Friend represents, and there will be a good opportunity to express his interest in this issue during Monday's Budget debate—after all, it is about the investment of public money—which will be opened by our right hon. Friend the Environment Secretary.

Mr. Peter Bone (Wellingborough) (Con): The right hon. Gentleman is a strong and highly respected Leader of the House. Will he reflect on the answer that he gave earlier to the House concerning the draft Equality Act (Sexual Orientation) Regulations 2007, which were not debated by a single Back Bencher?

They were taken in a small Committee Room with no television cameras; moreover, there were not enough seats for Members, and officials had to sit on the floor. Will the Leader of the House consider making a written statement on this issue next week, or perhaps meeting me to discuss it?

Mr. Straw: I am grateful to the hon. Gentleman, too, for the compliments that he has paid to me today and yesterday, when he gave evidence to the Modernisation Committee. As I have said, there are far more demands for debates on the Floor of the House than there is time available, and that has always been the case. Ultimately, the Government are responsible for such business and where it transpires, but I point out to him that the decision to take that business Upstairs was agreed across the Benches by the official Opposition.

Anne Snelgrove (South Swindon) (Lab): I was very proud to be elected to this House in 2005, particularly given that I joined a 98-strong group of Labour women MPs. Does my right hon. Friend think it time for a debate on how to increase the number of female MPs in this House, and does he share my disappointment at the fact that so far this year the Conservative party has selected 17 men and no women?

Mr. Straw: A debate on this issue would be very important. I note that more people called Mark have been selected as Conservative candidates than have women.

Pete Wishart (Perth and North Perthshire) (SNP): This week has been the tale of two anniversaries. It is the 200th anniversary of the abolition of the slave trade, and we had a debate on slavery in this House, and there was a prime ministerial apology. It is also the fourth anniversary of the invasion of Iraq, but there was no prime ministerial apology and no debate in this House. When are we going to have such a debate in this House, led by the Prime Minister, in which he comes to the Dispatch Box and says the three words that everybody wants to hear him say on the war in Iraq: "I am sorry?"

Mr. Straw: We had a debate just a few weeks ago on Iraq, which was led, as is normal, by my right hon. Friend the Foreign Secretary. We also had a very full statement by my right hon. Friend the Prime Minister on Iraq just a couple of weeks ago.

Mr. David Drew (Stroud) (Lab/Co-op): As well as the unfolding tragedy in Zimbabwe, there is a second crisis in Africa, in Darfur. The Government in Khartoum have had weeks in which to agree to the introduction of the joint UN-AU force, but, sadly, it appears that no progress is being made. Will the Leader of the House agree to an early debate on this issue, so that the people of this country, through their representatives, can make known their views on the need to get that force into place as soon as possible, so that the crisis can at least be abated?

Mr. Straw: I note my hon. Friend's concern and I commend him for it. I cannot promise a debate in the very near future, but International Development questions will take place next Wednesday, and I very much hope that he can raise this crucial issue with my right hon. Friend the International Development Secretary then.

Mr. Graham Stuart (Beverley and Holderness) (Con): May we have a debate on the performance of the local government ombudsman? The ombudsman who covers the East Riding of Yorkshire, of which my constituency is part, is overwhelmed with complaints and is unable to deal with them properly. A three-person team has been set up to deal with the backlog, but at the rate currently being applied in these extreme circumstances it will take more than a year even to start processing many of the complaints. Without proper coverage, we are letting down people with genuine complaints.

Mr. Straw: If the hon. Gentleman is lucky, he might get an Adjournment debate. However, it is very important that he say who controls that council, because it is certainly not an excellent Labour group.

Mr. Jim McGovern (Dundee, West) (Lab): May we have a debate on flexible working and job sharing, both of which have been hugely successful for thousands of workers throughout the UK, particularly single parents and carers? A debate on job sharing would also allow us to discuss the position of those Members of the House who believe it possible to combine holding down a job in this place with running a country of more than 5 million people—a view that I regard as a gross insult to the people of Scotland.

Mr. Straw: I commend my hon. Friend on his ingenuity. I would be very happy to see a debate on job sharing; indeed, there is every opportunity for him to raise these points during the Budget debate, bearing it in mind that we have made flexible working such an important aspect of our economic success.

Justine Greening (Putney) (Con): May we have a debate on the state of the youth justice system? This House has talked briefly about the tragic consequences of youth-on-youth crime in recent weeks, but the reality is that the youth justice system is creaking and unable to cope with the current number of young offenders. The secure estate for young offenders is full and contingency measures are being looked at. The community orders given to young offenders—two thirds of them will get such orders—are being routinely breached. Two thirds of drug rehab orders were breached last year, and 50 per cent. of intensive supervision and surveillance orders were breached. So may we have a serious debate in this House on the youth justice system, which is increasingly the gateway into the justice system for many offenders? I am convinced that, as it stands, it is not set up to succeed.

Mr. Straw: We all share concerns about young people who drift into crime and disorder. As the Minister who was responsible for setting up the major reforms to youth justice, I can say that, although they have not worked perfectly, they are infinitely better than the utter shambles revealed by the Audit Commission in a 1996 report. That report formed the basis of the very important reforms that we introduced, including significant expansion

[Mr. Straw]

of secure accommodation for young people and much-improved and enhanced orders. These are difficult youngsters to deal with, and there is no question but that my right hon. Friend the Home Secretary has further improvements in mind; but my God, compared with where we were a dozen years ago, the situation is infinitely better.

Lynne Featherstone (Hornsey and Wood Green) (LD): On Tuesday, between 60 and 80 youths from two rival gangs rampaged down Lordship lane, in my constituency, and the result was four knife stabbings. Members in all parts of the House doubtless want to debate gang culture. Will the Leader of the House make time for that important debate? Stiff sentences are important, but all good heads need to get together to make a sustained, not just a short-term, effort to solve the gang culture problem.

Mr. Straw: We all share the great concern that the hon. Lady has highlighted about these gangs. For our part, the Government, along with local authorities, are doing everything that we can. I hope that she is fortunate in gaining an opportunity to debate that constituency issue on the Floor of the House or in Westminster Hall. I cannot promise anything, but we will also look for other opportunities to debate the matter more widely in the House.

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. May I now please appeal for extreme brevity? I am sure that the hon. Member for Buckingham (John Bercow) will set a good example.

John Bercow (Buckingham) (Con): May we please have a statement from the Chancellor next week explaining his fetish for giving to the working poor with one hand and taking away with the other, so that those of us who wish to do so can argue that people on the minimum wage earning less than £10,000 a year should pay no tax at all?

Mr. Straw: The hon. Gentleman is a real radical. I am sometimes tempted to send him an application form to join a much better party that would suit his principles—the Labour party. If he looks at the Government's record, he will see that we have been implementing the policies that he seeks.

Mr. Stewart Jackson (Peterborough) (Con): This week we learned that in the 12 months to April 2006 Cambridgeshire constabulary had to pay £800,000 of taxpayers' money for interpretation and translation services, which is having a huge impact on policing and the burden on Cambridgeshire taxpayers. When may we have a debate in Government time on the impact across the country of the cost—I believe it is £21 million—of interpretation and translation services and the fact that that money is not therefore going into front-line policing?

Mr. Straw: There has been a significant increase in funding for the police, including extra grant for Cambridgeshire constabulary. Many police forces face those costs and there was every opportunity to debate the police grant when it was put before the House about three weeks ago.

Mr. Henry Bellingham (North-West Norfolk) (Con): Further to the question put by the hon. Member for Somerton and Frome (Mr. Heath), the overwhelming majority of small enterprises are innovative and entrepreneurial, but as they do not have heavy plant and equipment they will not benefit from the increase in capital allowances. Instead, they will be clobbered by the increase in small business corporation tax. What does the Leader of the House say to those small business organisations that all predict that wealth will be destroyed by those measures?

Mr. Straw: I simply do not accept that for a second and I invite the hon. Gentleman to look at the record over the past 10 years of small business formation, the increase in jobs generated by small businesses and the prospects for small businesses in the future.

John Penrose (Weston-super-Mare) (Con): When the Leader of the House was asked about the Lyons report, he had some entirely justifiable fun with the Liberal Democrats' proposals. However, many pensioners in my constituency and many others on fixed incomes want to know what the Government's reaction will be to the Lyons report. When may we have a statement or a debate on that?

Mr. Straw: My hon. Friend the Minister for Local Government issued a statement when the Lyons report was published yesterday and, in the intervening period before the matter is debated, I hope that everybody has an opportunity to read that thorough report. The hon. Gentleman is of the party of the poll tax and he should reflect on the fact that the council tax may be unpopular, but most of the alternatives to it, including the Liberals' local income tax, would be infinitely worse. What Lyons has proposed for consideration includes, on the face of it, some sensible suggestions for improvements in the long term in the way in which the system operates.

I suspect that you are drawing business questions to a close, Mr. Deputy Speaker, so I wish to tell the House by way of a point of order, as it were, that my right hon. Friend the Chancellor of the Exchequer very much regrets that he will not be able to make the opening of the Budget debate in a moment because he is in a meeting involving representatives from Northern Ireland political parties in the hope—as I expressed, and I know that it met with the approbation of all Members of this House—that agreement can be reached by Monday 26 May and that the new arrangements may come into force.

Orders of the Day

WAYS AND MEANS

Order read for resuming adjourned debate on Question [21 March].

AMENDMENT OF THE LAW

That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance; but this Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting any supply, acquisition or importation otherwise than by—

(i) zero-rating or exempting supplies of goods which are, or are to be, subjected to a fiscal or other warehousing regime; or

(ii) zero-rating or exempting supplies of services on or in relation to such goods;

(b) for refunding any amount of tax otherwise than to persons constructing or converting buildings in cases where the construction or conversion is not in the course or furtherance of business;

(c) for varying any rate at which that tax is at any time chargeable; or

(d) for relief other than relief applying to goods or whatever description or services of whatever description—*[Mr. Gordon Brown.]*

Question again proposed.

Budget Resolutions and Economic Situation

12.23 pm

Mr. George Osborne (Tatton) (Con): I of course accept what the Leader of the House has just said about the absence of the Chancellor of the Exchequer. What is slightly more surprising is the absence of any Labour Members in large numbers to defend the Budget—*[Interruption.]* Well, I suppose that there are some here, but not really the quality.

It does not take long for this Chancellor's Budgets to unravel, but even by his standards, this one was a record. It was presented to this House 24 hours ago as a tax-cutting Budget, but it took less than 24 minutes to work out that everything that he was giving with one hand he was taking back with the other. It is here in the Red Book—£8 billion given away by cutting the standard rate, and then £7 billion clawed back by abolishing the 10p rate, which he introduced, and £1 billion clawed back by the national insurance hike. This was not a tax cut: it was a con trick. The public have seen straight through it.

The Chancellor said in his speech that he wanted

"to ensure working families are better off".—[*Official Report*, 21 March 2007; Vol. 458, c. 828.]

But when the Institute for Fiscal Studies looked last night at the small print, it was clear that 3.5 million working families mainly the lowest paid, will be worse off as a result of this Budget. Pretty much anyone earning below £18,000 a year will see their income tax bills rise because of the abolition of the 10p rate, which more than cancels out the cut in the basic rate. That is a tax rise on the lowest paid and that lot over there cheered it.

The Chancellor says, of course, "Don't worry, they get the money back in tax credits." Leave aside the sense of taking money in taxes from the wages of low-income families and then asking them to fill a form so that they can get it back, and leave aside the fact that only 60 per cent. of those eligible take up the working tax credit, because it is so complicated and poorly administered—there are still millions of low-income families who lose out. For a start, there are the ones without any children. For example, take a young couple who have not had kids yet, but are wondering how they will ever get on the housing ladder on their salaries. If they are each earning £13,000 a year, their income tax bill just got £224 higher. Then take two-earner couples on lower incomes with kids. Say one earns £7,500 part-time and the other earns £18,000 and they have one child. Even after tax credits they will be £234 worse off—*[Interruption.]* Well, Labour MPs will have to put that on their leaflets at the next general election.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: Of course. Perhaps the hon. Gentleman will put those details on his election leaflet.

Jim Sheridan: I may take that opportunity. Can the hon. Gentleman set the tone for his contribution today—I will be more than happy to put it in my leaflet if he does—by confirming to the House and the wider British public that he will at least match the commitments of this Government?

Mr. Osborne: There is no tax cut, sadly, and that is the whole point. If one looks in the Red Book, it is not there. If there is a vote on the reduction in the standard rate of tax, which will not take place until after the next Budget, we would be happy to support it. By the way, for those who are wondering how we will vote next week on the second resolution on income tax, which states that for next year the starting rate will be 10 per cent., the basic rate will be 22 per cent. and the higher rate will be 40 per cent., I can confirm that we will vote for it. I wish to put that on the record—*[Interruption.]* That is the present structure of income tax. The hon. Member for North Durham (Mr. Jones) laughs: he probably does not realise what the present structure of income tax is.

Mr. Kevan Jones (North Durham) (Lab): To clarify the situation, will the hon. Gentleman give a commitment today to the House that the Tories will at least match the spending commitments outlined in the Budget?

Mr. Osborne: I am happy to match the spending commitments on education because the Chancellor is sharing the proceeds of growth. That is the extraordinary overnight story of this stealthy Budget. The Chancellor taxed the low paid to fund his con trick on middle England. He is, in effect, the sheriff of Nottingham.

Mr. Michael Jack (Fylde) (Con): Did my hon. Friend notice the subtle adjustment in the withdrawal rate of tax credit in respect of increases in income—a fact that the Chancellor failed to draw to the House's attention yesterday?

Mr. Osborne: My right hon. Friend, who was of course a Treasury Minister, has been eagle-eyed and he is right. The increase in the tax credit withdrawal rate will raise £600 million for the Exchequer. Like him, I missed that in the Chancellor's speech.

As I was saying, the Chancellor taxed the low paid to fund his con trick on middle England. That is how desperate he has become. We can see why. He is attacked by those who have worked closest with him. He is less popular even than this Prime Minister. His tax and spend experiment is now deemed a total failure. If people want to know what this Chancellor would be like in No. 10, they should look no further than yesterday's Budget—stealthy, sneaky and unable to tell the truth. He is not the man who can restore public trust in Government, because he is the reason why people do not believe a word that they say any more.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): Will my hon. Friend give way?

Mr. Osborne: I will give way to my former employer.

Mr. Hogg: I am grateful to my hon. Friend for reminding me of my status and his. When commenting on the Chancellor, will my hon. Friend remind the House that the Chancellor failed to mention the phasing out of the 10p band, which is just the sort of omission that gave us the dodgy dossier on Iraq?

Mr. Osborne: My right hon. and learned Friend returns to the familiar theme of Iraq, and perhaps we should save it for a later debate. However, he is right to say that people at home listening to the Chancellor must have assumed that they would be better off as a result of a tax-cutting Budget. What the Chancellor did not tell them was that it was a con trick—that the cut in the standard rate of income tax would be more than paid for by the removal of the 10p starting rate and the increase in the national insurance band. It was a classic stealthy trick.

Ms Sally Keeble (Northampton, North) (Lab) *rose—*

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op) *rose—*

Mr. Andrew Love (Edmonton) (Lab/Co-op) *rose—*

Mr. Osborne: I shall give way to the hon. Member for Northampton, North (Ms Keeble), who has one of the seats that we shall take at the next election.

Ms Keeble: The hon. Gentleman will be lucky! This Budget will help me keep my seat. The Chancellor made important changes to the child care element of tax credits, and women will be able to claim probably up to £10 more a week for child care. That will help them go out to work, and it is one of the good proposals that the hon. Gentleman has not mentioned.

Mr. Osborne: If the people involved earn less than £18,000, their income tax bill will go up when they return to work. Perhaps the hon. Lady will make that point to her constituents at the next general election, because we certainly will.

On Tuesday, Andrew Turnbull, the man who has worked more closely with the Chancellor than anyone else—

Mr. Kevan Jones: Oh, that toff.

Mr. Osborne: Well, there is no point in the hon. Gentleman sneering at the man who was Cabinet Secretary in the Government whom he has supported for the past 10 years. The former Cabinet Secretary said of the Chancellor that

"he has a very cynical view of mankind".

On Wednesday, we got the proof. No wonder the thinking half of the Labour party is searching for someone—anyone!—who can stop the Chancellor.

Whom are their hopes pinned on? Sadly, they are no longer pinned on the Education Secretary. He had his moment in the sun at the time of the last party conference, but now he has retired to the calmer waters of the Deputy Leader contest. The party's hopes are, of course, pinned on the young Environment Secretary, who speaks to us on Monday. From the very top of the party, they want him to run.

The Environment Secretary admitted recently in a newspaper interview that his friends call him "Brains" after the character in "Thunderbirds". Let me just say that, as he sits on Tracy island, he is leaving it a little late to launch his international rescue of the Labour party.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I represent one of the poorest constituencies in the country, where 22 per cent. of the population is under the age of 16. My constituents are benefiting enormously from this Labour Government. Unlike members of the Conservative party, they are not interested in beauty contests for the leadership of any party, or of the country. They want a Labour Government delivering tax credits and benefits for children and families.

Mr. Osborne: Perhaps the hon. Lady will explain to her constituents that the Budget announced yesterday increases the income tax on the lowest paid people in this country. In a tax-neutral Budget, the Chancellor has redistributed income from the lowest paid to those on middle incomes. That is a con trick, but it is not the impression that people will have got when they listened to the right hon. Gentleman yesterday.

Mr. Love: Will the hon. Gentleman give way?

Mr. Osborne: I will, and then I want to talk about the environment.

Mr. Love: The hon. Gentleman has given a commitment today that he will match the Government's planned public expenditure. His colleagues are going round the country talking incessantly about cuts in taxes of £21.5 billion—*[Interruption.]*

Madam Deputy Speaker (Sylvia Heal): Order.

Mr. Love: Does that mean that there will be an explosion in borrowing in the future?

Mr. Osborne: To be honest, I did not fully understand that intervention. The hon. Gentleman appeared to be saying that the Opposition have a policy of sharing the proceeds of economic growth.

Mr. Love: I am talking about borrowing.

Mr. Osborne: If the hon. Gentleman looked at the spending plans announced by the Chancellor yesterday, he will see that the growth rate of spending has been dropped below the growth rate of the economy. That is something that those of us who turn up for Treasury questions know that the Chancellor has been saying for a year could not be done. However, he did it on Budget day, and I shall deal with his spending plans later.

I turn now to the section of the Budget that talked about the environment.

Mr. Sheerman: Will the hon. Gentleman give way?

Mr. Osborne: I will give way in a little while, but I want to make progress.

It is clear that the Chancellor did not speak to the Environment Secretary when he was putting together the environment part of the Budget, but perhaps that is not surprising. Andrew Turnbull, the former Cabinet Secretary, gave us a bit of an insight into the Chancellor's attitude—

Mr. Bob Ainsworth (Coventry, North-East) (Lab): The hon. Gentleman should not talk about the environment.

Mr. Osborne: I am sorry? I thought that we just heard from the Labour Front Bench that we should not talk about the environment. Is that right? I thought that this was the new green Labour party.

The former Cabinet Secretary described the Chancellor's attitude as follows:

"If you want something done about the environment you don't talk to David Miliband."

It is clear that the Chancellor did not talk to the Environment Secretary before putting together the environment part of the Budget. We have the leaked letter that the Secretary of State for Environment, Food and Rural Affairs sent to the Chancellor. Entitled "DEFRA's Priorities for the Budget of 2007", it states that

"market based instruments, including taxes, need to play a substantial role in our emerging strategy to respond to climate change".

I think that we all agree with that. The letter went on to say that

"emissions from aviation are our fastest growing source of greenhouse gas emissions...air travel is lightly taxed...I do not believe we can leave aviation untaxed".

The letter continues with the very compelling submission that

"there is a case to look again at making"

domestic

"flights subject to VAT".

Presumably, the Environment Secretary shares my regret that the Chancellor went out of his way to attack DEFRA's idea in his speech yesterday. Of course, when a Treasury official was asked what he thought of the DEFRA submission, he said that the Chancellor receives "many Budget submissions".

The truth is that the Chancellor is not seriously interested in the environment. He never has been: it is all politics for him. The word "climate" hardly appeared in his Budgets until my right hon. Friend the Leader of the Opposition came along. Pretty much the only green things about yesterday's Budget were the endless recycled announcements.

I turn now to the package for business. I welcome the cut in the headline corporation tax rate, which is to be paid for by cutting corporation tax reliefs. I welcome it, because I proposed it. I am obviously having more luck with my Budget submissions than some Secretaries of State.

What is baffling is that, in this Budget, the Chancellor has taken a completely opposite approach to small-business taxation. There, he has increased the tax rate and introduced more reliefs. What has the right hon. Gentleman done in his time as Chancellor with the small companies tax rate? In 1997, he cut it from 23 to 21 per cent. In 1998, he cut it again to 20 per cent. In 1999, he introduced a new 10 per cent. rate, and in 2002 he abolished the 10 per cent. and made it zero.

All that sounds pretty good. Unfortunately, in 2004 the Chancellor put the zero rate back up to 19 per cent. Yesterday, he raised it again to 22 per cent. After 11 Budgets, and six changes in the tax rate, we are pretty much back where we started. The only thing that small businesses have to show for it is a hugely more complicated and burdensome tax system.

It is no wonder that the small business organisations are up in arms about the Budget. Last night, the Forum of Private Business stated:

"The Chancellor has used smoke and mirrors to disguise the fact there is nothing in this Budget to support small businesses",

and the Federation of Small Businesses said that it was "very disappointing". They will be even more disappointed when they discover that total business taxes are set to rise by £1 billion next year, and by almost £2 billion the year after. What sort of response to globalisation is that?

Mr. Wayne David (Caerphilly) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: Perhaps the hon. Gentleman will tell me.

Mr. David: Does the hon. Gentleman accept that the Institute of Directors has welcomed the Budget?

Mr. Osborne: I shall tell the House what the business organisations have said about the Budget. Michael Saunders is chief economist of Citigroup, and he has said:

"Brown's version of tax cutting...is one that still raises the tax burden. Every much trumpeted tax cut is offset by another tax hike or a cut in allowance."

[Mr. George Osborne]

The hon. Gentleman mentioned the Institute of Directors. Its director general, Miles Templeman, signed a letter that appeared in the *Financial Times* on Tuesday supporting the policies I proposed for inclusion in the Budget. I am delighted that he was able to do so.

Another thing that the Chancellor did not mention was the fact that the overall tax burden is set to rise to its highest ever level. There it is, buried in table C9 on page 285—the highest tax burden in our history. That is the remarkable thing about the Chancellor's management of the public finances. He came in promising prudence; a decade later we have the highest tax burden in our history and a bigger structural budget deficit than Italy. That is truly incompetent.

Yesterday, the Chancellor had to announce that even the borrowing figures he revised up at the Dispatch Box in December are already wrong and that we are borrowing £8 billion more than he announced before Christmas—not that he spelled it out exactly. Nor did he tell us that he was again revising down the current Budget figures. What he did was to follow our advice and bring the growth rate of spending below the growth rate of the economy. For a year he has been telling us it cannot be done, yet he did exactly that—sharing the proceeds of growth.

Let us have a debate about how the money is spent.

Mr. Sheerman *rose—*

Michael Gove (Surrey Heath) (Con): Arise, Sir Barry.

Madam Deputy Speaker: Order.

Mr. Sheerman: I did not know it had been announced yet, Madam Deputy Speaker.

I was a Member for the 10 years before 1997 and experienced how Conservative Administrations ran the country. Is the hon. Member for Tatton (Mr. Osborne) really saying that the past 10 years do not stand out as an amazingly good experience for most people in this country, compared with the disaster when the Conservatives ruled?

Mr. Osborne: Yes, I am saying that, because the question the public are asking is: where has all the money gone?

It tells us everything about the Government's failure on public services that in the Chancellor's last Budget—his great swansong as Chancellor—he barely mentioned the national health service. Out there in the country it is the biggest political issue of the day. Pick up a local newspaper almost anywhere in the country and it will be full of articles about hospitals facing closure, maternity wards under threat, nursing posts being axed and junior doctors up in arms, yet the NHS hardly features at all in the national newspaper coverage of the Budget. For the Chancellor, it has become the health service that dare not speak its name. That is because he has no one but himself to blame for the monumental waste of public money and the meddling and interfering that have sent NHS staff morale plummeting, and for the old-fashioned, top-down attempt to control everything from Whitehall that has ended up with a health service in crisis.

The Chancellor could not even give us the spending figures for the coming three years. Why not? We have had the figures for the Home Office, the Treasury, the Department for Constitutional Affairs and, yesterday, the Department for Education and Skills—no doubt the Secretary of State will be talking about that later—so why not the NHS? The Chancellor must have done the sums if he has done them for the other Departments. Presumably he is keeping the NHS figures back only for political reasons, so that he can deploy them later in the year. People who are already struggling with financial deficits in the NHS should have firm financial planning horizons.

One Budget measure that will affect the NHS has not really had an airing yet. It is buried in table A2, on page 210, and is called "Tackling Managed Service Companies". That is Brown-speak for a stealth tax that will raise £350 million next year and £450 million the year after. Will the Secretary of State for Education and Skills confirm that the biggest user of managed service companies in the country is the NHS? Will he explain to the Chancellor that if he puts their taxes up they will put their fees up and that hospital trusts will end up footing the Bill for his entirely self-defeating stealthy manoeuvre?

Of course, the Chancellor talked about education. Can the Education Secretary confirm that despite all the spin in yesterday's Budget statement it is clear from page 139 that education spending growth is set to halve to 2.5 per cent., below the growth rate of the economy? That means that the share of national income devoted to education is set to fall, yet the 2005 Labour manifesto promised:

> "We will continue to raise the share of national income devoted to education."

Perhaps the Education Secretary could explain the contradiction between the Budget and the manifesto?

While the Chancellor was talking about how much money he would put into education, he did not say a word about how it would be spent—not an inkling that he understood what a waste it has been to throw money at education without also achieving reform. That was not how it was supposed to be. Earlier this week the Blairites were in ecstasy. They thought they had finally got the Chancellor to sign up to city academies, finally got him to commit himself in public to something that he has spent the past year bad-mouthing in private. Just wait for the Budget, we were told—Gordon's going to commit to education reform—

Madam Deputy Speaker: Order. On more than one occasion the hon. Gentleman has not referred to Members of the House or of the other place in the correct parliamentary manner. Perhaps he would now do so.

Mr. Osborne: Of course, Madam Deputy Speaker. From now on, I shall refer to the right hon. Member for Kirkcaldy and Cowdenbeath (Mr. Brown) rather than to Gordon.

There was not a word in the Budget speech about education reform, and nothing about public service

reform or how the Chancellor will make sure that our tax money reaches the front line. The only mention of city academies in the entire Budget speech, despite the briefing to the newspapers, was the promise to remove VAT restrictions so that their facilities can be used by the community. It is a great idea. We proposed it, and the Chancellor has now accepted it.

Kerry McCarthy (Bristol, East) (Lab) *rose—*

Mr. Osborne: Presumably the hon. Lady welcomed it.

Kerry McCarthy: Does the hon. Gentleman accept that removing the VAT restriction on city academies will make a huge difference, because their facilities will be available to the community? Does he not welcome that significant move as something for which they have been lobbying for the past few years?

Mr. Osborne: Of course I welcome it—the Leader of the Opposition proposed it.

Yesterday, the Chancellor began his speech by comparing himself, with characteristic modesty, to William Gladstone, but he said that when he becomes Prime Minister, unlike Gladstone, he will not try to be his own Chancellor. He then spent the rest of his speech writing the Budgets for the rest of this Parliament. The income tax changes we have been discussing will not come into force until April 2008. The rise in national insurance and the top rate threshold will happen in April 2009. The inheritance tax changes take place in April 2010.

The Chancellor has fixed the Budgets of his future Chancellors and given them their marching orders before he has even chosen who will do the job or before they turn up at the Treasury. Perhaps it will be the Education Secretary—who knows?—thrust into a job that the Prime Minister of the day will not let him do, no doubt exposed to death by a thousand cuts from the daily press briefings of the Brownite cabal. That may be the right hon. Gentleman's fate, but what the Budget tells us about the fate of the country is that the Chancellor will not change his ways. We shall have the same stealth, the same spin and the same con tricks. We shall have the same complete contempt for colleagues and belittling of Ministers that the Cabinet Secretary told us about. We shall have the same old-fashioned, top-down Stalinist control that is so out of tune with our times. With his last Budget, the Chancellor has shown us that he cannot be the change the country wants—that he is part of the problem, not part of the solution. One thing is clear from yesterday: if people want change and to restore trust in the political process, we do not just need a change of Prime Minister—we need a change of Government.

12.48 pm

The Secretary of State for Education and Skills (Alan Johnson): That was an entertaining speech from the hon. Member for Tatton (Mr. Osborne), but the public will be looking for the substance and experience that we heard yesterday, rather than the personal attacks and shallow self-regard that we have heard today. Even with all the expenditure on his public school education, the hon. Gentleman cannot manage to be courteous about the Chancellor of the Exchequer. I have to remind Opposition Members that Comic Relief was last week. We also remember when the hon. Member for Tatton wrote all those wonderful jokes for the right hon. Member for Richmond, Yorks (Mr. Hague) when he was Leader of the Opposition. The trouble is that he also helped him with the policies—and we all saw what happened there.

We have seen Conservative Back Benchers get over-excited before. We saw it before the 2001 and the 2005 general elections. If we compare the Budget speech yesterday with today's response, it seems to me that Conservative Members have learned nothing from their previous experiences.

We had a Budget yesterday that concentrated on the environment, on science and innovation and on the issues of the 21st century, particularly the policies that we will need—including higher education, which I shall come on to soon—to maintain the economic stability that we have enjoyed over the last 10 years into the new century. Crucial to all that was, of course, education.

Mr. Bernard Jenkin (North Essex) (Con): Will the right hon. Gentleman clear just one thing up? The Red Book shows that the overall tax burden is going to rise to 40.4 per cent. over much of the Budget period. It is not going to decline at all, so does the right hon. Gentleman still insist that this was a tax-cutting Budget?

Alan Johnson: Yes, the hon. Gentleman will not be surprised to know, I do, not least because 15 million gaining households will see a reduction in their direct taxes.

As I was saying, this was a Budget that put education first. What it did was lock in the current record levels of education spending and add additional amounts, compounded year on year, to provide a further £10.7 billion to invest in education by 2011.

Mr. David Heath (Somerton and Frome) (LD): The one figure that really struck me in what the Chancellor said yesterday was £6,600 as the average per pupil funding for 2010. I have to say that that figure would be totally unrecognisable to schools in Somerset where the current figure is about half that. I welcome the increased expenditure on education, but I wonder when it will be distributed fairly across the country so that poorly funded education authorities catch up.

Alan Johnson: We will indeed spend £6,600 per pupil by 2010 compared with £2,500 per pupil when we took office. The hon. Gentleman raises an important question about the distribution. We understand those issues, which is why we are currently out to consultation on a review of how spending is allocated. The spending per pupil figure that the Chancellor used yesterday was, of course, accurate. We are able to build on the achievements of the last 10 years while increasing our ambitions for the future.

Mr. Graham Stuart (Beverley and Holderness) (Con): Will the right hon. Gentleman tell the House how it can be a tax-cutting Budget when the Chancellor himself described it as fiscally neutral?

Alan Johnson: Because of the 15 million families that will see their taxes cut and because the overall effect of the Budget will, we believe, ensure that families right across the country have their tax obligations reduced.

David Howarth (Cambridge) (LD): I know of the Secretary of State's commitment to values that he has upheld for a long time, which I respect, but how can he put forward this Budget as a fair Budget when he knows that it increases tax on the lowest paid?

Alan Johnson: This Budget produces a £2.5 billion cut in personal taxes, which helps the poorest in this country. I noticed that the hon. Member for Tatton did not mention the 200,000 children lifted out of poverty or the extension of in-work credits that will help single parents back to work or the £2 billion in tax credits, which are essential to ensuring that people can move from welfare to work without suffering a reduction in their income.

Ann Coffey (Stockport) (Lab): On the issue of helping disadvantaged young people, I was pleased to hand out awards to young people in Stockport last Friday. The youth opportunities fund provided £500,000 over two years and this initiative has been widely welcomed by young people who can have the projects that they want. If it can be demonstrated, on evaluation, that it has helped to get young people off the streets and, more importantly, helped disadvantaged young people, will the Secretary of State look into finding ways of continuing it? I congratulate the Government on this excellent initiative.

Alan Johnson: My hon. Friend is right to talk about the success of "Youth Matters", not least because we had a wide consultation with young people themselves about how best to spend this money. I will certainly learn any lessons from it and try to take it forward into further policy.

Several hon. Members *rose—*

Alan Johnson: I shall give way one more time, but then I want to make some progress.

Mr. Philip Dunne (Ludlow) (Con): The Secretary of State has just confirmed the Government's intention to increase education funding per pupil to £6,600. Can he elaborate further on how he expects to achieve that in Shropshire, where spending last year was £3,351? Does he mean that Shropshire is going to get double its present funding?

Alan Johnson: Perhaps we will have a teach-in afterwards. I am talking about the average amount of spending per pupil. The hon. Gentleman will find that Shropshire has had a huge increase in spending per pupil since we came into government. Across the country, that averages out at £5,500 per pupil now and by 2010, with an extra £10.7 billion invested in education, it will average £6,600 per pupil.

Greg Clark (Tunbridge Wells) (Con): Will the right hon. Gentleman give way?

Alan Johnson: No. I am going to make some progress.

Since we came into office—this is pertinent to previous questions—education spending has more than doubled from £30 billion in 1997 to £66 billion in the coming year. This Budget takes it to £74 billion by 2010. Capital investment has increased eightfold from £1 billion in 1997 to £8 billion today, rising to more than £10 billion in 2011. We now spend on sports facilities alone what the previous Government spent on the whole capital infrastructure of schools.

The extra investment is producing a profound and visible transformation. Every single secondary school in the country is being rebuilt or refurbished. More schools have been built in the last five years than in the previous 25. Schools and colleges are finally getting the books and IT equipment that they require and where teacher numbers fell substantially during 18 years of Tory Government, the number of full-time equivalent teachers is, after 10 years of this Labour Government, up by 36,000 and there are 150,000 more support staff.

Keith Vaz (Leicester, East) (Lab): Has the Secretary of State had a report from the Minister for Schools about his recent visit to Leicester, where the Building Schools for the Future programme will result in the rebuilding of three of the secondary schools in my constituency—the largest investment ever, with £230 million going into Leicester schools? Has my right hon. Friend received a report of that highly successful visit?

Alan Johnson: I have. Indeed, I am so enthused and excited by that report that I am going to come to Leicester myself, not least to visit New college, which has witnessed an education transformation over the last year. Unprecedented investment matched with essential reforms is bringing about the best results ever.

Meg Hillier: I hope that my right hon. Friend, accompanied by our right hon. Friend the Chancellor, enjoyed his visit to Mossbourne city academy in Hackney. Does the Secretary of State agree that, notwithstanding the slurs of the hon. Member for Tatton (Mr. Osborne), the Chancellor is fully supportive of the massive investment whereby six city academies are being built in Hackney and huge amounts are going into the infrastructure of our primary and secondary schools? That investment has increased results substantially, so that more than half of pupils now gain five A to C grade GCSEs.

Alan Johnson: My hon. Friend is right. I believe she is talking about a tremendous visit to a primary school in her constituency. We found that there was special expertise in language teaching for primary school pupils, resulting in the teaching of Mandarin in that school. Incidentally, according to the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb), Mossbourne is the best school that he has ever seen, so I view that as a compliment to Labour party policies.

We have improved results through a combination of additional investment and reforms. Compared with 1997, about 95,000 more 11-year-olds every year now reach the standard expected in English and maths. About 85,000 more pupils get five good GCSEs. When English and maths are included, 62,000 more pupils are making the grade. In 1997, there were 616 schools in which just a quarter of pupils obtained five or more good GCSEs; now, that figure is just 47, and we are determined to drive it down to zero.

City academies have been a powerful force for good in the most deprived areas, bringing about improvements at three times the average, with twice the number of pupils on free school meals. By removing VAT constraints, the Budget provides further support as we move towards our target of 400 academies. Pupils across the nation are doing better, but with Every Child Matters in place, and with technology that is able to provide detailed information on each child's progression, we can move to the next stage and attack the pernicious link between a child's background and their educational attainment.

Mr. Stewart Jackson (Peterborough) (Con): Is the right hon. Gentleman embarrassed that, as a result of his Government's policies, thousands of adult education courses have been cut in order to put funding directly into provision for 16 to 19-year-olds? That has happened as a direct result of the fact that, under this Labour Government, so many young people of that age leave school functionally illiterate and therefore need extra help with basic skills.

Alan Johnson: The hon. Gentleman is confusing two different things. First, Skills for Life is dealing with the failures of the previous Tory Government's education policy, and 1.25 million adults who were functionally illiterate and innumerate have now been given those necessary skills. Secondly, we are not cutting funding for adult education at all: we are increasing it. Sooner or later, the Conservatives are going to have to deal with policy. The issue in the 21st century is that we need to focus our resources on longer courses that will give people accredited level 2 and 3 qualifications to equip them for the world of work. That is our absolutely remorseless focus, and Lord Leitch's report agreed that it is the right priority.

I was talking about breaking the link between background and educational attainment. Last year, we published a Green Paper with proposals to improve outcomes for children in care. The consultation has now ended, and we will come forward in due course with a series of measures radically to address the historic systemic failure that lets down the most vulnerable children in our society.

Helen Jones (Warrington, North) (Lab): My right hon. Friend is right to say that this Government are the first to tackle the national scandal of the education of children in public care. When he looks at that issue, will he also look at the Select Committee's recommendation that city academies should, like other schools, be made to give priority in admissions to looked-after children?

Alan Johnson: My hon. Friend has a great deal of experience in this field, and I defer to no one in my respect for her involvement in education. I have to say to her, however, that city academies are already required to give priority to children in care. Indeed, last week at Mossbourne academy—50 per cent. of whose children are on free school meals, compared with the London average of 20 per cent.—I was told that that myth was being spread about academies; it is absolutely untrue.

Angela Browning (Tiverton and Honiton) (Con): I do not disagree with the idea that there should be proper accreditation for courses, but one of the consequences of the focus on accredited courses in further education is that a particular group has fallen through the net, namely, adolescents and young adults with learning disabilities who attend FE colleges not to get a certificate but to attend valuable life skills courses. They have been priced out of the market, and I want to know what the Secretary of State is going to do about it. They are probably among the most vulnerable people.

Alan Johnson: I accept what the hon. Lady is saying. I have heard this from several quarters. I will go back and look at the matter again, and I will deal with any individual problems that she wishes to raise with me. Time and again, we have said that the priority for the Learning and Skills Council must be people with disabilities and special educational needs. Reconfiguring adult education to focus on longer courses that result in qualifications must not interfere with the important work being done with children with special education needs. I will look into that issue.

We reject the view that some children are destined to fail. All too often, bright and talented children simply do not get the support or help that they require. Early years education is vital to a child's progression, and we have invested more than £20 billion in that area. There are now almost 1.3 million child care places—double the number for 1997—and more than 1,100 Sure Start children's centres are providing support to almost 1 million families. With yesterday's settlement, we can guarantee 3,500 Sure Start children's centres—one in virtually every community across the country. We have given every three and four-year-old an entitlement to 12.5 hours free early learning, and 96 per cent. of children have taken that up. We will extend that to 15 hours by 2010.

We do not believe that the benefits of a high-quality education should be restricted to a small elite. Our aim is for the state sector to match the levels of success in the independent sector, even without the harsh levels of selection in public schools. As the Chancellor confirmed yesterday, we are committed to closing the gap on capital funding with public schools by 2010, with a long-term aim to match spending per pupil.

This is not just about finances, however. Our second aim is to ensure that state schools can provide children with the individual attention that they need. We are putting £1 billion into personalised learning this year alone, with much more to come. This will allow us to move forward on the Gilbert review, to ensure extra lessons and increased support for those who are struggling as well as for those with exceptional potential.

Thirdly, we aim to emulate the extra-curricular activities available in private schools, and to provide the kind of sport, music, dance and drama activities that help children to develop confidence and to acquire valuable social skills. We are substantially increasing spending on sport and music. Extended schools offer children the chance to take part in these and other high-quality activities. There are 4,000 extended schools already offering wraparound services from 8 am through to 6 pm. By 2010, all schools will offer extended services.

Mr. Sheerman: Is my right hon. Friend aware of the improvements that have taken place in extended

[Mr. Barry Sheerman]

schools? I urge him to tell the House how far those schools will be able, with the new income from the Budget, to expand the programmes that have already proved so successful. Will he also go back to the hon. Member for Peterborough (Mr. Jackson), who intervened on him just now? You spread this lie, this absolute lie—*[Interruption.]* It is a lie. I am not saying that any hon. Member is a liar, but I am saying that when people on the Back Benches say that there is functional illiteracy on the levels that the hon. Gentleman suggested, it does damage to the education system and it undermines teachers and students.

Alan Johnson: My hon. Friend is right about extended schools achieving better results. Ofsted has recently produced a report that demonstrates that. I have mentioned that every school will be an extended school by 2010. More importantly, my right hon. Friend the Chancellor of the Exchequer announced yesterday that we will provide free services in those extended schools for children from the poorest families. That combination will be very important.

On my hon. Friend's other point, there is often a misunderstanding about the levels of illiteracy and innumeracy in our society. There was a pretty poor education system in place, roughly between 1979 and 1997, and dealing with the effects of that is an important part of our proposals stemming from the Budget.

Meg Hillier: I fear that my right hon. Friend underplays the benefits of extended schools. In Hackney, one of our extended schools, the Hackney Free and Parochial school, is seeking to let a cleaning contract between 10 pm and 6 am, as those are the only hours when the school is not in use, save for one week's closure in the summer. Hackney schools are genuinely "schools plus", and this hugely benefits Hackney parents. Does my right hon. Friend agree that it also benefits the pupils, who need qualifications but also desperately need that extended education?

Alan Johnson: I am grateful to my hon. Friend for highlighting the importance of this provision, and for describing it much better than I could have done. It is one of the most exciting developments in state schools. In relation to the theme of this part of my speech, the provision that is now available in state schools matches what has always been available in independent schools.

The fourth point is that private schools are free to build links with other organisations and to develop their own ethos. The new trust status makes it easier for state schools to nurture those relationships. I am delighted that we have exceeded our target for schools in trust pathfinders, and I am confident that we will hit 300 by the end of the year. All those measures combined will enable us to make dramatic progress in closing the attainment gap between those from deprived backgrounds and those from more affluent homes.

In the past, education was predominantly a matter of social progress with an economic dimension; now, it is primarily a matter of economic stability with an important social dimension. I have today published a Green Paper setting out our proposals that every child remain in education or training, full or part-time, in school, college or the workplace, until the age of 18. That is an historic proposal in more ways than one. It is a crucial step forward in meeting the challenges of the 21st century, as Lord Leitch so ably identified in his recent report, but the measure has been incorporated into legislation for most of the past 80 years, without being invoked. It was originally included in Foster's Education Act 1918—Foster was a Liberal in the days when Liberals won elections. It was then carried into the great Butler reforms of 1944, before finally being revoked by the Tories in 1988.

Today, the question of staying in education is more pertinent than ever before. In the past, it was possible for millions of school leavers with no qualifications to find work. In the face of increased globalisation, with economic expansion in the east and technological advance in the west, those days are drawing to an end. As Lord Leitch pointed out, there will be only approximately 600,000 unskilled jobs in Britain by 2020 compared with 3.6 million today, and 40 per cent. of jobs in 2020 will require graduate qualifications. Of course, we must ensure that there is an exciting and inspiring offer for each child to pursue in key stage 4.

Paul Rowen (Rochdale) (LD): I welcome what the Secretary of State is saying. What additional investment will be put into the 16-to-18 sector to accommodate the extra students who will stay on?

Alan Johnson: For that aspect, there will be £200 million in capital spend in the run-up to 2015, when we intend to have every child staying on until 18; and there will be £700 million a year in revenue spend to ensure that we have available the capacity and the facilities we need.

Meg Hillier: On a recent visit to Hackney's air cadets, I found that the proposal was not greeted with universal enthusiasm by the young men and women in the air cadets. Will my right hon. Friend reassure them that training in the workplace is a real option, and will he explain that further?

Alan Johnson: I must pay a flying visit to Hackney air cadets. It is important that we engage young people in the discussion—that is why a Green Paper has been published. We are saying that exciting options will be available—I shall describe them later in my speech—and that there will be a personal relationship with trained people to advise and guide young people on which route to take. We must get rid of the mixed message that we send to young people that, on the one hand, it is crucial that they stay in education, but, on the other, that it is okay if they just slip off the radar screens at 16. We have plenty of time to win over Hackney air cadets before the proposals are implemented.

Mr. Jack: Given the importance of the message that the right hon. Gentleman has just articulated, what sort of a message regarding the importance of staying on does he think is sent by the position of those young people who have trained to be doctors? Thirty thousand were persuaded to be trained, but only 22,000 can find work.

Alan Johnson: I shall resist the temptation to deal with that point—perhaps the right hon. Gentleman will raise it in another debate. However, it is important to say that the number of fully trained doctors and nurses, like the number of teachers, teaching assistants and head teachers, has increased enormously since he was in government.

Apprenticeships provide a valuable route for youngsters to take to stay in education or training. In 1966, there were 750,000 apprenticeships available for 16 and 17-year-olds, but by the time we came into power, that number had tumbled to 53,000. We rescued that valuable vocational opportunity from near oblivion. The number of apprenticeships has trebled since 1997 and the Budget settlement will ensure that every young qualified person will have a guaranteed place. For those who do not qualify, we will provide pre-apprenticeship places to bring them up to standard and to ensure that they can take up an apprenticeship place.

Greg Clark: Will the Secretary of State explain whether that settlement has Gershon savings factored into it? How does he take account of the National Audit Office's conclusion that only a quarter of those savings reliably reflect efficiencies made?

Alan Johnson: I shall leave it to my hon. Friend the Financial Secretary to the Treasury to deal with that at the end of the debate. I shall concentrate on our priority of education.

In the past five years, we have also successfully increased the completion rate of apprenticeships. I think that the hon. Member for Havant (Mr. Willetts) mixed up the figures recently announced by the Learning and Skills Council. I saw somewhere that he said that there was a 59 per cent. failure rate in apprenticeships. In fact, we inherited a dire 24 per cent. completion rate and the LSC has recently reported that that rate has increased since 2002 to almost 60 per cent.

Mr. Sheerman: Did my right hon. Friend notice that as soon as he started to talk about apprenticeships, Opposition Members totally lost interest and started to talk among themselves? They have no interest in further education, no interest in vocational education, and no interest in anyone in our state sector.

Alan Johnson: My hon. Friend is right. That is why the Opposition will be serving their apprenticeship for the next 10 years.

Diplomas provide a further important choice by introducing the mix of vocational and academic education that we in this country have lacked for so long. Having the first five diplomas ready for 2008 is an ambitious undertaking, but we are determined to succeed, working closely with the industries that are designing the diplomas and the schools and colleges that will deliver them. The greater availability of the international baccalaureate will provide a further important educational route. All those qualifications will include functional skills in English, maths and ICT.

However, we cannot meet the education and skills challenges of the 21st century by concentrating on schools alone. As Lord Leitch noted in his interim report, 70 per cent. of the 2020 work force have finished their formal education—they are out there in the workplace now. As I mentioned earlier, since 2001, 1.5 million adults have secured essential literacy and numeracy skills through Skills for Life. More than 1 million more adults in the work force have obtained level 2 qualifications since 2002. With this year's settlement, we will ensure that learning and upskilling are at the heart of every workplace as we respond to the Leitch report.

Our solution to tomorrow's challenges is record investment as well as systematic reform. The $64.9 billion question for the Conservatives is whether they would match our investment. Would they break the habits of a lifetime and invest in education? Given that their famous third fiscal rule would take £21 billion from public spending in this year alone, how could they possibly deal with the amount of expenditure that we need in our education service?

David Howarth: On the topic of using expenditure to deal with problems, may I bring the Secretary of State to the figures that he announced for dealing with the staying-on problem? I think that he said that there would be £700 million-worth of revenue to deal with the problem. If we assume that there are something like 350,000 young people a year not staying on and we have to cover two years of education or training, does that not mean that he is proposing only £1,000 per young person per year? Is that not too little?

Alan Johnson: No, what the hon. Gentleman has to bear in mind is that we will move from 16 to 17 in 2013 and then from 17 to 18 in 2015. We have already factored in a public service agreement target of a 90 per cent. participation rate by 2015, which means that there is another 10 per cent. to cater for—around 80,000 students.

I want to talk about higher education and to do so in the context of the Conservative party.

Mr. David Willetts (Havant) (Con): Will the Secretary of State give way?

Alan Johnson: We know the stance that the Conservatives took—*[Interruption.]* Just a second. Conservative Members should show some manners. I will give way in due course. They should not be so forward and impatient—[HON. MEMBERS: "And pushy!"]—and even pushy. We know the stance the Conservatives took on higher education. One of the greatest economic, let alone educational challenges that we face, is the need to invest in and expand our higher education sector.

Mr. Willetts: I am grateful to the Secretary of State for eventually giving way. I wanted to ask him about the skills section of his speech. Will he explain to the House why, if things are going as well as he claims, the number of young people not in education, employment or training has risen since 1997 from 1.08 million to nearly 1.25 million? What lessons does he learn from the complete failure of the Government to bring down the number of young people who are NEET?

Alan Johnson: The thrust of my argument is not that everything is perfect. Part of the—*[Interruption.]* I will

[Alan Johnson]

come back to the point about NEETs in a second. Part of the argument that we are using is that, having come so far and laid the foundations—they were very expensive foundations to lay and they were never even remotely matched by the Conservative party—we can now move on to ensure that we close the attainment gap between children from more deprived backgrounds and children from more prosperous backgrounds.

The number of NEETs has been around a stubborn 10 per cent. for the past 10 years. The number of youngsters in education and training has increased. That is clear. A combination of the introduction of the education maintenance allowance and higher attainment, which encourages youngsters to stay on in school, has led to something like a 5 per cent. increase in participation rates. It is also fair to say and worth pointing out that only 1 per cent. of youngsters who are NEET are not in education, employment or training in each of those years—16, 17 and 18. There is a hard core that we need to address and a lot is going into addressing that.

My right hon. Friend the Chancellor announced yesterday another measure, costing £500,000, to offer youngsters who have dropped out of in-work training to bring them back into education. We have another, similar project going on in 10 local authority areas, to see what we can do to help those youngsters. Some of it is about gap years. Some of it is about the fact that they just want to take time out. A lot of it is about disenchantment with education and being able to bring those young people back into the fold. It is an important problem. We are not saying that we have solved it, but our investment and our measures are capable of resolving it eventually.

Jim Sheridan: My right hon. Friend is absolutely right to say that lifting people out of poverty is the best route in terms of education and skills, but, unfortunately, when it comes to the whole question of apprenticeships we still have a male bastion. Will he do all that he can to encourage women to get involved in some of the education and skills schemes, not just to develop their own skills and lift themselves out of poverty, but to address the needs of the country?

Alan Johnson: My hon. Friend raises an important point, but I have good news. There is much more that we need to do, but 48 per cent. of apprentices are now women; 52 per cent. are men. We are getting close to parity. That is a long way from where we were before we undertook several initiatives, in which he has been active, to encourage more young women to come into apprenticeships.

Let us talk about higher education. Variable tuition fees were one of the major policy reforms of recent years—an act of political courage by a Government who could so easily have ducked the issue. It taught us—*[Interruption.]*

Madam Deputy Speaker: Order. I ask Conservative Front-Bench Members to come to order.

Alan Johnson: It taught us all that we need to know about the Conservatives. We saw how they reacted when they had to grapple with a genuinely difficult policy issue that affects the future of our country. We rightly gauge the challenge from India and China in terms of the investment that they are making in higher education and the number of graduates that they produce every year. The Conservatives, having presided over a 40 per cent. cut in per capita funding in our universities, were preparing to make a further 6.5 per cent. cut in funding before the British people removed them from office in 1997. Let us never forget that their response to our proposals was to contract higher education down to a 36 per cent. participation rate.

Michael Gove: The Secretary of State referred to the act of courage in introducing variable tuition fees. How does he feel about the fact that the right hon. Member for Newcastle upon Tyne, East and Wallsend (Mr. Brown), the namesake and protégé of the right hon. Member for Kirkcaldy and Cowdenbeath (Mr. Brown), led the revolt against precisely that act of political courage? How does he feel about that infamous treachery from the lackey of his Cabinet colleague?

Alan Johnson: My right hon. Friend the Member for Newcastle upon Tyne, East and Wallsend (Mr. Brown) voted for the reform. Opposition Members voted against it in droves. It was one of the most crucial staging posts in how we tackle the economic challenges of the 21st century. Their response was to remove almost £1 billion of higher education funding by removing the existing £1,000 fee, as well as contracting the participation rate to 36 per cent.

Mr. Willetts: Following on from the previous intervention, what is the Secretary of State's view of the account of events that day from Sir Stephen Wall, who says that on the day of the vote the people inside No. 10 Downing street did not know whether the Chancellor and his supporters would be voting for or against the Government's own proposals? Was that not extraordinary?

Alan Johnson: That is absolute, undiluted nonsense. Let us consider what the hon. Gentleman had to say about the issue. He said that the Conservatives did not support the Government's target for expansion, which was crucial to expand our higher education, and that, as fees are necessary to finance the expansion, if we did not have the expansion, we did not need the fees. I know that the Conservatives flip-flopped on this issue. The right hon. Member for Witney (Mr. Cameron) said that fees should be scrapped—that is clear and precise. They flip-flop on the issue, but we cannot allow them to escape. When they had to make a difficult judgment on a difficult policy issue, they chose the route that would have damaged our economy and our country.

We should heed the wise words of a distinguished Conservative former higher education Minister—Robert Jackson, the then Member for Wantage—who said on Second Reading of the Higher Education Bill:

> "I will go into the Lobby with the Government with my head held high. The time will soon come when the electorate will ask whether the Conservative party is once again a serious party of government...I believe that the way they have chosen to handle this issue will be remembered and will be held against them."—[*Official Report*, 27 January 2004; Vol. 417, c. 231.]

Certainly, as long as we have breath to breathe, that will be our approach.

Mr. James Clappison (Hertsmere) (Con): Will the Secretary of State give way?

Alan Johnson: I give way to the hon. Gentleman, who was on the Standing Committee that considered the Bill.

Mr. Clappison: While we are on the subject of who said what when, will the Secretary of State just remind us what the 2001 Labour manifesto said about this issue?

Alan Johnson: That is why it was a difficult act of political courage. *[Laughter.]* Absolutely; of course. It would not have been very courageous to do it if it had been in the manifesto. The point is that having introduced the fees at £1,000, we faced a situation in which it was obvious, given globalisation and expansion in China and India, that we needed to go further quickly. That was what we did, and that was why the act was courageous.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): Is the Secretary of State saying that anyone can keep a promise, but that it requires courage to break it?

Alan Johnson: The right hon. Gentleman is an expert among Conservative Members at breaking manifesto promises. There is a difference between top-up fees and variable tuition fees. However, as Beatrice Webb said about socialism, explaining it would take too many evenings.

Let me point out what happened to the Conservative party's prediction that fees would lead to a collapse in university applications. Indeed, that allegation was also made by the Liberal Democrats. Last month's figures from the Universities and Colleges Admissions Service show that 291,000 students have applied to enter university this year, which is a 7.1 per cent. increase. The social class gap, which widened during the 30 years of post-Robbins free higher education, with generous grants, actually narrowed by almost 0.5 per cent. in the first year of variable deferred fees.

Sarah Teather (Brent, East) (LD): To be fair, the largest group in those statistics is made up of people whose parents' backgrounds are unknown. It is a leap of faith for the Secretary of State to say that the policy has made that much difference.

Alan Johnson: If that is the best that the hon. Lady can do to defend her policy of not introducing fees, I do not think that it adds up to very much. I am absolutely convinced that when we come to the review in 2009, we will have a wealth of evidence that might even convince the hon. Lady, who is a fair and open-minded person, to support the policy.

Incidentally, I might as well add to the good news by saying that applications to study physics are up by 12 per cent. Applications to study chemistry are up by 11 per cent. and applications to study maths are up by 10 per cent. The policy was the right thing to do for our country and our education system.

Meg Hillier: We know that there are more young black men in prison than at university. Sadly, the chances of Hackney children going to university in droves are still limited. Is this not a question of priorities? Surely it is right that we have been investing in Sure Start and primary and secondary education. If we have to make a choice, it is best to put the money there than to subsidise perhaps wealthier people to go to university, given that we never subsidise cooks, chefs and people in other trades.

Alan Johnson: My hon. Friend is right. This is not only about the stage of applying to university. The process starts in the earliest years, which is why from Sure Start to adult skills, from improved literacy and numeracy to a thriving HE sector, and from city academies to rejuvenated further education colleges, Britain's education system is attracting the attention of the world.

We have moved from overcrowded classes in crumbling schools with tatty equipment to more teachers who are better trained and achieving better results than ever before. As the Budget demonstrates, from 18 years of the Tories to 10 years of Labour, it is a different class.

1.33 pm

Sarah Teather (Brent, East) (LD): The House might be relieved to hear that I will attempt to strike a slightly different tone from the opening speeches. I wish to concentrate on education and to deal with several aspects of that in some detail.

I should say from the outset that I welcome many aspects of the Budget, some of which I will highlight in a moment. However, there were conspicuous absences from it and much lack of clarity. I always fail to understand why, when the Government have good tales to tell, they insist on over-selling their announcements. That is entirely counter-productive and it hands the Opposition a stick with which to beat them.

Extra funding is a good thing and we all welcome it, so why cloud the issue by continuing the false spin of raising funding to private school levels? When the pledge was made last year, it was clearly fatuous and intended not to track increases in private school funding, but to be an aspiration of raising funding to 2006 levels for private schools. Even with that narrower definition, at a forecast growth rate of 2.5 per cent. in real terms, the Institute for Fiscal Studies estimates that we would not get there until 2020. Every child in education at the moment will have left education by that stage, even under the Secretary of State's proposals in the Green Paper for young people to stay on beyond the age of 16, so the pledge is entirely irrelevant for any child in school today.

We heard pre-Budget hype about heavy spending on education. The Department for Education and Skills has indeed been one of the greatest beneficiaries of this year's Budget. However, the claim of increasing funding as a proportion of gross domestic product is rather undermined by the fact that the year-on-year percentage increase is less than the projected economic growth. The shadow Chancellor referred to that point at the outset of his speech. The average rate of economic growth cited in the Budget is 2.75 per cent. over the course of the comprehensive spending review period, so, in fact, there is a shrinkage. I do not

[Sarah Teather]

understand the contradictions in the Red Book, so I hope that the Financial Secretary will give me an explanation when he makes his winding-up speech.

Let me welcome the commitment in principle that has been outlined today to raise the education leaving age. Unfortunately, the Department's rather chaotic withdrawal and replacement of the Green Paper this morning meant that none of us received it in time to go through it in any detail. However, we have made it clear from the outset that we broadly support the initiative. As the Secretary of State said, whether it succeeds will depend on not the strength of the carrots or sticks—or bribes or threats—but whether the proposal includes genuine educational opportunities that are tailored to meet the needs of each individual young person. The success will also depend on how transparent the choices are.

We have one of the worst post-16 staying-on rates in the western world. That matters to the economy and for social justice. Some of the most disadvantaged young people miss out on the opportunities that education offers, and such a lack of education has lifelong impacts on a person's earning potential, life choices and life chances. Sixteen is a critical point. Ninety per cent. of those who stay on in education and do A-levels go to university, but the route back into education is a great deal more difficult for those who opt out.

Making the proposal work will depend on much more than enticing 16-year-olds to stay on. It will also depend on changes much further back in the system. Many young people mentally leave school at 14 or 15 and no carrot or stick will re-engage them. The curriculum is key to keeping such young people interested.

The Secretary of State referred in detail to diplomas as a means for achieving success. However, he has warned of the risk of these diplomas being seen as the secondary modern qualification. That is why I remain disappointed that the Government have not done as Tomlinson recommended and gone the whole hog by scrapping GCSEs and A-levels and introducing a new, modern, British diploma that would be recognised by all and would allow young people to mix academic and vocational learning.

The Secretary of State referred in his speech to the pernicious link between achievement and background. John Smith's commission for social justice pointed to Tomlinson's recommendations as being the key way to break the link with class structure in education and ensure that all young people have the chance to perform. I am disappointed that the Secretary of State has not taken that on board and delivered Tomlinson in full.

A few moments ago, the Secretary of State replied to my hon. Friends the Members for Rochdale (Paul Rowen) and for Cambridge (David Howarth) by citing figures for capital and revenue. The amount cited for revenue was £700 million, but I am still not clear whether that is the amount for each year, or the total spend between now and 2013 or 2015. What does the Secretary of State mean by the £200 million for capital? When will that be delivered? We know that there have been great delays in getting building projects in place under the Building Schools for the Future programme. If we do not start this project now, by the time we change the learning leaving age, we will not have the capacity to deal with the many more young people who will be staying in education. I would be grateful if the Secretary of State wrote to me about that in detail and, perhaps, placed in the Library an answer setting out exactly what he means by the funding, what he proposes to spend it on, and when it will begin.

When the Secretary of State produced his estimates of costs, did he take account of the fact that vocational courses tend to be a good deal more expensive to deliver than others? It is likely that the young people who are not staying on at the moment will be undertaking more vocational courses. What is the rationale for keeping the educational maintenance allowance at the age of 17? It is not clear why the allowance would be kept in the system when it becomes compulsory to stay on beyond the age of 16.

There are several practical steps that the Government should take to make 16-to-18 learning work better. First, they could narrow the gap in funding between colleges and schools, although such a measure was conspicuous by its absence from the Budget. Secondly, they could move 16-to-19 funding from the Learning and Skills Council to local authorities. We could then have some hope of devising a system under which funding would follow the student. The White Paper on further education, published with last year's Budget, promised that a technical funding group would come up with a new funding system. Where is it? Has it finished the job yet, and may we see the new system, please?

It is a long time until 2015, but many young people have already dropped out of the system and need attention now. The training wage for teenagers not in education, employment or training—NEET—is a step in the right direction, but it has been an awfully long time coming. The Government have presided over a 44 per cent. increase in the number of 16 and 17-year-olds in that group. There are 124,000 16 to 17-year-olds in the NEET group, and the pledge offers help for 50,000 of them. How will that help be targeted, and who will be selected for help? In particular, what does the Secretary of State for Education and Skills propose to do about the disproportionate number of teenagers from Pakistani and Bangladeshi backgrounds in that group? The number doubled between 2004 and 2006, and that must surely be of considerable concern. What research has been done on why those teenagers are failed by the system, and how will the pledge be targeted to help them?

The announcement on apprenticeships was much harder to unpick. I am not clear what is meant by "doing more" to double the number of apprenticeships to 500,000. The number of young people on apprenticeships has risen from 165,000 to 188,000 in the past five years. At that rate, it will take another 40 years to meet the target. What exactly is the Secretary of State proposing to do differently to ensure that we reach the target more quickly? I am sure that the personalised learning money will be welcomed by all, but we know that the children with the most severe difficulties need a trained teacher to achieve improvements. It is critical that the money is spent in a

way that works. Putting a child with an adult for half a day a week will not work for all children.

Ofsted's report on the foundation stage pointed out that speaking and listening skills were holding back many young children from progressing. No details about that are attached to the proposals for personalised learning. Does the Secretary of State intend to extend that programme? The money for ChildLine and for listening services is very worthy, but will he clarify how much money will be provided? The National Society for the Prevention of Cruelty to Children is not clear about how much money is being given, and for how long it will be available. I hope that the Government's commitment signals a shift towards focusing on the problem of bullying in schools. The Government have poured a great deal of money into initiatives to tackle truancy, but we know that a third of children who truant say that they do so out of fear of bullying. Tackling the problem at source would save a great deal of money and result in a good deal more education being provided.

I have some further queries. Will the Financial Secretary clarify the pledge on VAT for academies? Does it refer to sports facilities, as was said in the statement, or to buildings, as the Red Book says? I hope that it refers to buildings, because the critical problem for many voluntary sector organisations in most areas is a lack of places to meet. If all academy buildings were opened up to the community, it would make a significant difference, but why have academies been singled out in that regard? Sixth-form colleges are caught in exactly the same trap; they, too, have halls and meeting spaces that could be opened up to the community. Will the Secretary of State consider asking the Chancellor for VAT relief for sixth form colleges, too?

Academies were conspicuous by their absence from the Budget. Where is the money to meet the Prime Minister's pledge of 400 academies by 2010? The Secretary of State referred to the pledge again, so it appears that it has not been dropped, but I cannot tell where the money needed to meet the pledge will come from. Is it coming from the total pot for education, or is there specific funding of which we cannot find mention in the Red Book? If the money is to come from the whole education pot, the pledge on per-pupil funding is a bit meaningless, because the funding will obviously be concentrated in very small pockets.

Specialist teachers are also conspicuously absent from the Budget. Last year's Budget contained a pledge to increase the number of science teachers by 3,000: where are they? The only mention that I could find of recruitment of science teachers related to the review that the Prime Minister has commissioned from Lord Sainsbury of Turville, but no details have been given on that point. Where is the extra money for recruiting foreign language teachers, so that the recommendations made in the Dearing report just this month can be met? There are some welcome initiatives in the Budget, but it has been spoilt by over-hype, and there are many conspicuous absences. I hope that, in his winding-up speech, the Financial Secretary can clarify some of the rather obscure aspects of the Budget.

1.44 pm

Keith Vaz (Leicester, East) (Lab): It is always a pleasure to follow the hon. Member for Brent, East (Sarah Teather), because her constituency is similar to mine in its make-up. When she has had the opportunity to study the Budget in great detail—obviously, it is difficult to have done so a day after it is published—she will see that it will benefit her constituents as much as it will benefit mine.

May I say at the outset how disappointed I was with the speech of the shadow Chancellor, the hon. Member for Tatton (Mr. Osborne)? I was disappointed because I rate him as someone who is able to grasp issues effectively. Instead of spending his time talking about the substance of the Budget, he spent much of the early part of his speech engaged in a juvenile attack on the Secretary of State for Environment, Food and Rural Affairs through references to "Thunderbirds" and so on, and on the Chancellor of the Exchequer. That demeaned the hon. Member for Tatton, because I think that he has a great future; he could well end up as the Leader of the Opposition.

I do not understand why the hon. Gentleman both claimed credit for everything that the Government had done in the Budget, and attacked it. Every good proposal made by the Chancellor yesterday the hon. Gentleman said was his idea, or the idea of his buddy, the Leader of the Opposition, but he still ridiculed every aspect of the Budget. I will be interested to see how he and the Opposition vote on various measures next week, because that will be the test of whether they support this tax-cutting Budget. It is the first time in, I think, 75 years that the basic rate of income has been cut, and we should welcome that greatly.

Mr. Paul Goodman (Wycombe) (Con): Will the right hon. Gentleman give way?

Keith Vaz: I will in a moment, but I ask the hon. Gentleman to hang on a minute; I am starting my speech.

Of the 21 Budgets that I have seen in this House, I think that this is the best. It builds on the stability of the past 10 years, and it gives us enormous hope for the future. In my brief speech, I will set out why I think that, but first I give way to the hon. Gentleman on the Front Bench.

Mr. Goodman: Does the right hon. Gentleman deny that he said, a few moments ago—it will therefore be in *Hansard* tomorrow—that the Chancellor's reduction in income tax, announced yesterday, was the first such reduction for 75 years?

Keith Vaz: That is indeed what I said, and we should welcome the reduction, because it benefits people in all our constituencies. The Chancellor has led this country by providing prosperity for our people and the basis for growth, and he is now ensuring progress, especially in health and education.

Mr. Simon Burns (West Chelmsford) (Con): In the past three months, I have, in this Chamber, heard the right hon. Gentleman express concern to the Secretary of State for Health about hospital-building schemes and waiting times in Leicester. Will he pinpoint where, in the Chancellor's speech yesterday, it said that there would be specific help to deal with those problems?

Keith Vaz: I will, but I urge the hon. Gentleman to listen to the rest of my speech. I know that he came in late, and therefore—

Mr. Burns: I have been here all the time!

Keith Vaz: I am very pleased. I did not see the hon. Gentleman—

Madam Deputy Speaker: Order. If there are to be interventions, may we follow the usual rules of debate?

Keith Vaz: Madam Deputy Speaker, I am sorry. I did not particularly look for the hon. Gentleman earlier; I apologise if he was here for the whole debate. My attention was, of course, on Front Benchers. Next time, during the Front-Bench speeches, I will look in his direction to make sure that he is here. Oh, now he is leaving the Chamber. That is why I was confused—he keeps changing his position. He needs to have a fixed position, not just in the House, but on issues.

I will come to my point about health and education in a moment, but first let me say that the Budget will be warmly welcomed, because it will build on the stability of the past 10 years. We should thank the Chancellor for what he has done. This will obviously be his last Budget, because he will be a candidate in the leadership elections, and I hope very much that he will take over as Prime Minister; he certainly has my support. We would then know that, over the next few years, we will continue to have stability.

Let us look at health, because the hon. Member for West Chelmsford (Mr. Burns), who was a Health Minister in the last Conservative Government, mentioned it. We have benefited a great deal in Leicester from a huge injection of cash. Some £760 million will go towards our new pathway project. Leicester general hospital will be rebuilt and changed substantially, and Glenfield hospital and Leicester royal infirmary will benefit, too. Three brand-new hospitals will benefit the people of Leicester, East. Only a few weeks ago, the Minister of State, my hon. Friend the Member for Leigh (Andy Burnham), visited my constituency to launch the new local improvement finance trust centre in Charnwood, which has received £12.8 million. Another centre is being built in the Humberstone and Hamilton area of my constituency, which did not exist when I became a Member of Parliament 20 years ago, because it is new build. There is a centre, too, in Belgrave in the heart of the inner city of Leicester, East.

That shows a real commitment to the health service. Of course, I have raised concerns in the past, and I did so two weeks ago, as one of my constituents, Mark Golding, had waited for four months for a double hernia operation. I understand that it is a very painful condition. The hon. Member for West Chelmsford nods—he may well have suffered from it himself. Mr. Golding was in great agony, and he had to wait, which is wrong. We have spent a great deal of money on the health service, so why should people have to wait so long for operations? Lo and behold, after I raised the matter in Health questions, the next day, Mr. Golding received an appointment for a hernia operation. Obviously, we do not want people to keep writing to us all the time. [Hon. Members: "Oh!"] We want to them to write to us with their concerns, but we do not want them to believe that just by our raising the matter on the Floor of the House they can get their operation, as there is a system in place. I am making the point that a lot of cash has gone in: what we need to look at is the delivery of services, which is up to the local primary care trust, not the Secretary of State for Health. I do not expect her or her junior Ministers to conduct those operations, but I do expect them to set the overall framework so that the local delivery of health services is as effective as possible.

Mr. John Baron (Billericay) (Con): The right hon. Gentleman made a point about hospital waiting lists. Despite the doubling of the money spent on the NHS under the Government, why have hospital waiting times, as measured by hospital episode statistics, fallen by only five days in the past 10 years from 11.8 weeks to 11.1 weeks? Does he accept that that clearly shows that the money has not been well spent, and is not getting to front-line services?

Keith Vaz: I do not. The hon. Gentleman has a great deal of knowledge as a shadow Health Minister, so he knows much more about the economics of those issues than I do. We are meeting our targets, and the people who come to us are exceptions. Mr. Golding was the first case with which I have dealt in the past year of a constituent who is concerned about the delay—we would know if there were other such urgent cases, because people would contact their MPs—so matters are progressing, and I welcome that. The money has gone to front-line services, and it has improved our targets, which is to the benefit of our constituents, but of course it is important that we look at the way in which services are delivered locally by officials.

I agree that there are too many managers in our local health service, which is why I welcome the meeting that I held last Thursday with Tim Rideout, the new chief executive of Leicester PCT, who told me that a tier of management will be removed in Leicester, so even more money will be spent on local services. Mistakes have been made. One PCT would be sufficient in a city such as Leicester, so goodness knows why we had to have two. Such decisions must be looked at very carefully indeed, as we are dealing with public money, but I am pleased with the large investment in the health service in Leicester. The Under-Secretary of State for Education and Skills, my hon. Friend the Member for Gloucester (Mr. Dhanda), is in the Chamber, so I hope that he will tell his colleagues how pleased we were to receive a visit from the Minister for Schools. Sadly, when he came to Leicester to meet the leader of the Liberal Democrat council, I could not attend, because it was a mid-week visit, but he looked at Judgemeadow community college, which will be completely rebuilt, and St. Paul's—not that St. Paul's, but another one in Leicester—a Catholic school, which the Minister opened, which has received public funding to build a new performing arts centre. Our schools are going to rebuilt, as a result of the largest investment by any Government in education in Leicester. Some £230 million is going into the local education system, which we should welcome enormously. The Opposition chant, "Where has the money gone?", and the answer is that it has gone on local services, to improve them and provide benefits for our constituents, which is why they are happy with what the Government have done, and why they elected them three times in a row with large majorities.

I turn to Britain's position in the world and the way in which the Budget helps us to build on our achievements in Europe. I am glad that the Chief Secretary to the Treasury is in the Chamber, because he has performed many excellent ministerial roles in the past 10 years, including negotiating with our European partners. Tomorrow is the seventh anniversary of the adoption of the Lisbon agenda. I had the privilege of serving as Minister for Europe at the time, and I saw the way in which the Prime Minister negotiated a set of benchmarks for the European economy, if I may put it like that. For the first time ever at a European summit, we put in place a set of benchmarks against which the European economies would be measured, to see whether they were successful. It was not the usual warm words that are spoken European summits, where everything is wonderful and everyone is happy with everything that Europe has done.

Those benchmarks were revisited two years ago on the fifth anniversary of the Lisbon agenda—the Kok report, too, looked at the success of European economies after Lisbon—so we can determine how well we have done against the Lisbon criteria. There has been growth of 25 per cent. in the past eight years and, moreover, we are the fourth-best performing economy on criteria in the Lisbon agenda. We are the best of the big European economies, and that is because of the Government's policies. If we want to turn the European Union into the most dynamic and knowledge-based economy in the world, and if the competition is the United States, as it always is, we can see that the benchmarks set at Lisbon have made an extremely important contribution to what our Chancellor and the Treasury team have achieved in trying to move the agenda forward. That agenda has not only provided a strong economy, but has created jobs.

There was a great deal of concern among Opposition Members about the arrival of our fellow citizens from eastern Europe when the A8 joined a few years ago. They voiced criticism and, in fact, the then Leader of the Opposition, the right hon. and learned Member for Folkestone and Hythe (Mr. Howard), was going to go to Luton airport to judge how many EU citizens were coming to work in this country. Enlargement, however, has been an enormous success, and the Government, the Prime Minister and the Chancellor have led the process of enlargement. The combination of enlargement and the Lisbon agenda means that the citizens of the A8 who have come to the UK have produced huge benefits for our economy. Their taxes have benefited the economy, and their hard work and dedication have helped us to keep our place, which is why the Germans and the French must regret very much failing to do what we did two years ago, when we allowed the A8 citizens unfettered access to the UK.

I was disappointed that on 1 January this year we did not extend that unfettered access to the Romanians and Bulgarians, as I believed that allow such access would further help the economy and make it even stronger. However, a review has been promised by the Home Secretary, and I hope that my right hon. Friend the Chief Secretary to the Treasury, who knows those reports and the statistics, will tell him that the enlargement of the European Union and our success on the Lisbon agenda have provided a huge boost to our economy.

Mr. Lilley: Does the right hon. Gentleman accept that, even if there are the advantages in labour market terms that he suggests from the employment of the huge influx from the eastern European countries, it must also have had an effect on the housing market? Would he like to speculate how many houses are required to house 600,000 people?

Keith Vaz: I know that the right hon. Gentleman poses those questions sincerely. I have had no evidence at my surgeries or any anecdotal evidence at meetings that the A8 citizens are putting pressure on our housing market. He may have evidence, but I have none. If they contribute through their taxes to the British economy, they are entitled. The right hon. Gentleman is a former Secretary of State for Social Security. Very few of the A8 citizens have claimed benefits. The Minister, I know, will have the figures at his fingertips. A tiny proportion—145 was the last figure that I heard—of the hundreds of thousands who have come into the country have claimed benefits. If they come to the UK, pay their taxes, are not exploited and are paid the minimum wage, that is how they contribute to the economy, and it is up to local authorities to make up the difference. Any Member who represents an inner-city area knows that that is the case. That has been the magnet for people to come to this country.

I shall make two final points. The first concerns the GE factory in my constituency, which is about to close with the loss of 287 jobs, despite the booming economy. I have had meetings with the Minister for Industry and the Regions about that. The factory has been in existence for over 60 years, and was originally owned by Thorn. It used to make the majority of the light bulbs for the whole of Europe—the lights in Europe started in Rushy Mead in Leicester—first for Thorn and then for General Electric, the second largest company in the world. GE has decided to close the factory, against my wishes, against the wishes of local people and against the wishes of the council.

Sadly, the Budget—the reduction in corporation tax, which I welcome, and the reduction in personal income tax, which I mentioned—comes too late for the factory and the work force. As I was pressed by the hon. Member for Wycombe (Mr. Goodman), I am happy to clarify that that will be the lowest level of tax for 75 years. I am happy to put that on the record, before he jumps up at the end of the debate and starts accusing me of a lack of knowledge of economics. Although I did economics at A-level, I plead guilty to the error and I am happy to put the record straight.

I wish the factory could have remained open. My constituents have worked in Rushy Mead all their lives and now they have no jobs to go to. That is the problem with globalisation, which the Chancellor is good at talking about because of his visits to China and India. He has spoken about globalisation and the need to make our economy competitive. The GE jobs are going initially go Hungary and eventually to China, so we need to find a way of retraining our people so that they get they skills that they need.

Finally, I am glad the right hon. Member for Hitchin and Harpenden (Mr. Lilley) is present, as I have some nice things to say about him. Sixteen years ago the Bank of Credit and Commerce International closed,

[Keith Vaz]

on 5 July 1991. I have raised with the Treasury, and it may well be in the Red Book, which I have not yet seen, the issue of BCCI and how helpful the right hon. Gentleman was to me and to those who lost their deposits, their homes and their jobs 16 years ago. He was the best Secretary of State to have dealt with the matter over the past 16 years.

How sad it is that after 16 years BCCI is still in liquidation, with the liquidators still bleeding the bank, or what is left of it, with their huge fees. How sad it is that a Labour Government, after 10 years, have not put sufficient pressure, through the Treasury and the Department of Trade and Industry, on the Insolvency Service, which is part of Government, to put pressure on the liquidators to close the liquidation. If my right hon. Friend the Chief Secretary or the Financial Secretary gives the Governor of the Bank of England a ring about BCCI, he will hear how sad and how angry the Governor is about the fact that the Treasury still has not sorted the matter out. He and former Governors have had to go to court because the liquidators sued the Bank of England and have had to settle out of court.

I should like to hear in the winding-up speech whether the liquidators have paid the costs of the case over to the Bank of England. I want to ask the Chief Secretary—I know he is not the Minister with responsibility for banking—to say to the Minister with responsibility for banking, "Yet another Budget where we should have made provision for BCCI, yet no solution. Why is it that all the senior partners of Touche Ross over 16 years have dealt with the matter and have all become multimillionaires, and still there is money in the bank that has not been paid out?"

I was very nice to the former Secretary of State, the right hon. Member for Hitchin and Harpenden, but it was a Conservative Government who closed BCCI with the words of the then Prime Minister and the then Chancellor of the Exchequer, Lord Lamont, that there was no money in the bank. That was what he said when he was Chancellor. Only 80 per cent. of the money has now been paid back. Please, under this Government, let us do the decent thing and close the liquidation. The Treasury must talk to the DTI to try to resolve the matter.

Those final points were my only mild criticism, not of the Budget, which is a splendid Budget, but of the way in which we are progressing these matters. The Budget will be warmly welcomed in Leicester, East and the people of my constituency want to thank the Chancellor for what he has done.

2.6 pm

Mr. Michael Jack (Fylde) (Con): I am grateful to be called to speak in the debate. I remind the House of my declaration in the Register of Members' Interests. I shall comment on the Budget and the Government's record of stewardship of Treasury matters. I shall say something about tax simplification, inflation and monetary policy, and I shall conclude with some observations on inheritance tax and the environmental element in the Budget.

The Budget was difficult to judge because part of the picture was missing—that is, the now receding outcome of the comprehensive spending review, originally scheduled for this summer, and now forecast in detail for the autumn. Until we can put the tax raising and spending parts of the economy together, it is difficult to know how good are the claims made by the Chancellor were yesterday. We know that effectively there will be a squeeze on public expenditure, and if the Government will not pay for certain services, individuals may have to provide those themselves. That, from their standpoint, would be the equivalent of a further tax.

The Chancellor was also silent on one tax rise that we know is definitely coming and that will arrive from 1 April—the likely 5 per cent. increase in council tax across the United Kingdom. Many hard-working families will see a real departure of money from their balance before any of the changes announced by the Chancellor can affect their personal budgets. This has been the silent tax throughout the time the Labour Government have been in power, in that above-inflation increases in council tax have happened year in, year out. Not just hard pressed families, but many pensioners are struggling to pay their council tax. And they will have had little relief from the telephone directory-size-Lyons report.

Another element was missing from the Red Book and I hope that the Financial Secretary will give some thought to remedying that in future. Over the Chancellor's period in office, there have been many, many changes to the tax system, but no evaluation is ever provided as to whether they have produced any net benefit to the economy. For example, the Government have spent over £1.5 billion on reliefs to the British film industry. When I tabled parliamentary questions asking for some kind of evaluation, I was referred to the film industry's own reports on its overall progress. We have no indication from the Treasury of how many starts on new British films have occurred as a result of the umpteen tax changes that have affected the film industry. With £1.5 billion of taxpayers' money put into one industry alone, I should have thought that some kind of assessment should be available.

I remember a small tax change some years ago whereby the rate of VAT on children's car seats was reduced, with the claim that that would somehow improve children's safety. I applaud that aim, but where was the evaluation of whether the expenditure of £5 million of the public's money ever gave us anything by way of improved safety?

A more controversial area is the ending of the payable tax credit as regards pension provision—a major change during this Chancellor's stewardship of Treasury matters that was initially a £5 billion reduction in the amount of money going into pension funds. There has been much debate and argument about it. I, for one, would be interested to see a Treasury appraisal of that major change in the way in which pensions are funded, but nothing has appeared. If I had time, I could go through nearly every tax change that the Chancellor has made, for which there has been no impact study or evaluation to find out whether it worked.

Yesterday, the Chancellor patted himself on the back in relation to his own perception of his economic stewardship. Before we consider his latest Budget, we

should reflect for a moment on his track record. Personal tax allowances—much has been said about the personal tax content in this Budget—have, by and large, been increased by the rate of price increases, not earnings. As a result, the Chancellor has accumulated the equivalent of another 7p in the pound in tax take—an increase in revenue equivalent to £29 billion during his lifetime as Chancellor. That fiscal drift has also meant that another 1.5 million people are now in a higher-rate tax bracket. I acknowledge that economic growth and increasing earnings account for part of that, but an awful lot of it has to do with fiscal drag. As for the tax bill for households, in 1997 the average household spend was 33.6 per cent. of income; now, it is 38.3 per cent.

One can go on looking at other areas. For example, while house prices have doubled, stamp duty thresholds, with the exception of the lower band, have not changed. The revenue from that area has increased by a staggering 582 per cent. In terms of investment in the economy, the percentage of gross domestic product invested in pensions when this Government came to power was 6 per cent.; now, it is significantly lower. The savings ratio has fallen from 10 to 5.3 per cent. Total debt in the economy is up by 160 per cent., at £1.3 trillion. Public spending as a share of GDP has, over the lifetime of the Government, increased from 34.7 to 44.9 per cent.—an increase of 7.5 per cent. In the United States, our economic rival, public expenditure has increased by 2.4 per cent.; in Germany, the figure is 1.7 per cent. The cost to business of compliance with the multiplicity of the Chancellor's tax changes since 1997 is estimated by the British Chambers of Commerce at an additional £40 billion.

In 2001 the Chancellor announced that Government debt over the next five-year period was to be £28 billion; by 2006, that had risen by an additional £129 billion—a £101 billion overspend. Now this Budget, by contrast with the situation that was announced in the pre-Budget report for borrowing, contains a further £8 billion. I would say to the Financial Secretary that Treasury forecasting is very much in need of a review as regards its accuracy. If we go back through the Red Books, we see an increasing difference between what was promised and what was delivered, particularly on the key measure of Government borrowing.

Having given a different perspective on the Chancellor's tax record, I turn to some specific issues. Let me first acknowledge the activities of one person who was not mentioned in the Chancellor's plaudits yesterday—the Paymaster General, who is continuing to provide support for the tax law rewrite exercise. That started during my time in the Treasury, and I am pleased that the Government have continued it over the past 10 years. The Treasury has also introduced some important anti-avoidance measures whereby those who wish to avoid tax must get Treasury approval in the first instance.

Against that more open and transparent operation of the tax system, may I say to the Paymaster General, through the Financial Secretary, that perhaps the time has come to start learning some of the lessons that have come out of the tax law rewrite exercise? I have been involved in its steering committee for the past 10 years. Many good ideas about sensible reforms in the operation of the tax system have come out of that exercise, but sadly its remit does not allow those measures to be implemented because they would require a change in tax law.

Stephen Williams (Bristol, West) (LD): I, too, have taken an interest over many years, from a professional point of view, in the tax law rewrite. Does the right hon. Gentleman agree that we also need a tax law commission so that new proposals to reform our ever-burgeoning burden of tax legislation could be discussed by the profession and then enacted by Parliament with an informed viewpoint?

Mr. Jack: I am grateful for the hon. Gentleman's observations. We do not necessarily need another commission, but the rewrite exercise's remit needs to be expanded to take account of his thought process by allowing for the expertise of the tax industry, which has been devoted selflessly and tirelessly to the rewriting of our tax law in plain English. The lessons that have come out of that should be developed, in partnership with the Treasury and Her Majesty's Revenue and Customs, into an exercise to improve and simplify the operation of our tax system without putting revenue raising at risk.

For 70 or 80 per cent. of the population, what they pay every month in their mortgage has a more profound effect on their financial well-being than a penny or two off the basic rate of tax. On the basis of the average mortgage—£123,000, according to the Council of Mortgage Lenders—a quarter of a point change in the Bank of England's base rate would cost people £25 a month or £300 a year extra. That has a far more profound importance as regards their personal budgets than the relatively small changes in the tax system that were discussed yesterday. That puts particular emphasis on the continuing importance of monetary policy.

I have been worried for some time that the United Kingdom may be running unnecessarily high interest rates because of structural problems in our economy. I asked the Library to provide me with a comparison between average prices, GDP growth rates and interest rates in the UK and the United States over the period 1998 to 2006. In the UK, interest rates were 5 per cent., price changes based on the consumer prices index were 2.9 per cent., and growth was 3.1 per cent. In the United States, interest rates were 3.64 per cent., price changes were slightly below, at 2.9 per cent., and growth was 3.5 per cent. I conclude from that that this other open, free market economy has some advantage allowing it to run lower interest rates than we can, and we should explore why. A recent International Monetary Fund report clearly identified the difference between the inflation rate in the manufacturing and service sectors:

"While goods price inflation has generally been below service price inflation in all three"—

the euro area, the United States and the United Kingdom—

"in the United Kingdom, this has been significantly more pronounced with goods price deflation offsetting strong and fairly stable inflation in services prices".

There is a case for examining whether further structural reform is needed in the economy, particularly in the

[Mr. Jack]

service sector, to ensure that it is efficient and not unnecessarily driving inflation. That was borne out in the same IMF report in relation to labour productivity growth in tradeables—as it calls the manufacturing sector—in the United Kingdom between 1995 and 2004. A 2.93 per cent. change is quoted, with a 1.4 per cent. increase in productivity for non-tradeables. In the United States, however, the figures are 3.5 per cent. versus 1.99 per cent. That difference needs to be looked at, and I hope that the Financial Secretary will agree that a consideration of the structural side of the economy has some merits.

In previous speeches on the Budget, I have commented on the subject of inheritance tax. Originally, I advocated its abolition, but I recognise that anyone who says that a tax should be abolished must tell the Government, or the Opposition, of the day where the money will come from. Given that more estates are now being drawn into inheritance tax, I decided that an alternative approach was merited. Older people who want to pass on the fruits of their labour have a considerable worry that house price inflation will draw them into the complex web of inheritance tax, with its 40 per cent. marginal rate. There is now a case to re-examine that tax.

I posed to the Library of the House the following question. If the inheritance tax threshold remained where it is now, and if all inheritance tax exemptions were removed, what rate of inheritance tax would be necessary to maintain the current yield? The answer that came back was a marginal rate of 10 per cent. If we modified that proposition by continuing the exemption from inheritance tax for the surviving spouse, a rate of 12.5 per cent. would result. With a simpler, more straightforward inheritance tax with low marginal rates, we might not have the situation in which avoidance was the privilege of the rich and sophisticated. That analysis shows that there is a case for re-examining the way in which inheritance tax operates.

From the same analysis, I also discovered that if we removed ways of avoiding inheritance tax, and had a threshold of £750,000, we would still be left with a 40 per cent. marginal rate. We can play tunes with the inheritance tax system, and the time is now right for a thorough review to remove complexity and try to introduce a lower marginal rate.

I want to conclude my remarks on the environmental element of the Budget. As the Minister will know, I chair the Environment, Food and Rural Affairs Committee, which has been doing considerable work on the citizen's involvement in climate change and on bioenergy.

The way in which the Budget dealt with some environmental challenges was disappointing, although it would be churlish not to put on record my appreciation of the £50 million to be spent on preserving rain forests, a move that I wholly applaud. I also applaud the extra £6 million for the low-carbon buildings programme. A time will come, however, when grant subsidy by the Government will not be sufficient for the introduction to the United Kingdom of alternative, sustainable ways, with low greenhouse gas emissions, of generating heat and electric power. I recommend to the Financial Secretary that the energy review include some analysis of adopting the system in Germany, where the buy-in tariff on self-generated electricity provides a return to the individual of four times the price paid for purchasing electricity centrally. That system has dramatically increased the amount of power generated by renewables sources to 10 per cent., at no cost to the German Government and with no grants. The better buy-back price guaranteed for a period of 20 years, with the cost spread out among all electricity users, means that the average German household spends only €2 extra on their electricity bills, while still delivering a 10 per cent. renewable rate. Neither this country's renewables obligation certificate, nor Ofgem's proposals for consultation on the removal or replacement of the current ROC system, replicate the German success, which has led to widespread localised electricity generation through photovoltaic cells, wind or combined heat and power.

Communities in this country are anxious to get involved in reducing greenhouse gas emissions. Again, Germany provides substantial examples of local investment by local people in combined heat and power schemes, thus removing the burden from Government but ensuring that the community has the right conditions to fund effectively their own environmental programmes. Will the Financial Secretary consider a third way in the range of individual savings accounts provided to encourage personal and private investment in energy-saving projects? Either personal involvement in an ISA dedicated to that purpose or changing the operation of venture capital taxation to encourage more investment in localised schemes, coupled with improved buy-back prices for electricity, could radically transform the opportunities for localised power and heat generation.

The Financial Secretary should also consider the derogation on duty for biofuels. When the price of oil went up, the numbers wishing to invest in biofuels production substantially increased. It has become clear during the Select Committee's inquiry, however, that some producers reduce production as the price of oil decreases, as it is no longer profitable, and the duty derogation does not provide an effective subsidy to cover the additional costs. Is it not possible to vary that subsidy according to the price of hydrocarbon fuel, so that the amount of money going back to a biofuel producer when the price is $80 or $90 a barrel is considerably more than when the price decreases to $50 or less? Take-up of the Government's help to the second-generation biofuels industry needs further encouragement if we are to sort out the food-fuel paradox, because such investment is slower in this country than in continental Europe.

I am surprised that those on both Front Benches have shown so little imagination in regard to aviation emissions. They could have come up with better ways of drawing to passengers' attention the carbon implications of their journeys. I would favour not a tax but a carbon offset scheme, enabling people to know how much carbon their journeys were costing. Some of the work of the CarbonNeutral Company, for instance, could help to identify the carbon cost of journeys. Most important, the money raised could be put in a pot and help to fund carbon dioxide-reducing activity. Perhaps there could be a special lottery fund for localised and community-based activity, or a fund to give further support to projects such as the low carbon buildings programme.

BP has developed a carbon offset programme allowing motorists to offset with money the carbon in the fuel that they buy. The company tells me that the results of its customer survey convey the clear message that customers want the money to be spent locally rather than remotely. The time has come for more imaginative offset programmes. It must be made clear to people that the money they have to pay as a consequence of their carbon expenditure can be spent on reducing carbon in their areas and communities.

Budgets are like Chinese meals. This Budget is certainly like that. You noticed it on the day, but you woke up the following day wondering what it really was that you ate. I know from my time as a Treasury Minister that this will turn out to be rather a disappointing Budget. The cheers on Budget day collapsed very quickly as people saw the true meaning of the so-called 2p off tax. What it really means is a tax take from the less well off: a reduction in payable tax credit. Disappointment will be inevitable, and the forthcoming attraction is a public expenditure round that will squeeze the amount available for the provision of Britain's vital and valuable services.

In the light of the observations of the shadow Chancellor, my hon. Friend the Member for Tatton (Mr. Osborne), I look forward to a real change of tenure at both No. 10 and No. 11 Downing street.

2.31 pm

Helen Jones (Warrington, North) (Lab): It is a pleasure to follow the right hon. Member for Fylde (Mr. Jack), who always has something interesting to say in debates such as this—although both he and I often find ourselves addressing a half-empty Chamber on Thursdays.

I shall concentrate on the education implications of the Budget. My right hon. Friend the Chancellor made it clear that we would continue to invest in education, and my right hon. Friend the Secretary of State for Education and Skills described some of the effects of that this afternoon. It is a policy that the Government have espoused throughout their term in office, and their investment has produced spectacular results. Standards of literacy and numeracy have risen dramatically in our primary schools, and the key stage 3 strategy is improving results in secondary schools. More young people are obtaining five good GCSEs than ever before, and we ought to recognise and celebrate their achievements, because they are too often denigrated when the results are published. There are many hard-working young people who are achieving very good results.

Nevertheless, as we all know, under-achievement and inequality remain in the system. The Select Committee on Education and Skills has drawn attention to that in a number of reports. The way in which we tackle inequalities is crucial to education spending. There is still too wide a gap between our best schools and the schools that are struggling. It has been a scandal for many years that young people can leave school at 16 and be given no further education or training, and it was good to hear the Secretary of State commenting on how we propose to tackle that in the future.

It is also true that a young person's chances of proceeding to higher education are still overwhelmingly determined by the social class into which he or she is born. That inequity must give Ministers sleepless nights, but the social and economic consequences are also potentially catastrophic. We know—we heard it again this afternoon—that the number of unskilled jobs in the economy is set to decline, and that the number requiring higher-level skills will rise. If we do not tackle educational low achievement and under-achievement, there is a risk that a section of our society will not be able to obtain jobs and that the gap between the haves and the have-nots will increase, with consequent damage to civic society. That is how high the stakes are in respect of education, because what is at stake is the kind of society that we produce, not only in economic terms but in a host of other areas as well.

The Government have taken steps to tackle under-achievement. There have been valuable initiatives such as those to do with children's centres and extended schools, but many such initiatives attempt to tackle the problem through making changes to the structures of the school system, and I have concerns about how well that works, because I think that the jury is still out on a number of them. First, there is doubt about how well some of the initiatives gel with what the Government are trying to do in other areas—making schools the focus of their community, for example, or having extended schools. There is also an issue to do with dynamic leadership, which we talk about often in terms of education. That is important, but unless such dynamic leadership feeds through to improvements in teaching and learning—unless it is embedded in the system—when the leader moves on, the school might decline again. We should focus our education spending much more on developing the curriculum and improving teacher training. Those are the keys to improving education.

The results of some of the initiatives that have been taken are difficult to interpret at this stage—and the evidence is sometimes contradictory. Ofsted has so far inspected only nine academies. My hon. Friend the Member for Hackney, South and Shoreditch (Meg Hillier) talked about Mossbourne community academy, and the more I have read about it the more it has become clear that it is a very good school—in fact, I learned more this afternoon about education in Hackney than I have for a long time. Of the nine academies inspected, overall effectiveness was judged to be good in three, satisfactory in five and inadequate in one. That shows that the performance of academies differs; some are very good, while others have not achieved good results. It is too early to say how this programme will work through.

Greg Mulholland (Leeds, North-West) (LD): Although we agree that there are some positive spending measures in the Budget, does the hon. Lady also agree that it contains nothing that suggests that the Government will reach their target of having 400 academies—that is the new target, which is double the original 200 figure?

Helen Jones: The Government's target is to get good schools, which is the right target. Parents want a good local school—whatever title we give it. That is why I want to focus on teaching and learning.

[Helen Jones]

Some academies are very good, but the intake of some academies is very different from that of their predecessor school. That is a plus in one sense, but it also makes it extremely difficult to compare results because we are not comparing like with like. Some academies have a very high expulsion rate—much higher than that of the local authorities in which they are situated. If difficult and challenging children are moving to other schools in the system, that also makes comparing results difficult, because the challenges presented by such children are not tackled, but moved somewhere else.

There has also been the specialist schools programme. The Education and Skills Committee—and that Committee in its previous incarnation as the Education Committee—has made it clear that there are varying assessments of that programme. It is undoubtedly true that many specialist schools have improved their results and that they have offered further opportunities to many children, but let us look at last year's results. The average point score at GCSE in specialist schools increased by 10.5 per cent. but it increased throughout the secondary school maintained sector by 10.8 per cent. It is therefore very difficult to draw conclusions from those results at these early stages.

It sounds confusing, but education can be confusing, because it is very difficult to establish control groups when starting new things. To make matters more confusing, in some areas certain things have worked and Government interventions have been very successful. For example, in 1997-98, 45.9 per cent. of schools in the most deprived wards were in special measures; by 2004-05, that figure had fallen to 28.8 per cent. Primary schools with the highest number of children on free school meals—a good rough index of deprivation—had narrowed the results gap on schools with a smaller proportion of children on free school meals.

Mr. Kevan Jones: Does my hon. Friend agree that a key issue in raising standards in schools is leadership, and that investment in head teachers is helping to drive up standards in the most deprived parts of constituencies? That is certainly true in my constituency.

Helen Jones: I agree with my hon. Friend—that is a very important point. What seems to have worked in the primary schools that I am referring to is a combination of rigorous focus on the curriculum—including literacy and numeracy—better support for teachers, better materials and better overall support. However, it is important to recognise that, although good management of a school is important in itself, we must ensure that it feeds through into improvements in teaching in the classroom. Ofsted's report on academies found that although leadership is a strength for most academies, that has as yet led to minimal improvements in teaching in the classroom.

If we are to tackle this problem, our education spending must in future focus on the curriculum, teaching and improving teacher training. Alongside that is the question of how we get our best and brightest teachers into our most challenging schools. The biggest single indicator of low educational achievement in this country is not ethnicity or gender, but poverty: the simple question of whether a child is born poor. Of course, that does not mean that all poor children are destined to fail—some schools prove triumphantly that that is not so—but it is more likely to happen.

So in making our spending decisions, the first question that we need to ask is, what do we do about the curriculum? What do our children need to flourish in the 21st century? The problems that they will face are quite different from the ones that we have had to face. They are growing up in a world of vast movements of people. They will indeed be global citizens, and many of them will work abroad at some time in their lives. Families are scattered and communities often fragmented; schools have a role to play in dealing with that. Most of all, our children are growing up in an age of mountains of information: in a multi-media age in which, at the touch of a button, the internet can provide information—some good, some bad—on every subject under the sun. Unless we teach them to deal with that information overload, we will not be preparing them adequately for the world in which they will grow up.

I accept that we in this country are not good at talking about the schools curriculum. We tend to assume that we know what everyone should learn, and usually, it is what we ourselves learned. As a result, our curriculum is still based on a 19th-century curriculum. It has been tweaked here and there and bits have been added and subtracted, but it is recognisable as the same curriculum. That is not good enough for the 21st century. We need to ask much closer questions about what our children learn. If we all accept, as I assume we do, that the building blocks of the curriculum are literacy and numeracy, because they are the foundation of all other learning, we have to ask, "What next?". I wish to make a few suggestions. They are not prescriptive or even a full list, but they are suggestions that we should debate—

Madam Deputy Speaker: Order. I wonder whether the hon. Lady, when she makes her suggestions, will be able to link them to the comments in the Budget speech that the Chancellor made.

Helen Jones: I will try to do so, Madam Deputy Speaker. My argument is that our money should be spent on developing the curriculum and on training teachers to deliver it. That is the key to improving teaching and learning.

My first suggestion is that our children should learn about their own country, its history, traditions and culture. That is easy to say, but it takes a lot of thought and spending to develop that curriculum. If there are two historians in a room, they will have three different views on how to deliver the history curriculum. English teachers will argue for a long time about what children should be reading.

I suggest that we need to be guided by two points: we need to prepare our children for work, but we also need to prepare them to live. Education is about living well, and the decisions that we make about the curriculum, and the money that we put into it, should be guided by

the desire to ensure that our children have access to the best. We should educate them for leisure, as well as for work.

Secondly, children need to learn about at least one other culture. Culture is accessed through language, and we have heard the comments in Lord Dearing's report on the teaching of languages in primary schools. What he said was largely correct, but it still raises questions about how the money can be provided for developing the materials that will be needed to teach languages in primary schools and to train teachers to deliver that curriculum.

There is also a question about which languages should be taught. Traditionally, in this country, most people have learned French or German at school. If we are to move to teaching other languages, developing the staff to deliver them will have major implications for public policy and finance. It is right that we should do so, but long-term financial decisions have to be made about how to spend our money.

The third point is about science education. The Secretary of State said in his opening remarks that we are now getting more maths and physics teachers into our schools and more people are taking those subjects at university. But it is vital that children leave school with some basic scientific literacy—an understanding of scientific methods and of how science has shaped our world.

Children also need to leave school with certain skills. When the Education and Skills Committee considered citizenship education, for example, it found that we need to encourage active citizenship in our young people. They need to learn how to take responsibility and about the need to take part in their community. We need to consider whether all young people should undertake some community service as part of their progress towards leaving school. Perhaps an over-arching leaving certificate should include some such service—

Stephen Williams: Will the hon. Lady give way?

Helen Jones: I will give way as the hon. Gentleman is a member of the Committee.

Stephen Williams: The hon. Lady attended the Committee yesterday when we heard evidence from the University of Manchester that it now requires all its undergraduates to do 60 hours of community service a year. Perhaps that model could be replicated in schools, even if not for so many hours.

Helen Jones: The hon. Gentleman makes a fair and reasonable point, if we want to produce rounded citizens, but the question is how we direct our public spending to free up teachers to carry out such projects. Long-term decisions need to be taken. We need special people to deliver that. We need teachers who can inspire young people, and access the support that they need for learning. That is much more difficult than it ever used to be. We live in an age of internet chatrooms: everyone's opinion is considered to be equally valid, regardless of their knowledge of the subject, so it is very difficult to inspire respect for learning.

The Select Committee looked at various subjects, and we found time and again that there were deficiencies in teacher training—for instance, in respect of identifying special needs, or in teaching citizenship or reading. Yesterday, the Chancellor announced that there was going to be much more funding for one-to-one tuition. The changes in personalised learning will mean that we need to look carefully at how we train teachers in the future.

The demands of personalised learning, and the classroom changes that will follow as a result, will require much higher levels of skills in planning, assessment and classroom management. We need to look closely at the curriculum that trainee teachers undertake, and take account of the need for continuing professional development.

For example, there are real questions about whether one year's postgraduate training is enough. If we decide that it is not, there will be major implications for where we direct our investment in higher education. If we choose not to put money into higher education directly, we must answer questions about how we ensure that teachers get continuing professional development. For example, should teachers be required to do compulsory continuing professional development units? If so, how do we finance that?

Another problem has to do with how we secure investment in the most challenging schools located in our most deprived areas, and how we make sure that they get the best teachers. Some of the teachers who work in the most challenging circumstances are inspiring and dedicated, but they are the minority. My suggestion for how public finances should be used may not be universally welcomed, but it is that we should train an elite corps of teachers for our most challengit g schools.

We should recruit the best and brightest graduates. We should support them while they are in training, and also put in the funding needed to ensure that they are supported when they are at work. If we want them to stay in those difficult schools for some time, they should be given further mentoring and extra support at work, and further training as they proceed. Those teachers should become the best in the profession: they should be recruited by competitive entry, and fast-tracked for promotion. We should pay them more, and demand better results from them.

At the moment, the pay structure means that teachers prefer to work in nice schools with well-motivated children. That is just human nature, and only exceptional people choose to work in difficult and challenging schools. We should refocus our public finances on those areas where we need to make progress.

Such long-term decisions about where we should put money are difficult, but they will have to be made. As we move to personalise the curriculum so that young people are able to make different choices, we will also have to consider ways to ensure that young people must attain minimum entitlements, at a speed that suits them. There are fine judgments to be made about education spending, but what is clear is that we are making them in an atmosphere of rising spending and better provision; we are no longer in the era of cutbacks. When I was teaching, two or three children had to share a textbook. Now, the finances are available and we can make decisions. The consequences if we do not will be serious both for our economy and for our society as a whole.

2.55 pm

Mr. Michael Fallon (Sevenoaks) (Con): I remind the House of my interest, which is recorded in the register.

My right hon. Friend the Member for Fylde (Mr. Jack) has already told the House that a Budget cheered on the day quickly loses its shine. However, I cannot recall a Budget that has disintegrated quite as rapidly as this one. The Chancellor's speech yesterday, which I understand was a record in terms of time, was itself a guide. He seemed quite unaware of the fact that after the speech anybody outside the House could go on to the web, turn up pages 208-09 of the Red Book and discover that, although they were being offered a tax cut next year of £8 billion, £7 billion and other bits and pieces would be taken away from them. It is a strange Chancellor who does not understand that our constituents, who are already faced with an increase in air passenger duty, who will be faced in October with significant increases in fuel duty, and who will be faced this year and next year with council tax increases in the order of 5 per cent., will not suddenly fall over in gratitude at a reduction of merely 2p.

There are a number of tables in the Red Book, and if the Chancellor is to claim the credit for cutting tax for a significant number of people, it would have been more honest if he had published in the Red Book the table that is now beginning to emerge, and shown exactly who the winners and losers in that exercise would be. Given that the Financial Secretary is going to the trouble of making our statistics service more independent, perhaps the new statistics board could undertake to ensure that the Red Book at next year's Budget is accompanied by a proper independent assessment of who the winners and losers are by category, so that the Chancellor will be unable to throw up smoke and mirrors in the immediate aftermath of the Budget.

Mr. Paul Goodman: Did my hon. Friend hear the economics editor of the BBC observe last night that although the Treasury was able to give him a list of winners it was, for some reason, unfortunately unable to give him a list of losers?

Mr. Fallon: I did not, but the BBC's economics editor made that point in a BBC broadcast in which I participated, because he was searching for the information at the time. It is extraordinary that economic commentators, our research teams and the Library will all have to spend the next two or three days discovering information already held in the Treasury about who the winners and losers are. It looks as though single people will be losers from the changes announced yesterday. Young, professional single people—perhaps working in the public services—may find that they are worse off, not better off, as a result of what was announced yesterday.

I want to consider the economic position in respect of the public finances. The Chancellor did not quite have time in his speech to apologise for the fact that he has yet again overestimated the amount of tax revenue that he was supposed to gather in. I think that this is the sixth year running when he has wrongly forecast the tax revenues on the wrong side. As a result, the deficit is widening and he will have to borrow more than he originally forecast. The public finances have worsened.

In the private sector, the economic stability about which the Chancellor boasts depends very much on who one is. The stable economic framework that he claims to have created is not particularly attractive to a potential first-time buyer, struggling for a foothold on the housing ladder, or to a pensioner, struggling to make ends meet on a fixed income and confronted with retail prices inflation which is much higher for the pensioner community than the 2 per cent. figure the Chancellor talks about.

We have a very lop-sided economy now, in which home owners—those already on the housing ladder—enjoy year-by-year huge rises in their capital assets, while those outside the housing market find life harder and harder. I suggest to my hon. Friend the Member for Wycombe (Mr. Goodman), who is participating in our work on policy formation, that we need to look again at the housing market and perhaps find new ways of helping young couples. If we do not, home ownership will slowly and steadily become predominated by the wealthy and the middle aged.

Secondly, we need to do more to protect pensioners from council tax increases that well exceed the money that they are paid through various fixed incomes. At the moment, the Chancellor tries to protect them by one-off measures—pre-election bribes—that are introduced one year, then withdrawn the next. We need to look again at our council tax system. An increase of 5 per cent. in one year may be sustainable, but year after year, for a pensioner on a fixed income facing high utility costs, it is a very serious matter indeed.

I would like to deal now with the tax burden, and the element that I particularly want to concentrate on is the business tax burden. The Library tells me that of all the taxes garnered in 2005-06, business taxes account for some 27 per cent. of the total burden. I have to say that a corporation tax rate of even 28 per cent. still looks very high compared with our Organisation for Economic Co-operation and Development competitors. We are now slipping into the bottom half of that table, as we see other competitor countries—sometimes neighbouring countries such as Ireland—with much more attractive rates.

My right hon. Friend the Member for Wokingham (Mr. Redwood) mentioned yesterday that we are seeing the slow but steady movement of multinational headquarters away from London. As I understand it, there are no statistical tables available yet to provide the evidence, but there is a worrying trickle of members of the Institute of Chartered Accountants and the CBI reporting in their surveys that firms with headquarters in London are now assessing every couple of years whether they should retain their headquarters here in London. HSBC, for example, conducts such an assessment every two years. In 1993, the answer was a categoric yes—London was the place to do business. Now, it is reported, the answer is much less clear cut. That is extremely important, because 1993 was the year in which HSBC chose to move to London. It could have chosen elsewhere. That is a reminder that, if we are to continue to attract and retain in London the headquarters of these larger companies, we need to get the tax and regulatory regimes right.

Mr. Kevan Jones: Does the hon. Gentleman agree that, whoever is in power, the Government will

increasingly have to review competitiveness, perhaps on a monthly as well as a yearly basis, in the light of the emerging economies across Europe and the world? If we do not do that, we could find ourselves quickly disadvantaged in some of the emerging markets.

Mr. Fallon: I certainly agree with that. We all, across the House and across government, ought to be more aware of just how mobile company headquarters are. We hear people in the City talking rather grandly about the City of London being like Wimbledon, in that we put on the best tournament in the world and all the foreign banks and companies want to come and play here. However, the analogy that I would commend to the House is that of Silverstone. We do not have to have a grand prix in this country. If it becomes too expensive, Mr. Ecclestone can move it somewhere else. There are plenty of other people who want to put on a grand prix. The hon. Gentleman's point is extremely well made: if the burden of tax or the regulatory framework enveloping some of these successful financial services companies becomes too great, London could lose them.

I want to make several points about the spending side of the Budget. The first relates to the curious claim that the Chancellor repeated yesterday—he has probably inserted it into almost every Budget speech that I have heard him make—that he has abolished boom and bust in the economy. So far as the private economy is concerned, we will be able to test that claim only when the present house price boom finally runs out of steam. The Chancellor has, however, created boom and bust in the public economy, through the way in which he has organised public spending.

At first, public spending was tight, then we had the splurge, and now it looks as though it is going to be tight again. Indeed, having studied the detail of the numbers that were announced yesterday, I am worried not only that it will be tight but that there will be a sudden change that will affect some of the smaller spending programmes as well as some of the long-term programmes that are vulnerable to sudden changes because of the way in which they are planned and organised. Research spending at the universities is one example, as is the work of the British Library and the British Museum. I understand that both those organisations have been asked to consider illustrative cuts—cuts, not freezes—of 5, 10 or 15 per cent. in their budgets as part of the work leading up to the spending review in the autumn. It is those smaller essential longer-term programmes that need protection from this sudden feast and famine in our public spending.

My second point relates to the NHS. As others have already noted, we did not hear an awful lot about the NHS yesterday. It is my view that the NHS is still in turmoil. We have seen the extraordinary upheaval in manpower planning, with a number of young doctors now struggling to find positions. We have also seen endlessly overlapping reorganisation at every level of the health service, and we are now seeing very real job cuts in some of the non-medical professions.

I should like to give the House an example. Well over a year ago, the community hospitals in my constituency were being reviewed by the former South-West Kent primary care trust. The review, involving all the staff and services at those hospitals, has now been continued and widened by the new West Kent primary care trust, which took up its role in October. That review, which will determine how many and what kind of services should be provided by the community hospitals, will itself be overtaken by the more general fit-for-purpose exercise being conducted by the strategic health authorities. The result is that staff are demoralised and the future of the Sevenoaks and Edenbridge hospitals still swings in the balance.

Furthermore, the Government have still failed to decide on the key issue of resource accounting for the trusts' deficits. All three of the trusts that serve my constituency—the West Kent primary care trust, the Maidstone and Tunbridge Wells NHS trust and the Dartford, Gravesham and Swanley primary care trust—have been struggling with deficits. Because of the way in which resource accounting has been applied, they must balance their books each year, but if they fail to clear the historic deficit, its effect is doubled in the subsequent year. As a result, trusts up and down the country are scrambling to make last-minute economies. In fact, the Maidstone and Tunbridge Wells NHS trust wrote to all its staff inviting them to work a day unpaid to help to clear the deficit.

The Audit Commission reported last July that the resource accounting rules were simply incompatible with the way in which NHS spending has been conducted, yet there has been no decision, either in the Budget or from Health Ministers, on whether that will be corrected in time and the NHS will be released from those obligations from the beginning of the new financial year—1 April. If the Financial Secretary to the Treasury has time, I would be grateful to hear whether resource accounting is to be abandoned for the NHS trusts in time for the new financial year. The way in which it is being applied now seems to be extraordinarily arbitrary and is undermining the staff and public support that the trusts need if they are to serve their public.

As for jobs in the NHS, in 20 years as a Member of Parliament I have never seen job cuts on the scale that we are now seeing across our local NHS. Physiotherapists coming out of training who were promised jobs are now being denied them and have to consider alternative careers. Health visitors are being told that their services are no longer required, and midwives are being made redundant. In all those professions the number of posts is being reduced. Those people decided to go into the public service, but now their career aspirations are being shattered. If the Government were going to cut NHS jobs on such a scale, they should have been more honest at the start.

Finally on the spending side is the voluntary sector. It ought to have been encouraged to come forward in support of the state, but the sector is now crippled by new legislation of all kinds and the excessive application of regulations on money laundering and criminal records, which are worth while in other fields but which are now applied to the very smallest, most local charity that is never likely to have been involved in money laundering or anything like it. In addition, grants to voluntary sector organisations are beginning to be cut.

Let me give the House the example of Dorton college of further education, which is one of the few institutions in this country that serves blind and

[Mr. Fallon]

visually impaired people. It has been told that its work retraining funding grant of £250,000 a year is to be halved; as a result, fewer blind people will be able to attend the college from next September. That sort of yo-yo public funding for voluntary organisations and charities working in support of the state is no way to organise public spending.

The tax cut with which the Chancellor somewhat theatrically ended his Budget statement yesterday may well have fooled some of the City commentators, forecasters and analysts who were supposed to have predicted what he would do, but it certainly has not fooled my constituents and I believe that, when the time comes, it will not have fooled the country.

3.14 pm

Mr. Richard Spring (West Suffolk) (Con): If we look back on the past 10 years, we see that the Chancellor has consistently said that the economic situation is unparalleled in our history. If we look at actual performance, however, we see the truth—that the growth rate has been approximately 2.8 per cent. If we look beyond that to the post-war rates, we see an average increase of 2.5 per cent. The performance over the past 10 years has been achieved in what is generally accepted as having been one of the most benign economic environments and world conditions imaginable.

The idea that there has suddenly been a step change in the economic growth performance under this chancellorship in the last 10 years is simply not a sustainable argument. We should remind ourselves that, when the Chancellor came into office in 1997, the International Monetary Fund described the situation as a golden economic scenario. In one of the biographies of the Chancellor it is alleged that, when it was pointed out to him what a fantastic inheritance he had, he said something along the lines of, "Am I expected to write a thank-you note?". The difference is this. Many of the essential reforms that were vital to secure greater economic stability and better British economic performance, such as trade union reform, reform of the closed shop, dramatic cuts in personal taxation, privatisation and the big bang, were opposed by the Labour party—totally incorrectly at the time.

As we look back over the last few years, we can see that much of the feel-good factor has been generated by rising house prices. As we heard the other day from the former Governor of the Bank of England, much of that arose because of concerns about a recession. The way in which the Bank of England reacted was to ensure that there would be a greater housing boom, despite the potential consequences.

Looking beyond the figures that were produced in the Budget report, one of the key indicators of economic success is the improvement in living standards. Figures from the Office for National Statistics tell us that the average weekly gross income per household in 2001-02 was £600. It rose, in real terms, to £616 last year—a compounded growth rate of just 0.5 per cent. The real weekly disposable income per household rose in real terms by only 0.35 per cent. per year. So, for all the headline growth rate increases, the net effect in terms of household incomes tells a different story.

Mr. Kevan Jones: Does the hon. Gentleman agree that one of the things that contributes most to making people feel good is the fact that they have a job? In my constituency of North Durham, since 1997 unemployment has come down by 65 per cent. and youth unemployment has come down by over 90 per cent. Does he not think it is worth giving at least some credit for that achievement?

Mr. Spring: I accept that there has been a growth in employment. That is true in almost all industrialised countries. However, in fairness to the hon. Gentleman, if he looks at the pattern in the last year, he will see that it has begun to reverse itself quite dramatically, compared with other major industrialised countries.

If we look at the difference in household incomes between the richest 20 per cent. and the poorest 20 per cent. in 1997 and today, we can see that it is 10 times. The amount is identical. There has been no change. According to the same Office for National Statistics data, the lowest-income households are paying a higher share of tax and receiving a lower share of benefits than they were in 1997.

That has come about at a time of a massive increase in public expenditure. That expenditure has not, of course, resulted in a transformation of public services. That is at the heart of the criticism of the governance of this country. People are asking, "Where has all the money gone?". The truth is that the Chancellor has not taken anything like the tough and radical decisions of his predecessors, which were often controversial and sometimes, indeed, divisive. The Chancellor has poured money into the public sector and has swollen public sector employment, but without effective prioritisation and consultation to achieve measurable better outcomes. I am afraid that, as we now know, that is coming to an end, because the rate of growth in public expenditure is going to be less than the rate of growth in the economy overall. Of course, the Chancellor had no alternative but to do that, so the bonanza in public expenditure is about to end without the reforms that were necessary to produce a massive increase in the quality of our public services.

There have been three main factors behind the economic growth that has occurred under the Chancellor. I have touched on the massive increase in public expenditure. We have also seen the trebling of house prices, so this is growth led by consumption. Household debt in 1997 was 100 per cent. of disposable income, but it is now more than 160 per cent., and the figure is rising. There has also been a substantial increase in the population of this country.

Productivity has not matched economic performance to the extent that it should have done. We are suffering the highest current account deficit in our entire history, with a third of that figure being filled by our service industries. We are hugely and increasingly dependent on our financial services sector. As my hon. Friend the Member for Sevenoaks (Mr. Fallon) pointed out, however attractive London has been as a centre for the financial services industry, the mobility of that sector is much greater than that of manufacturing, so we must watch with great concern the burden of taxation and regulation.

Productivity was considered to be one of the most demanding issues for the Chancellor when he assumed office, but our productivity is less than that of France, Germany and the United States, partly because of the huge expansion of the public sector. Indeed, one in four of the new jobs that have been created in this country has been in the public sector, and our tax burden has risen appreciably under this chancellorship—it is certainly higher than that in the United States, Germany and Japan. Much of our lack of performance on productivity has come about because of poor performance in the public sector. The International Monetary Fund describes what the Chancellor has done as the

"most aggressive fiscal expansion of any G7 country".

The heart of the problem is that expenditure on the public sector has cost the taxpayer a staggering amount, yet the functional mismanagement in the public sector has, at times, been absolutely grotesque—we only have to look at the mismanagement of our health service and the financial difficulties that have resulted to realise that. If one is the guardian of the public purse, one is entitled to invite Cabinet Ministers with departmental responsibilities to ensure that the management of such huge sums is appropriate.

Let me relate my experience during my time as a Member of Parliament. When I was first elected in 1992, we had the West Suffolk health authority. We were then told that we needed a pan-Suffolk health authority. More latterly, we were told that economies of scale and management were not the important thing and that we needed the management of health to be close to communities. We thus got five primary care trusts, which became three primary care trusts, and now we are back to having a Suffolk-wide health authority all over again. The cost of that has been grotesque and the events have ill served the people who depend on the health service.

Mr. Jones: I agree with the hon. Gentleman about the fiddling around with health authorities. In Durham, for example, we went from having one area health authority to having seven, yet now we are back to where we started. However, does he agree that that has gone on under previous Governments, although that does not excuse what has happened? Perhaps we have tried to change the management of the health service in the expectation that that will deliver results. Rather than concentrating of delivering front-line services, management changes have been put in place.

Mr. Spring: I am glad that the hon. Gentleman accepts that errors have occurred. I dare say that management has never been perfect in the health service. However, the changes of the past few years have been extremely dysfunctional. The difference is that the salaries paid to the senior people who run health services are equivalent to those of Cabinet Ministers and the Prime Minister. The cost of the massive managerial overheads, the salaries and the consultancies has been a damp hand on the provision of good and decent health care. We see the problems now: the difficulties faced by our junior doctors, the sacking of nurses, and the closure of wards and everything that goes with that. The chief executive of the NHS recently said that

"some of the policies that we have implemented had not been properly costed. That is absolutely true."

The Public Accounts Committee talked about the "weak control" of finances. As we know, there is a shortage of midwives, and junior doctors, to whom I have just referred, have been protesting. Huge deficits have grown up in the NHS, despite the massive increases in funding that the Chancellor has made in our health service, and that situation will continue for at least another year.

At the heart of the problem is disgraceful managerial dysfunction. The Chancellor is the guardian of our finances, but a lack of consultation and prioritisation has resulted in our wholly wasting, in many respects, the huge sums that have been given to the NHS. That is an increasingly common view among our constituents. Where, indeed, has the money gone?

I should like to draw the Financial Secretary's attention to another point: one of the most bizarre aspects of yesterday's Budget was the treatment of small businesses. When he gets back to his office, he should expect a huge volume of letters and e-mails, sent to the Treasury by business people in the smaller and medium-sized business sector who simply cannot believe that taxation for the sector has gone up, as was announced yesterday. I draw his attention, as my hon. Friend the Member for Tatton (Mr. Osborne) did, to the fact that there has been a series of changes in taxation in the sector since 1997, with rates of tax going back and forth. In 2005, small business tax rates were 20 per cent. First-year capital allowances were then introduced, and now the small business tax rate has gone up to 22 per cent.

Although it is true that the headline rate of corporation tax has gone down from 30 to 28 per cent., smaller companies that have profits of up to £300,000 will see taxation rise from 19 to 22 per cent. Of the £985 million that the Treasury is expected to reclaim from the corporation tax system, no less than £820 million will come from small businesses. That will help to offset the corporation tax reduction for larger firms. If we consider the pressures on small companies, which include local taxation and the business rate, we see that 10,000 local shops have closed since 1997. Corporation tax, despite the new rate announced yesterday, is now higher than when the Chancellor came to office in 1997.

The capital allowances in the Budget are allegedly an offset against the higher level of taxation, but the truth is that many of our acorn, smaller and most dynamic businesses do not have high capital expenditure. They are in the creative industries and in the knowledge-based economy that we keep hearing about. They will not be beneficiaries of those allowances. It is astonishing for a Chancellor who talks about the need for entrepreneurial activity, and to encourage new business investment and new start-ups, to increase taxation as he has done. I hope that we can get a satisfactory explanation from the Financial Secretary, but I cannot imagine what it might be.

Mr. David Gauke (South-West Hertfordshire) (Con): My hon. Friend makes an important point. I do not know whether he noticed the Chancellor's curious phraseology yesterday; he raised the rates, but then stated that the extra revenue would be recycled to

[Mr. David Gauke]

"legitimate small businesses investing for the future."—[*Official Report*, 21 March 2007; Vol. 458, c. 820.]

The implication is that businesses that are not "investing" as such are somehow illegitimate.

Mr. Spring: I am afraid that the Chancellor's Budgets are always rather mysterious and arcane, and it takes great armies of accountants, tax advisers and lawyers to establish what he means. My hon. Friend will agree that there is outrage in the smaller business community at what happened yesterday, and an explanation from the Government is urgently required.

The Financial Secretary dealt with the subject of energy security and the taxation of North sea oil in an Adjournment debate, and I have read the Treasury discussion paper on that hugely important matter. The reaction to the Budget demonstrates that there is genuine concern about the declining base in the North sea. The Chancellor has spoken at length about the vulnerability of our energy security in an era of geopolitical instability. Natural hazards, too, are a difficulty, as well as the technical problems that arise in this area. UK domestic fuel sources have been depleted, and we are moving inexorably from being a net exporter to being a net importer. Objectively considered, some countries that supply our energy are not among the most stable in the world. The capacity for production is at the upper limit—the oil supply from OPEC is often at full capacity—so any hint of instability in the middle east means a sharp rise in prices. Indeed, the middle east accounts for 65 per cent. of the world's oil reserve, and in periods of instability we have seen the consequences for oil and energy prices, and have experienced the impact in the UK on prices, inflation and the consumer. The issue is therefore hugely important, given the nature of the world and, indeed, terrorist activity.

We are very much beholden in Europe to Russian supplies, particularly for natural gas. Many people have asserted that Russia will exploit its ability to supply Europe with energy, and use its influence to make political decisions about that supply. There have been instances of such behaviour in the past 12 months in eastern Europe, and the director of the strategic studies centre at the Russian Academy of Sciences said:

"What has changed is that Russia has begun using energy as a political tool".

That is important from Britain's point of view. The pattern of production in the UK demonstrates that there are huge questions about the future viability of production in the North sea. Oil and gas remain vital to the UK for the foreseeable future, and account for 75 per cent. of the UK's primary energy supplies. The UK oil and gas industry has spent more than £370 billion—all of it private capital—to recover the nation's offshore hydrocarbon reserves, and it has generated huge sums of money for the Treasury, so it is in everyone's interests, not only geopolitically but economically, that production is sustained and encouraged.

We remain a significant oil and gas producer, but the United Kingdom Offshore Operators Association has repeatedly said—indeed, it stressed this after the Budget—that high-cost inflation, combined with typically small opportunities and increased tax rates make it harder to attract investment into the North sea. Margins are shrinking, and some of the fields are becoming quite old. In neighbouring countries such as Norway, a different, more competitive tax regime has emerged.

Yes, the oil and gas industry is an important contributor to our economic life and to the Treasury coffers. It is hugely important for our geopolitical stability, but the real shock, if there was one, in the Budget presentation was the decline in revenues from North sea oil. There is one thing that I do not understand, and I hope the Financial Secretary will be able to explain it to the House. The Government have known for some time the pattern that is emerging. The current situation is one thing; looking down the track the situation is extremely serious for us, yet what we have is yet another discussion paper. All the right questions may be there and it is a complicated tax matter, but urgent action is required. It is a matter of great disappointment that all we get is more talk on the subject. I hope the Treasury will be provoked into taking sharper action.

We have seen a massive increase in public expenditure, which is beginning to tail off. Parallel with that there has been a huge increase in the monstrous bureaucracy in the public services. It affects the morale of teachers, the numbers who wish to retire early, and the turn-over of young teachers who come into the profession wanting to teach but are twisted up in form-filling and bureaucracy. There are only a small number of police officers on patrol at any given time, and they all say that they are caught up in a web of bureaucratic interference by Government that makes their jobs impossible. I have touched on the situation in the health services.

We must understand that unless we get a grip on the environment of regulation and interference overtaking our country that the Chancellor has allowed to happen, however much money we pour into the public services, we will not get a commensurate improvement. That is the Government's legacy—a huge increase in taxation to the highest levels ever, a massive increase in public expenditure, and public services that have not improved remotely as much as they should have.

3.37 pm

Mr. Kevan Jones (North Durham) (Lab): It is a pleasure to follow the hon. Member for West Suffolk (Mr. Spring), but I think he lives in a parallel world—a different world from many of my constituents, who have benefited over the past 10 years from the stable economy that we have become proud of in this country. I joined the Labour party in the dark days of the early 1980s, and I well remember people writing pamphlets about the unelectability of the Labour party. One of the key issues on which they did not trust the Labour party was the management of the economy.

How things have changed over those 20-odd years! Not only have we proved that we are able to run the economy and invest in public services,—something we can rightly be proud of,—but we are leading, as the hon. Member for Sevenoaks (Mr. Fallon) said, in an increasingly competitive and changing world, from which we cannot insulate ourselves, no matter what anybody in any political party says. It is no good

turning our backs and hoping that emerging international markets will go away if we do not believe they are there.

Levels of national debt are down to record levels. According to the Chancellor's statement, national debt is down to 38 per cent., compared with the euro zone, where it is 50 per cent., the USA where it is 44 per cent. or the staggering height of debt in the great dynamic economy of Japan, where it is 92 per cent. We ought to be proud also of the levels of capital investment that the Government have made, which is up from £18 billion in 1997 to over £43 billion now.

In his opening remarks today, the hon. Member for Tatton (Mr. Osborne), who entered the House, as I did, in 2001, said in response to a question that the past 10 years had been worse than the 10 years before 1997. Again, the hon. Gentleman seems to live in a universe parallel to the one in which I and many of my constituents live. It is worth remembering those years, when we had inflation of more than 10 per cent., interest rates that hit a record 15 per cent., and unemployment of 3 million-plus. That had a dramatic effect in constituencies such as mine. The economic heart of many of those communities was ripped out overnight, with no protection or investment afterwards. Now, house prices are rising, but we do not have the cancer of negative equity, which affected 1.5 million people.

Another achievement since 1997 is the fact that net borrowing, which had hit a record of more than 8 per cent., is now predicted, as the Chancellor said yesterday, to be down to 2.7 per cent. and, in future years, 1.4 per cent. Borrowing is not intrinsically bad—it is a question of what is done with the money that is borrowed. The important thing is that we are no longer borrowing to invest in unemployment.

The Government can be rightly proud of the record levels of employment, with more than 2.6 million extra jobs—a record in the G7 countries. Reference has been made to quality of life. Having a job is a basic thing in most people's lives. It gives one dignity and a reason to get up in the morning—what I always call a place in the world.

Mr. Gauke: Despite the number of extra jobs that the hon. Gentleman mentions, does he accept that it is disappointing that the number of people on out-of-work benefits has fallen relatively little, by about 300,000?

Mr. Jones: There are a record number of jobs in the economy. There is a hard core that we have to tackle; I have it in my constituency. It will take time and effort to get to people who have been written off and consigned to incapacity benefit, for example. I agree with the hon. Member for Sevenoaks that that is a challenge that we cannot ignore. In an ever-developing world, it is important to get record levels of employment higher and to ensure that we get the most out of the individuals in our economy.

Youth unemployment used to be a scourge in many areas. My constituency is not an inner-city constituency; I have often described it as a rural constituency with urban problems. It has pockets of high deprivation in former mining communities whose economic reason for existence has gone. Since 1997, youth unemployment in my constituency is down by more than 90 per cent.—I will return to the issue of 16 and 17-year-olds who are out of education and unemployed, which was tackled in the Budget—and long-term unemployment is down by more than 65 per cent.

The Government have achieved that not by waving a magic wand but by trying to reward work. The Budget increased the working tax credit threshold by £1,200. I welcome that. The gloom and doom merchants complain about how the tax credits system has been administered. The Paymaster General, who is on the Front Bench at the moment, knows that I have not been uncritical of the way in which her Department has administered the system, causing hardship to some of my constituents. However, we should look at the bigger picture and think about the support that it has given to many families in my constituency, where it is making a real difference.

This Labour Government must be proud of the national minimum wage. During the 1997 general election, when I was a trade union official, the Conservatives told us that it would create mass unemployment and be bad for the economy. It has done exactly the opposite. It has helped to raise people out of poverty and removed the absolute disgrace, in a decent society, of people working for £1.50 an hour or less. There was the famous occasion when a security guard at a jobcentre was being paid £1.50 an hour and had to bring his own dog to guard the premises. We have a proud record on employment, which we should not stop championing.

Is everything perfect? No, it is not, and the test for the Government now is to help those in every constituency, including mine, who have been on long-term incapacity benefit and need assistance to get into work. The change since 1997 is that jobcentres are not trying to get people into any job, at any cost, just to manipulate the figures downwards. For example, Stanley jobcentre in my constituency has dedicated workers who advise clients and support people, who often have serious health issues, into work. There are those who say that people are being forced into work who should not be, but it is good for a lot of those people to access work and to gain the place in the world to which I have referred.

Yesterday's Budget also reflected our proud record on pensions and pensioners. It is repeatedly pointed out to me that those pensioners who were the poorest in 1997 are now better off than they have ever been, certainly in my constituency. For example, Annie Bell from Waldridge, who unfortunately died last year at 85 years of age, had campaigned for a free bus pass all her life. When we announced the free bus pass for pensioners, she said to me, "Kevan, this will change my life." More importantly, because she was on a basic state pension and had no savings, she had never been better off. At her funeral, her daughter said that the last few years of her life had been changed by the fact that she was not scrimping and saving and suffering poverty in old age.

There are some, however, who have worked hard throughout their lives to have small occupational pensions and are then hammered by income tax. I am therefore glad that the increase in the income tax threshold was announced yesterday. The announcement that, from

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April 2011, those over 65 years of age will pay no tax on income under £10,000 will also be welcomed.

We should also be proud of the protection that we have offered to those hard-working people who have paid into pension schemes and lost their pensions through no fault of their own. That is a credit to the campaigning work of my hon. Friend the Member for Cardiff, West (Kevin Brennan), now sitting in silence as a Whip on the Front Bench, who highlighted the issue when he was a Back Bencher. The extension of the financial assistance scheme yesterday from £2 billion to £8 billion will support those who have lost their pensions through no fault of their own. I listened to someone say on television last night that that was not good enough. Well, it is a damn sight better than we have had in the past, and the Government have recognised the injustice done to those people. That and the Pension Protection Fund will provide a safety net that will rightly protect such people from poverty in old age.

On health, the hon. Member for West Suffolk asked where all the money had gone, as though some great black hole or vacuum were sucking it all in. I shall tell him where it has gone in my constituency, which I accept is very different from his. When I was elected in 2001, it was a disgrace that the Chester-le-Street district hospital was a former workhouse, over 100 years old, had leaking roofs and damp carpets, and had had no investment for many years from the Conservative Government. At the Dryburn hospital, where some members of the present Prime Minister's family were born, the maternity unit was in portakabins in the hospital grounds. We now have two brand new hospitals. Next year a brand new mental health hospital will open just over the border in the City of Durham. Four new doctors' surgeries will be built in my constituency in the next two years. A brand new £11 million health centre is coming to Stanley, replacing outdated surgeries.

Mr. Spring: Where has all the money gone?

Mr. Jones: That is where the money has gone—into bricks and mortar.

Mr. Spring: The hon. Gentleman has implicitly highlighted the huge differentials in per capita spending in different parts of the country that have grown up in the last seven years. I would guess that if my constituency benefited from the same per capita NHS spending as the hon. Gentleman's, we would not be experiencing the massive crisis that we are experiencing in Suffolk, with the closing of wards, the sacking of nurses and a huge financial deficit.

Mr. Jones: My heart bleeds for deprived Suffolk, but health inequality is an issue in this country. Is the hon. Gentleman really suggesting that when a constituency has chronic levels of industrial disease and health inequality, money should be pushed towards communities that do not need it at the expense of those that need it desperately? That was the Tory approach in the 1990s.

Paul Rowen: I am sure the hon. Gentleman agrees that there are many similarities between his constituency and mine. Today the Pennine Acute Hospitals NHS Trust, which covers Oldham, Rochdale, Bury and North Manchester, announced the closure of 220 beds. That is a great investment by this Government!

Mr. Jones: It is, actually. When I was elected in 2001, my constituents had to wait at least two years for orthopaedic operations. Many of them needed such operations, because they had worked in the mining industry. Now the waiting time is down to less than three months, and those who go on to the emergency waiting list can be operated on within weeks.

There are challenges in Durham, and I would be the first to criticise the Government for the reorganisation of primary care trusts, which has sucked out money that should have gone to patients. Let me give the hon. Gentleman a positive example, however. In 2001 the new University Hospital of North Durham was completed, and was seen to have fewer beds than its predecessor. There was a big hue and cry about there not being enough beds, but over the past five years waiting lists have shortened, and the number of beds is now about right. In fact, we may have a few too many. Part of the success story of shorter waiting lists is overcapacity in certain areas. The alternative is to leave things the same and never change anything, but that means wasting money, which is what the Opposition—notably the Liberal Democrats, on many occasions—accuse us of doing.

Southmoor hospital in my constituency closed recently. It was an old cottage hospital which was no longer needed, dating back to 1920. Next year, we will replace it with the new Stanley health centre, which will have X-ray facilities and new treatment rooms. It will be able to do a hell of a lot more with modern rather than outdated facilities—although it would have been easy enough for me, as a constituency Member, and for others to campaign to keep open a hospital that was not fit for purpose and had seen better days.

Where is all the money going? I can see where it is going in Durham. I freely admit that there have been problems with the way in which it has been administered at times. For instance, PCT reorganisation irritated me like hell: it did not add anything to health provision. But we cannot escape the fact that the health service in my constituency is a hell of a lot better than it was when I was elected in 2001, the year in which the hon. Member for Tatton was also elected.

Mr. Baron: I accept that things may be going very well in Durham, but I suggest that one reason why people are becoming increasingly discontented with the way in which the national health service is operating is the time for which they are having to wait for operations. I refer the hon. Gentleman to the figures for average waiting times. Despite a doubling of the NHS budget, the figures clearly show—*[Interruption.]* Cries are coming from the Government Front Bench, but Government hospital-episode statistics show that average waiting times have fallen by only five days—from 78 days to 73 days—in the 10 years they have been in power. Does the hon. Gentleman not accept that as there has also been a doubling of the budget, a lot of inefficiency is still built into the system?

Mr. Jones: No, I do not. Back in 2001, I regularly had letters in my postbag and people coming into my surgery asking, "When can I get my operation done?" That no longer happens. Instead, I now hear from people who receive their treatment very quickly. Let me tell the story of a funny recent case. A lady came to my surgery and said, "I went into hospital and had only a three-week wait from diagnosis to treatment for a hip replacement", but she then said that she wanted a second opinion, as she thought that that was too quick. That story highlights that we are a million miles from where we were in 2001. It is easy for the Conservatives to talk of doom and to paint gloomy pictures in broad brush strokes, but the facts on the ground are clear.

Mr. David Anderson (Blaydon) (Lab): Does my hon. Friend agree that, regardless of where hospitals or services are located, nurses are finally getting paid the money that they should be paid, and also that there is no longer the sin of ancillary workers—such as those whom my hon. Friend and I used to represent—being paid slave wages under compulsory competitive tendering? They are now paid at least the minimum wage. That is in part what has led to the doubling of the budget, and it has led to a better service for people in hospital.

Mr. Jones: My hon. Friend and constituency neighbour makes the point well that we have got rid of the poverty wages that were paid in the health service in the 1990s. I am sure that we are now all getting letters about nurses' pay, but we should be proud of what the Government have done on nurses' pay in real terms since 1997.

On compulsory competitive tendering and dirty hospitals, my hon. Friend and I both know from our experience of local government that there were pressures to ensure that the priority in terms of local hospitals was not quality but price. Price was the priority not because there was a desire to bring about a more efficient service. The concern about price led to a lower quality of service and to the major element of every single contract being the price of labour, which was pushed down.

I welcome the commitment in the Budget speech to an £8 billion investment in education. In my constituency, we can be proud of our record on education; there are new buildings and there is the commitment to continue to replace buildings, and standards are rising, too. They have risen in terms not only of GCSEs, but of the general quality of education. I was proud that Stanley school of technology, which is under the great leadership of Janet Bridges, was in the top 10 most improved schools under the new indices. It is in one of the most deprived communities in my constituency. The teachers there do a sterling job. They do it for two reasons: because they are dedicated to their profession, and because they have support from the Labour Government and money going into their school.

I and teachers in my constituency are concerned about 16, 17 and 18-year-olds who have fallen out of the education system and out of the employment market; I have raised this matter before. Those people are seldom represented in any statistics. That is why I was pleased by yesterday's announcement that we will make it compulsory—that might be too emotive a word to use—to be in education until the age of 18. A teacher came to my surgery a few weeks ago and asked, "Does that mean that we will force people to do A-levels?" No, that is not what it means. It will force people to take part in training courses and apprenticeships, and it will ensure that they have basic numeracy and literacy skills. That is vital. In many constituencies, entire groups of young people aged 16 to 18 are being left out. Unfortunately, a lot of young people drop out of the education system at 14 and never really get back into it.

Helen Jones: Does my hon. Friend recall that when the school leaving age was raised from 15 to 16, exactly the same fears were expressed then as were expressed when it was raised from 12? This announcement is consistent with that, and no one would go back to what we had then.

Mr. Jones: I agree with my hon. Friend; indeed, this is a great opportunity for schools. Schools and further education colleges are up for the 14-to-19 agenda; however, it is not just about putting young people through GCSEs. I must agree that this Government's method of measuring success just through GCSEs has sometimes been a bit crude; we must also look at apprenticeships, and make sure that employers play a part by providing training places. The hon. Member for Sevenoaks mentioned globalisation. If young people do not drop out of the education system at 16 but continue and get the skills and training that they need, that will make this country competitive. Young people who drop out of the education system can also be led into crime, for example; moreover, it is a wasted opportunity. Given the right opportunities, most go on to be productive members of society. Importantly, they have a job, a place in the world and a reason to get up in the morning, as I said earlier.

The Chancellor referred yesterday to the proposal to impose a 17.5 per cent. tax on internal domestic air travel, which has been put forward by some of the "green Taliban" in the Conservative party. I am glad that he rejected that proposal. We need to take a more sensible view of air travel. We must recognise that airports such as Newcastle's—I was, but no longer am, a director of it, so I need not declare an interest—are an important economic driver in regions such as the north-east. Taxing people and effectively saying to them, "You cannot travel by air", would not improve the environment substantially, as was proved by the figures that the Chancellor announced yesterday. It would also inhibit economic growth in such regions. If we are going to consider green tax proposals, we need to find more sophisticated, less blunt methods.

Certain people in the green lobby, including Conservative Front Benchers, seem to be saying that the only way to achieve this aim is to hammer the airline industry, but it produces only 2 to 3 per cent. of this country's carbon emissions. We need to find ways to incentivise the industry to buy aircraft that are more efficient, and to invest in the more efficient use of fuel. We could also consider simple steps such as reducing the amount of fuel used when taking off and landing at airports. Such proposals need some work, but I want to highlight the importance of regional airports. If we make ourselves uncompetitive in a globalised world by

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imposing an arbitrary green tax, our example will not be followed by certain of our European counterparts, and certainly not by India, China and other such places.

This is the Chancellor's eleventh Budget, and it builds on the stability that we have enjoyed since 1997. Irrespective of what the doom-mongers in the Conservative party and others say, the people out there realise that our economy is productive and a leading world economy. They realise that their mortgage rates are low, that employment is secure and that this Government are committed to investing in the public services that they value. Interestingly, when I asked the hon. Member for Tatton whether he would match our spending commitments, he said yes. I hope that over the next few weeks, as we get a new spending commitment every week, they will add to his announcement today. Thanks to this Budget and the continuing economic stability that we have come to enjoy, this country can go from strength to strength over the next 10 years.

4.5 pm

Paul Rowen (Rochdale) (LD): I am grateful for the opportunity to speak on the Budget resolution and I wish to pick up on some of the points that other hon. Members have raised, especially about education. First, however, I wish to comment on some of the broader aspects of the Budget.

The first aspect is the proposed changes to income tax. As my right hon. and learned Friend the Member for North-East Fife (Sir Menzies Campbell) correctly spotted—although the Leader of the Opposition did not—the 2p reduction in income tax is to be funded by the abolition of the 10p rate. That will have a detrimental effect on many poor people in my constituency and elsewhere. Other hon. Members have mentioned the fact that the tax credit is not universally taken up, and I know why, from many people in my surgeries. Many people on low incomes have unstable incomes that change rapidly—

The Paymaster General (Dawn Primarolo): I think that the hon. Gentleman will find that his point does not bear scrutiny. If he looks at the take-up of the child tax credit for families on incomes of £10,000 or less a year—we would all class them as low-income families—it is 97 per cent. That is hardly a low take-up.

Paul Rowen: I am grateful to the Paymaster General for making that point, but I correctly said working tax credit, rather than child tax credit. It is a fact that the take-up of working tax credit is much lower than the take-up of child tax credit. From talking to many of my constituents, the reasons for that are clear. They have low incomes that often fluctuate. Because of that and the way the system works, they end up owing thousands of pounds, through no fault of their own. When they get—

Dawn Primarolo: If the hon. Gentleman looks at the take-up of working tax credit, he will find that it is higher than any of the predecessor benefits offered to that group. I agree that it is not as high as I would like it to be, but it is still considerably higher than the take-up of the predecessor benefits.

Paul Rowen: Notwithstanding that point, with a 10p rate of income tax, people automatically keep the money, depending on what they earn, without having to rely on the bureaucratic strictures of Her Majesty's Revenue and Customs to claim it, which results in many of them—through no fault of their own, as I said—owing thousands of pounds. The tax cut relies on a bureaucratic system. Instead of letting people keep the money in their pockets, they have to claim it back, with all the problems that result.

Greg Mulholland: I wish to give my hon. Friend a figure that will emphasise the point that he is making. A single parent earning £15,000 a year—hardly a huge amount—will be £40 worse off a year. My hon. Friend makes the point strongly that it is ridiculous to take people's money and require them to claim it back through that costly system.

Paul Rowen: That is very true. When the figures were published, the examples given were all positive, but the real detail was not provided. We will get that in the next few weeks and it will show who will be worse off. Single people will suffer most, and it is single pensioners with a small occupational pension who fall just outside the £9,700 limit about whom the Chancellor is talking. My mother is one of those people and she already complains that she never gets anything, even though she worked all her life. The change to the 10p rate means that she and many like her will pay more in tax than they paid before. That change should be linked with the Lyons report, which was also published yesterday.

Mr. Kevan Jones: I am interested in what the hon. Gentleman is saying. Will the Liberal Democrats therefore vote against the 2p cut in income tax?

Paul Rowen: Our policy is clear: we would cut the 10p rate to zero, and the 22p rate to 20p. We would fund that by introducing environmental taxes, something that the Chancellor has done very little about.

Dawn Primarolo: Does the hon. Gentleman expect his party's environmental taxes to work? If they do, and people's income goes down as a result, how will his party fund the income tax cut then?

Paul Rowen: The Minister could apply the same argument to the taxes on tobacco or alcohol. They are consumption taxes, and people make a choice about buying items—or using modes of transport—that are subject to such taxes. The figures may change eventually, but they will not do so in the initial stages.

I am glad that the Chancellor intends to legalise his approach to air passenger duty, as no order was made to authorise the tax when it was introduced in February. I am grateful that that problem is to be rectified.

The Government have missed a golden opportunity with the Lyons report. Pensioners have suffered considerably from the rises in council tax. The Lyons report proposes introducing two new bands, but they will not be implemented until after the next general election, and local councils will not have an opportunity to introduce an additional business rate.

That approach is indicative of the Stalinist way in which the Chancellor kicks proposals into touch, and he did the same with last year's Stern report. The shadow Chancellor was right to say earlier that there is very little in the Budget that deals with environmental taxation, and that is very disappointing.

What the Budget did not say about health spending is also pertinent. We have not yet been given the figures for total NHS spending, but the health trust that covers my constituency today announced 220 bed closures—real cuts that result from the trust's £26 million overspend this year. The closures are not welcome in Rochdale, north Manchester, Oldham or Bury. No one can argue that those areas are the leafy suburbs of the south: they are as deprived, and in as much need, as anywhere else.

The hon. Member for North Durham (Mr. Jones) mentioned occupational pensions. I welcome the Chancellor's belated recognition—

Mr. Kevan Jones *indicated dissent.*

Paul Rowen: The hon. Gentleman disagrees with me, but the matter has been the subject of reports from the pensions ombudsman and from the Public Administration Committee, of which I am a member. The Government had to be dragged to the High Court before they did something.

Mr. Jones: This Government are the only one ever to have introduced a pension protection plan. Before that, there was no safety net at all for people who lost their occupational pensions. I am not going to apologise for that, and neither should the Government.

Paul Rowen: I have acknowledged that the pension protection plan is welcome, but I am talking about people who, for reasons of mis-selling or poor advice, took out occupational pensions that up to now have paid them no money. I welcome the Government's belated recognition that those pensioners have a fair case, although the amount is not enough.

I welcome both the consultation on looked after children carried out by the DFES earlier this year and the Budget provisions for additional funding in that sector. Provision for looked-after children is extremely poor at present. I am due to meet the Minister for Children and Families after Easter to discuss a private sector company, Green Corns, which runs homes and provides education in several areas. In my view, the company's staff are inadequately trained and supervised, so in the Government's response to the consultation I look forward to proposals for tightening up that sector to ensure that looked-after children have the education and support they deserve.

I welcome the commitment the Secretary of State gave earlier about adults and young people with special needs. Whatever the Government may have been saying for the past few months, the Learning and Skills Council, in its drive to ensure that most of the money for adult education goes to courses that provide accreditation, has failed to take into account the fact that young adults with special needs often need different provision. They do not progress at the same rate as other people and courses for them have been lost. At my local college, the number of places for those young people has been halved and the situation is similar at Oldham college. There is a lack of support and provision for young people with special needs, so I welcome the Secretary of State's commitment to look into the matter. I hope that later in the year there will be concrete proposals to ensure that they have the education they deserve.

The Budget and the Green Paper published today include commitments for 16 to 19-year-olds, which I very much welcome. The measures on the statute book go back to 1918 so it is good that at last they will be implemented. My hon. Friend the Member for Brent, East (Sarah Teather) questioned the Secretary of State about the figures. Clarification is important. What will the capital investment of £200 million deliver and what is the time frame? The same questions apply to the £700 million. From the revenue figures we have seen, those amounts are nowhere near adequate to deliver the commitments.

I hope that the Secretary of State will implement in full the Dearing review recommendations about courses. If more young people remain in education and training, there must be appropriate provision. I have been involved in introducing diplomas. Back in 1992, when the Conservative Government allowed schools to introduce BTECs, my school was one of the first to do so. I greatly welcome the use of diplomas and other vocational education and training, but there must be proper funding and, as Dearing recommended, there must be a continuum so that young people can move from and between various forms of education, otherwise the whole system will fall down.

Over the past 10 years, Rochdale council has been Liberal Democrat, Labour, Liberal Democrat and Conservative working together and is now Liberal Democrat again. Nevertheless, there has been a strong commitment throughout that period to improve education. When this year's results came out, I was delighted to see that Rochdale, building on our earlier success at key stage 3 and key stage 4, topped the league for key stage 2.

One area where we have not performed so well—there remains a huge amount to do—is in post-16 provision. I met representatives from the Aimhigher consortium from Greater Manchester last week. They produced figures on the number of young people in Rochdale going into higher education. Despite seven years of Excellence in Cities and Aimhigher funding, numbers in the Heywood and Middleton constituency went up by only 5 per cent. and those in the Rochdale constituency by only 10 per cent. That 10 per cent. means only an extra 50 young people going on to higher education, which is not good enough.

One of the first things I did when elected two years ago was to meet the Learning and Skills Council to see whether we could develop better sixth-form education in Rochdale. I was delighted when a consultation exercise was carried out last year, with the majority of people saying that we needed a brand new sixth-form college. A scheme was put out to consultation and has now been evaluated. It will mean improvements at Hopwood Hall college as well as the building of a brand new sixth-form college. It will cost upwards of £75 million, which is why I asked earlier for clarification of what exactly the £200 million was for. If Rochdale is to perform as well as other constituencies

[Paul Rowen]

and districts, I believe that investment is vital, so I hope that the Minister will give an assurance that we will see the right level of investment.

Rochdale was also successful this year in securing Building Schools for the Future funding for our secondary schools. Ministers are making massive claims. Yes, the £150 million is very welcome, but it will not rebuild every secondary school in the borough of Rochdale. It will carry out a partial rebuild of some schools, but it will not compete the job. It is welcome, but people should not run away with the thought that everything is developing as we want.

I hope that Ministers will also be able to begin to address the backlog in primary schools. Probably like many authorities, Rochdale has more than its fair share of Victorian primary schools. Although we have been able to refurbish some through a private finance initiative agreement, we have not gone far enough.

In conclusion, as usual with this Budget and this Chancellor, the devil is in the detail. The Chancellor has wasted opportunities to tackle some of the problems that he spoke about. I referred earlier to environmental taxation, but very little has been done about that. We have had a broad commitment to tackle Government waste, but why for goodness' sake could we not do something about getting rid of the number of targets that the health, education and other sectors have to meet? Then there are schemes for ID cards, Trident and nuclear power that will all suck in vast sums of money, which cannot then be spent on improving core services.

I welcome some of the commitments in the Budget, but if this is an indication of what new Labour is likely to be like under Gordon Brown, I am not impressed and we should be quite worried.

4.24 pm

Mr. David Gauke (South-West Hertfordshire) (Con): Yesterday we heard what we all assume will be the final Budget from the current Chancellor. I thought that it would be worth while in examining it to look back to his first Budget in July 1997, to assess what progress has been made on the various items that he identified in his opening remarks on that occasion. He identified what he perceived as four weaknesses within the British economy: instability, under-investment, unemployment and waste of talent. It would be fair to say that unemployment and waste of talent were closely linked—indeed, he dealt with them together in his speech—so his very first statistic in his very first Budget speech should probably have referred to three weaknesses instead of four. Perhaps he was setting the tone as far as numbers were concerned.

The first weakness that the Chancellor identified was instability. He referred to the independence of the Bank of England, which, even at the time, I supported. It has undoubtedly been a success. He also referred to public finances, stating how important it was that they should be sustainable. In our debates yesterday and today, we have heard how there have been three phases for the Chancellor. From 1997 to 2000, he was fiscally prudent, conservative and careful, and he reduced the budget deficit substantially. From 2000 to 2006, however, we saw a sharp deterioration in public finances. Public spending took off dramatically, while tax revenues at times disappointed. We have seen a sharp tightening since the 2005 general election, and we saw further evidence of it yesterday with the announcement of the public spending plans—the envelope, as it were—for the next few years.

In assessing the Chancellor's record as a whole in this area, it is worth citing the findings of the Institute for Fiscal Studies, which noted some improvement over the past 10 years but made an international comparison: of the 22 countries for which comparable data are available, 17 improved their structural budget balance by more than the UK. We have been living through a time in which the budget balances should have been getting better, yet the Chancellor's record is not all that impressive. Indeed, he has been able to recover a degree of sustainability in the public finances only by means of a rather sharp slow-down in public spending, in which we have seen spending falling as a percentage of national income.

During the last general election campaign, my party put forward proposals in which public spending would rise in real terms but fall as a percentage of gross domestic product. The Chancellor's response to our proposals was that they would result in £35 billion of public spending cuts. Applying the methodology that he used to reach that conclusion to yesterday's spending announcement, the Institute for Fiscal Studies has made it clear that the Chancellor would yesterday effectively have announced £8 billion of cuts by 2010-11, or £10 billion worth by 2011-12. The methodology is absurd. What the Chancellor announced yesterday were not really spending cuts in the normal sense of the word. If he is to be consistent in his choice of methodology, however, that is precisely what he did.

As a member of the Treasury Select Committee, I had the opportunity after the pre-Budget report to ask the Chancellor how he would define a cut in public spending. He evaded my question, saying that we would have to wait and see what the public spending envelope looked like. That was no answer; we do not have to wait and see at all. I had another go at the question when I asked the Chief Secretary to the Treasury what constituted a cut, and he said that it was in the eye of the beholder. We are in the rather curious position of having a new irregular verb, as far as the Chancellor is concerned: "You cut spending. I demonstrate fiscal discipline while increasing real-terms spending."

One innovation in the 1997 Budget was the introduction of the fiscal rules, and they have served a useful purpose. We all know, however, that the golden rule that current spending must be met by taxation over the economic cycle has largely been discredited by the various changes to the economic cycle, which have always made the Chancellor's job somewhat easier. The Chairman of the Treasury Committee, the right hon. Member for West Dunbartonshire (John McFall), raised one or two concerns about the golden rule and the economic cycle yesterday. I intervened on him yesterday, and I have an opportunity today to raise with the Financial Secretary my concern about what one might call a fiddle.

In the past, the last year of an economic cycle has always been treated as the first year of the next, and it so happens that those last years have always been surplus years. Yesterday the Chancellor said that the current economic cycle will finish in early 2007, which I think probably means within the 2006-07 financial year, so my question is: will the 2006-07 financial year, which is a deficit year, be treated as part of the next economic cycle? The question seems fairly straightforward, and if the answer is yes, that would be a continuation of the policy that has applied in the past. However, when asked the question, Treasury officials before the Treasury Committee were unable to give an answer, and no answer has been given in response to parliamentary questions that I have tabled. When he winds up the debate, I hope that the Financial Secretary will clarify whether the last year of one economic cycle will continue to be the first year of the next. As far as I can see, the Government will meet the golden rule for the next economic cycle either way. According to their current projections, there is no reason why not. None the less, it is important to have consistency if the golden rule is to have any sort of credibility.

The second weakness that the Chancellor identified was under-investment. As my right hon. Friend the Member for Witney (Mr. Cameron) pointed out yesterday, the savings ratio has halved since 1997. In addition, business investment in this country is less than 10 per cent. of GDP and has averaged a smaller proportion of GDP than in France, Germany and the United States since 2000. A matter raised in 1997 that is topical again this year is the rate of corporation tax. In 1997, the Chancellor reduced the mainstream rate from 33 to 31 per cent.; he subsequently reduced it to 30 per cent. and, of course, yesterday he reduced it to 28 per cent. In 1997 he boasted that our rate was lower than our competitors' and that we had a competitive advantage, which would help both inward and domestic investment. However, that competitive advantage has been allowed to slip in the succeeding 10 years.

It would be churlish not to welcome the change in mainstream corporation tax. It is right to lower the rate and to simplify the system by having fewer allowances, exemptions, reliefs and so on. That is to be welcomed. The change was foreshadowed in the report produced by the Tax Reform Commission chaired by Lord Forsyth, and the shadow Chancellor was advocating that approach only this week. In fact, the tax cut can safely be said to be the first of many tax cuts initiated by my hon. Friend the Member for Tatton (Mr. Osborne).

Mr. Kevan Jones: I have been listening carefully to the hon. Gentleman and I find what he just said and what the hon. Member for Tatton (Mr. Osborne) said very strange. Their argument seems to be to claim credit for everything in the Budget, but then to go out to the television studios and elsewhere to condemn the Budget. Is not that a bit schizophrenic of them?

Mr. Gauke: There were some good bits—or perhaps one: the cut in corporation tax. Of course we take some credit for a measure for which we campaigned, but that does not mean that every single aspect of the Budget was correct. Let me give another example. The Chancellor's position on mainstream corporation tax is to reduce the reliefs, allowances and so on, but to reduce the rates as well. That is entirely sensible, but for smaller companies, he has done quite the reverse: increased the rate and increased additional allowances. That seems an illogical, and perhaps unfortunate, position. Perhaps there is an explanation that we have not heard. I raised a point earlier about the curious phrase "legitimate small businesses". There may be an explanation there. *[Interruption.]* The reference was to "legitimate" businesses, as if those businesses that did not invest were somehow illegitimate, but I do not intend to pursue the point.

Also on investment, we have the abolition of tax credits for pension funds—the most notorious aspect of the 1997 Budget. Curiously, in 1997, that was justified as helping investment. The Chancellor referred yesterday to the 125,000 people who lost their work pensions through no fault of their own. He was absolutely right: it was not their fault. That is more than can be said for the Chancellor, whose tax raid has contributed to some of the difficulties with occupational pension funds. However, the Chancellor made an announcement yesterday about the financial assistance scheme.

Mr. Jones: Is it not a fact that, in addition to the changes in corporation tax, many of those companies and pension funds did very well out of that change? Some companies then took pensions holidays and did not put any of the money into their pension schemes. Is it not wrong for certain companies to cry wolf and blame the Chancellor, when a lot of them did very well but chose not to put extra money into their pension schemes during the good times for the bad times that came along later?

Mr. Gauke: That was the justification that the Chancellor used at the time for the abolition of tax credits on pension funds. However, with the benefit of hindsight, actuaries calculate that the cost to pension funds has been something like £100 billion since then. Clearly, some occupational funds have been severely affected.

The hon. Gentleman raised the point about the financial assistance scheme. He welcomed what was said. The issue is important for Members on both sides of the House. I represent former workers of Dexion who have been left without their occupational pensions. There has been widespread concern about the plight of those people as a consequence of their occupational pensions no longer being available to them. A lot of us have worked, campaigned and raised the profile of this issue.

Many of us have worked with Ros Altmann, a former Treasury adviser who has won the respect of pensioners and MPs on both sides of the House. I spoke to her last night about her assessment of the announcement of £8 billion extra for the financial assistance scheme. She pointed out that no new money was identified in the Red Book for that. It is going to be paid for a long time in the future. No additional funds have been allocated to it within the Department for Work and Pensions budget.

There is a reference to getting 80 per cent. of the core pension. A core pension is a concept that has been created by the Government. Essentially, we are talking about only 60 per cent. of the expected pension. The

[Mr. Gauke]

FAS pays out only from the age of 65, whereas many people were looking to retire at 60, and would like to be able to do that. There is no inflation linking. All FAS payments will be taxed, although to some extent perhaps the tax changes announced yesterday will be of some assistance. There is no tax-free lump sum. Widows lose out significantly. On the basis of Ros Altmann's comments—we should at least respect what she has to say—it seems that what the Government have done has not been quite as generous as it first appeared. Indeed, the word used by Ros Altmann was "spin".

Mr. Jones: It is worth nothing that when the hon. Gentleman's party was in power it did nothing at all to protect occupational pensions. I know that he does not speak for the Conservative Front-Bench team, but is he suggesting that the Government should underwrite completely every single private pension scheme in this country? If he is, that is certainly a huge spending commitment that will not fit in with the spending plans with which the shadow Chancellor said this afternoon he agreed.

Mr. Gauke: I am not suggesting that. However, the Government have lost a case on the basis of maladministration, although they are appealing, and certain legal obligations might thus be forthcoming. This is not a question of underwriting every single private pension in the country, but we must consider what happens when people have been misled, which is the case in the example that I am citing. We need to look carefully at the matter, and I am not sure that the Chancellor's announcement succeeded in dealing with the problem.

Let me move on to the third and fourth elements of what the Chancellor said in 1997 that remained current yesterday. Welfare reform was at the heart of the 1997 Budget and, to some extent, the 2007 Budget. The right hon. Member for Birkenhead (Mr. Field), who was the Government's first welfare reform Minister, has said:

> "Labour's hugely expensive welfare reform programme has largely failed."

Aspects of the programme clearly have failed. I do not want to enter a long debate about the new deal, but yesterday we seemed to have the new new deal. Should anyone want to examine the arguments and evidence, I recommend the pamphlet "Reforming Welfare", which was written by Nicholas Boys Smith and produced by the think-tank Reform. It lists a range of areas in which the new deal has failed and identifies what should be done about it. It is striking that the Freud report, which was commissioned by the Department for Work and Pensions, comes up with almost exactly the same prescriptions as Mr. Boys Smith: more emphasis on outcomes, not procedures; greater involvement of the voluntary and private sectors; and greater conditionality.

It is also worth considering lone parents. Again, the Chancellor stressed his desire to improve the employment rate for lone parents. There has been an improvement since 1997, but our rate of 56 per cent. is still the lowest such employment rate of any major European country. The Chancellor's proposals—whether in 1997 or 2007—appear to be a form of gentle encouragement, but they do not seem to be working especially well. One can sense the frustration of the Secretary of State for Work and Pensions, who perhaps looks at these things from a slightly different perspective, when he says that we ask very little of lone parents. The Secretary of State's emphasis is on conditionality, whereas the Chancellor has avoided conditionality when addressing welfare reform as a whole.

Hon. Members on both sides of the House agree that we want to encourage more lone parents to work. However, I think that most Conservative Members hold the view, although it is not necessarily shared by Labour Members, that the best environment in which a child can be brought up is within a marriage, or at least by two parents in a stable relationship. The system has created difficulties because, while the DWP's figures show that a couple needs more to escape poverty than a lone parent might receive, the levels of tax credits do not necessarily address that adequately. On last night's "Newsnight", Stephanie Flanders made the point that one group of beneficiaries of the Budget would be out-of-work lone parents.

Mr. Kevan Jones: Good.

Mr. Gauke: I understand why the hon. Gentleman says that, but if we are trying to encourage lone parents into work, or to encourage couples to stay together, it does not seem sensible to have a fiscal or benefits policy that works in the opposite direction.

Helen Jones: There are two issues that the hon. Gentleman needs to address. First, does he believe that couples stay together merely because of the tax system? Secondly, what does he believe the aim should be: to subsidise couples, or to prevent poverty among children? They are not necessarily the same thing.

Mr. Gauke: If the hon. Lady is asking whether I think that the tax and benefits system—it is important to add the "benefits" part—can contribute to keeping couples together, the answer is yes. To be honest, I suspect that the issue is more to do with the carrot of favourable tax arrangements than the stick of unfavourable arrangements, and that is more beneficial for lone parents. That is an important point.

Mr. Jones: So wedding vows should be changed to "to love and to cherish, till death us do part, or till the tax system changes".

Mr. Gauke: I find it surprising that hon. Members do not think that there could be any way in which the tax and benefit systems might have an impact on people's domestic arrangements.

Dawn Primarolo: I listened carefully to what the hon. Gentleman said. He implied that the way in which tax credits and the tax system are constructed discourages partners from staying together, but where is his proof?

Mr. Gauke: The evidence that I would cite for the Paymaster General is a paper that Donald Draper produced in September 2005 for the Institute for Fiscal Studies. It makes my point with much greater clarity. I will certainly send her a copy, if that will be helpful to her.

Dawn Primarolo: Perhaps the hon. Gentleman could give us just one point in that paper that demonstrates that people are discouraged from staying together as a couple by the tax system.

Mr. Paul Goodman: Read the report.

Dawn Primarolo: I have read the whole thing, and I am waiting for the hon. Member for South-West Hertfordshire (Mr. Gauke) to give one point that proves his argument.

Mr. Gauke: I will give one point: the Department for Work and Pension has assessed the weekly income that is required for a lone parent with children if they are to escape poverty, and for a couple with children if they are to escape poverty, and those figures are adjusted for rent. The second figure is higher than the first figure, in terms of what the couple and the lone parent would get from tax credits. If I may press on with the subject of tax credits—

Mr. Kevan Jones: And the point?

Mr. Gauke: That was the point; the amount required for couples, under the tax credits system, would be greater than the amount required for lone parents. If I may move on in my remarks on tax credits—

Helen Jones: Will the hon. Gentleman give way?

Mr. Gauke: No, I have given way. I wish to conclude with this point on tax credits: another clear difficulty with them is that although they try to address the poverty trap for people entering employment, there has been difficulty with people in low-paid employment who move up, whether they are earning more or whether they are moving from part-time to full-time work, because of the very high marginal rate. According to one figure that I have seen, since 1997, the number of people facing a marginal rate of 50 per cent. or more has increased by 874,000. I think that the Government tried to address that yesterday, to some extent, by raising the threshold of the working tax credit, but I would be grateful to learn whether more people will be caught by the higher marginal rate. I do not know whether an analysis of that has been done, but there is concern that more people might be caught. I do not wish to dwell on the administrative difficulties with the tax credits system. I am sure that if I did the Paymaster General would intervene frequently—

Mr. Goodman: The Chancellor would not.

Mr. Gauke: Indeed; the Chancellor certainly would not. None the less, there are administrative difficulties, and an official from Her Majesty's Revenue and Customs who gave evidence to the Treasury Committee last week said how difficult it was for forms to be completed. I am concerned, too, about the greater user of tax credits, which the Chancellor has promoted. There is a tendency for more people to pay tax, then receive a cheque later, so there are concerns that a greater dependency culture may result. I am conscious of time, so I shall conclude.

Yesterday, the Chancellor sought a short-term tactical advantage, but he may well have made a strategic mistake in associating himself with what was essentially a con trick. His record on the substance is not as impressive as is often claimed. He has been inconsistent on public spending, he has been incoherent on welfare reform, and on pensions he has been incompetent. The question that the country must ask is whether, given the fact that the problems that he identified in 1997 still remain in 2007, the Chancellor is the right person to tackle them. The country must face that choice in the not too distant future—the Labour party must face that choice in the very near future—and I am not convinced that he is the right man for that challenge.

4.52 pm

Mr. John Baron (Billericay) (Con): This is an interesting Budget, if only because there is a dispute about whether it is a tax-cutting Budget. The Secretary of State for Education and Skills, who opened the debate, certainly found it difficult to justify the Chancellor's claim that it is indeed a tax-cutting Budget. Most independent economists believe that there is nothing in the Budget to correct the fact that tax freedom day—the day British taxpayers stop earning money for the Government and start to keep the money themselves—has gone from 25 May in 1997 to 2 June last year. All the evidence suggests that small business taxation has increased as well.

Let us assume for a moment that the Chancellor is right, and that this is a tax-cutting Budget, although most of us doubt that. The Budget is interesting, because we have been told for the past year that we cannot share the proceeds of growth. The Chancellor has confirmed in the Budget that we can do so—we can increase public expenditure but, at the same time, if we believe him, we can have a tax-cutting Budget. Let us at least hope that that has moved on the debate about sharing the proceeds of growth, and that we do not hear any more nonsense from the Government on the issue.

In the past 10 years, the Government have taxed too much and thrown money at unreformed public services, and that has not resulted in the improvements that we all desire. There is little doubt that the growth in public expenditure as a proportion of gross domestic product has increased—up from 37 per cent. in 1999-2000 to an estimated 42 or 42.5 per cent. this year. Extra money for public services is good in principle—I do not think that anyone would disagree with that—but not enough of those resources have reached the doctors, nurses, soldiers and police on the front line. Too much of the extra money has been soaked up without improving productivity, and Ministers cannot dispute that the cost of inflation in the public sector is running at twice the rate in the private sector.

We have heard about the good progress by the NHS. Let us not be churlish about it—in 10 years, there have been improvements, just as there were improvements in the previous 10 years. However, I would contend that, given the amount of money that has gone into the NHS, we have not seen the improvements that we should have seen. That is confirmed by statistics that clearly show that three quarters of the NHS spending increases have been spent on cost pressures, rather than

[Mr. John Baron]

on improving front-line services. As a result, productivity in the NHS has fallen by up to 1.5 per cent. in each year since 1997. Labour Members might question those figures but the Chancellor himself, I am led to believe, has similarly been questioning why productivity has fallen in the NHS and has held meetings at No. 11 to discuss the matter. That proves that there is an acknowledgement, even in the Government, that productivity improvements have not been forthcoming, and that that is a concern, given the amount of money that has been put into the NHS.

Helen Jones: A number of the pressures to which the hon. Gentleman refers relate to improving wages for NHS staff and to implementing "Agenda for Change". Is he suggesting that that should not have happened?

Mr. Baron: If one speaks to the Royal College of Nursing, one realises that it is not a happy organisation. The hon. Lady is aware that the RCN is campaigning vigorously against the latest wage increase, which seems to have been staggered and is below the rate of inflation. *[Interruption.]* The hon. Lady can intervene if she wishes. The facts do not confirm her argument that all is well with regard to salary increases. The badly managed introduction of some contracts has made for financial mismanagement as well.

Helen Jones *rose—*

Mr. Baron: I will be generous and give way a second time.

Helen Jones: That is very kind of the hon. Gentleman: I am grateful. I was referring not just to this year's pay rises, but to pay rises over the 10 years of the Labour Government, especially the implementation of "Agenda for Change", which gave many staff in the NHS much better pay and career opportunities. I would be grateful if the hon. Gentleman answered the question. Does he think that those pay rises should not have taken place?

Mr. Baron: The hon. Lady knows the answer to that question already. The point that I am trying to make, which I suggest she is ignoring, is that the NHS should be to the benefit of patients, not just to the benefit of the staff. There is team work involved. However, the bottom line is, yes, there should have been salary increases, but productivity has fallen in the NHS.

If the hon. Lady wants an example, we need only look at NHS waiting times. Yes, the longer waits have been eliminated, but that has created a bulge in the middle, to the extent that despite the amount being spent on the NHS having more than doubled average waiting times have fallen by only five days over the past 10 years. These are not statistics spun out of central office but hospital episode statistics produced independently, and they confirm that average waiting times have dropped from 78 days to 73 days over the past 10 years.

Perhaps more worryingly, median waiting times have increased from 5.7 weeks in 1997 to 7.3 weeks last year. Clearly, once the layers of Government spin have been peeled away, the extra money has not delivered the improvements that we all hoped to see, and that should have been delivered, given the amount of money that has been put into the NHS.

Let me put to rest the argument that is continually rolled out at the Dispatch Box that because we have seen such a good decline in cancer mortality rates, that is living proof, so to speak, that all that money is having a beneficial impact. That decline has occurred over the past 10 years, but it continues the decline in the preceding 10 years. In other words, it has made no significant improvement to the long-term decline in cancer mortality rates that has been evident for the past 20 to 25 years.

That argument needs to be challenged time and again. The statistics are available for everyone to see. If we look at the mortality rate for cancer among people under 75, we see that the proportion dying from cancer fell by 12.5 per cent. in the seven years after 1997. The comparable fall in the seven years before 1997 was 12.6 per cent., so all the extra money that has been put in has not made a discernible difference to the long-term trend in declining mortality rates.

Let me turn to taxation in general. It is evident that the Government simply do not accept the case for lower taxes. We have had 11 Budgets in which, broadly speaking, the tax take by the Government has gradually increased. Only 10 years ago, the UK's tax burden was close to the Organisation for Economic Co-operation and Development average of about 39 per cent. of gross domestic product. Since then, while across the rest of the OECD the burden has fallen to an estimated 38 per cent., in Britain it is forecast to rise to 42.5 per cent.—its highest since 1986. The Government seem to take the view that public services should be micro-managed and that they know how best to spend people's money—that is why the tax take has gone up so much.

There is a strong case—indeed, almost a moral case—for lower taxation. Evidence the world over has shown that where Governments reduce the tax burden on their countries, over the medium and longer term that increases the prosperity—the growth rate—more than making up for the short-term shortfall in receipts through the initial tax cut. Hon. Members, especially my hon. Friends, must not be afraid to make the case for lower taxes. Tax cuts create a bigger economic cake from which the Government can take their honest share and help the less fortunate in society. I am sure that we all want to achieve those ends, but it is a question of how we do it. I suggest that the best way of creating increased prosperity—the bigger economic cake—is to lower taxes.

As I said, there is evidence across the world for that, but to find it we need only look across the Irish sea. Throughout the 1990s, liberalisation of the corporation tax laws in Ireland created a huge economic dividend that cannot be ignored. There we have a concrete example of a country making a determined cut in its tax rates and increasing prosperity over the medium to longer term. Real national income per head rose from less than 65 per cent. of the EU average at the beginning of the decade to rough parity by the end of it—a phenomenal achievement. During that period, unemployment tumbled from a high of 17 per cent. to

about 4 per cent. The Irish Republic massively increased its share of inward investment from the EU and from US companies, while the UK's share remained about the same. This is not just wishful thinking—there is concrete evidence to suggest that cutting taxes can create that bigger economic cake over the medium to longer term for the benefit of the whole of society, especially its more vulnerable elements.

At the moment, we have a British Government who are going the other way. In the past 10 years, they have marched in the wrong direction against the trend of lower taxation that has been evident across much of Europe as a whole. There is no shortage of statistics in this regard, and I suppose that one can always bend an argument to one's own way of thinking by choosing the right ones. Nevertheless, the bottom line is that if we are to reach a relatively independent assessment of the tax burden on individuals in this country, a good and objective measure is tax freedom day—the day each year on which the average British taxpayer stops working for the Government and starts working for himself. Back in 1964, tax freedom day fell on St. George's day, 23 April. In 1997, it had reached 25 May. Last year, it was 2 June, and our forecast suggests that by next year it could be as late as 3 or 4 June.

Perhaps most worrying of all is the increasing burden of corporation tax. I accept that there has been a 2 per cent. cut in the main headline rate, but I am fearful of the effect that the Budget will have on small businesses. There is little doubt—and there can be little disagreement—that the tax take from small businesses under this Budget has increased. The increase from 19 per cent. to 22 per cent. by 2010 for small businesses gives the lie to the Chancellor's claim that this is a Budget for enterprise and prosperity.

The importance of small businesses to the UK economy should not be underestimated. More than 4 million small businesses make up over 99 per cent. of all enterprises in the UK. The Small Business Service has estimated that small businesses provide 47 per cent.—nearly half—of UK non-government employment, and 38 per cent. of the UK's turnover. Meanwhile, research by the Federation of Small Businesses shows that small firms created a phenomenal number of jobs—550,000 or over half a million—in the second half of the 1990s, compared with just 200,000 jobs created by large companies. These people are not fat cats or multinational businesses. Mostly, they are entrepreneurs who have an idea and are willing to risk their own money to get it off the ground. Small businesses are often the lifeblood of our local communities and high streets in constituencies up and down the country. Over time, many of them grow and contribute even more to the economy.

Were the Chancellor really determined to encourage prosperity and enterprise, he would not target tax increases on small businesses. He has claimed that the £50,000 capital allowance will result in many small businesses paying less tax, but we simply do not know whether that will be true. Many small businesses will not be able to take up that allowance, particularly in the service sector, which has done so much for the economy in the past. Many economists are still crunching the numbers, but the early indications are that netting off the introduction of a capital allowance will still mean that the Treasury takes hundreds of millions of pounds away from small businesses and into the Exchequer.

Nor should we forget the effect of bureaucracy. Allowances and credits might be good for business but they also generate more bureaucracy for firms. It is far simpler to give companies a cut in the tax that they pay, and let them make their own decisions about investments in research and development. According to the Federation of Small Businesses, the average small business already spends about 28 hours a week filling in forms for the Government. The Budget will add to that while increasing the burden of direct taxation. When I am out and about in my constituency, I am told by entrepreneurs that that is a growing problem, and that they have to spend a disproportionate amount of time filling in forms rather than concentrating on running their businesses. That bugbear has just been increased further by the Budget.

All parties might claim to be the party of small business, but the important thing to entrepreneurs is hard cash. It is easy to talk about cutting bureaucracy, but hard to do something about it. Entrepreneurs are fed up of hearing both main parties simply talking about cutting bureaucracy; they want hard evidence that the Government are serious about helping small businesses. Small businesses are fed up to the back teeth of the Government claiming to be the party of small business but failing to deliver and only increasing the tax burden.

I would like to hear a promise of tax cuts for small businesses. My back-of-an-envelope calculations suggest that if a Government promised a 1 per cent. cut in small business corporation tax for each year of a term, by the end of the five-year term a 5p cut in small business corporation tax would cost the Exchequer only about £1.2 billion. In the great scheme of things, that is not a lot of money, but it would create such good will for the Government of the day.

This was a disappointing Budget. Whether or not it is tax-cutting is disputable: only time will tell. What we do know is that too much money is going into unreformed public services, and that small businesses will suffer as a result of the Budget. That will be to the long-term detriment of this country.

5.10 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): I apologise for having been absent from the Chamber for a while. I had to attend a meeting of the trustees of the Parliamentary Contributory Pension Fund—on behalf of Members who are present, of course.

It is a pleasure to follow my hon. Friend the Member for Billericay (Mr. Baron). I am indebted to him, as is the whole House, for the devastating figures that he gave showing that, after 10 years and a doubling of public expenditure, the waiting time for operations in the national health service has declined by only five days—from 78 days to 73—and that the median waiting time has actually increased. I predict that those figures will not be mentioned in the winding-up speeches, but I hope I am wrong.

The newspapers told us that this would be the last Brown Budget. In fact, it was the first instalment of the first Osborne Budget and the last instalment of the last

[Mr. Peter Lilley]

Lawson Budget. It was the first instalment of the first Budget of my hon. Friend the Member for Tatton (Mr. Osborne) because it was he who advocated the cut in the corporation tax rate which the Chancellor has made, and it was the last instalment of Nigel Lawson's last Budget because he set out his ambition to establish a simple two-rate taxation structure with a top rate of 40p and a bottom rate of 20p.

As you will remember, Mr. Deputy Speaker, when Nigel Lawson made that announcement in his Budget speech it produced uproar. For the first time in history, the Budget debate had to be suspended by your predecessor and could not continue until Labour Members had calmed down, such was their horror at the prospect of an income tax system with just two rates, 40p and 20p.

I wonder whether those who were so appalled then were among those who cheered yesterday when their own Chancellor announced, rather implausibly, that that had been his long-term ambition too. Perhaps they dwelt on the subject overnight. That may explain why only one Labour Back Bencher is present today to support the final instalment of Lord Lawson's Budget, which—in that respect, at least—Conservative Members welcome.

In short, this sounded like a Conservative Budget with Conservative tax cuts, coming from a tax-raising Chancellor. Let us be clear about this, however: Conservative Budgets cut not only the rates of tax but the burden of tax, and this Budget increased the burden of tax. We should take account not just of the measures on page 209 of the Red Book—Budget measures which themselves increase the overall burden of taxation—but of those on page 210, which show all the measures introduced since the last Budget but not included in this Budget. Then we see that the total burden of taxation is rising by £2.5 billion this year, and by £3 billion in the subsequent year. This was a tax-raising Budget of the sort that we have come to expect from a Chancellor who taxes by stealth.

The Chancellor has achieved the illusion of cutting taxes while increasing the overall tax burden— largely by scrapping measures that he himself introduced. He introduced the 10p starting rate; now he has scuppered it. He said that he was halving the rate of tax imposed on the working poor; now he has doubled it. He reintroduced allowances on capital expenditure; now he is reducing them. He reduced the corporation tax rate on small companies; now he is raising it.

The Chancellor of the Exchequer spent his first four Budgets marching his troops up the hill towards a 10p tax band, a 20p small business rate and capital allowances for manufacturing. Now he has marched them back down again, leaving all that behind. He has been described—by my hon. Friend the Member for Tatton, I think—as the Prince of Wales waiting to be King. Actually, he is the Duke of York, who marched his troops to the top of the hill and marched them down again.

Loyal readers of my pamphlets will know that I have previously accorded that title to the Prime Minister, as in his first Parliament as Prime Minister he abolished grant-maintained schools, downgraded city technology colleges, scrapped GP fundholding and ended patient choice; he then spent his subsequent Parliaments reintroducing grant-maintained schools, which were renamed foundation schools, city technology colleges, which were now called city academies, GP fundholding, which was called practitioner commissioning, and patient choice—which, because the Government could not think of another name for it, they have reintroduced as patient choice. Therefore the Prime Minister has been a Duke of York and will be remembered, primarily, as that.

That point helps to answer the central question behind the Budget: where has all the money gone? Reorganisations—especially pointless and unnecessary ones which reverse previous reorganisations—are hugely expensive. Palms must be crossed with silver, as Nye Bevan remarked when he introduced the reforms that led to the creation of the national health service. Vested interests must be bought off. In every change, bureaucracy and unions find opportunities to boost pay, reduce work loads, increase the number of posts and reduce overall productivity.

That is one reason why so much money has been spent to so little effect, but the Budget speech highlights a second reason why this Chancellor has wasted money on an industrial scale, as my right hon. Friend the Member for Witney (Mr. Cameron) said. A Chancellor who measures success by how much money he spends, rather than by the results achieved, ends up spending a lot and achieving very little. The Chancellor set himself the wrong measure of performance, and as a result he has succeeded only in spending money and not in improving services.

The third reason why there is so much waste is that the Chancellor has a centralising nature. That is not only because he is a Stalinist—he is a believer in the central doctrine of Stalinism, which is bureaucratic centralism—but because he is new Labour and new Labour has a preoccupation with tomorrow's headlines, as he has demonstrated. New Labour is preoccupied with wrong-footing the Opposition, spin and media manipulation. In order to do such things, it is necessary to centralise. If what is wanted is a continual flow of news manipulated from the centre, the decisions must be made at the centre; it is necessary to indulge in micro-management, setting targets, ring-fencing budgets, detailing regulations and having detailed management controls in the public sector. The Government have, of course, done all that.

Let me give an example that comes from my own experience of visiting a national health service hospital. Hon. Members will recall that the Government got a good headline when they announced their waiting list target. They got another good headline when they announced ring-fenced waiting list budgets for every hospital. They got yet another good headline when they announced that waiting list managers would be appointed to every hospital. So they got three good headlines, but the consequences in the hospital I visited were as follows. The waiting list manager spent his ring-fenced waiting list budget on carrying out operations on Sundays in order to get the waiting list down. It might be thought that that was an expensive way of doing that, as higher rates had to be paid to locum surgeons, but one would expect more operations to be done and waiting lists to be reduced. However, at the end of Sunday all the equipment needed to be sterilised and it was impossible to employ spare

sterilising teams on Sunday. Therefore the equipment had to be sterilised on Monday, which meant that no operations could be carried out on Monday. The money for that did not, however, come from the waiting list manager's budget; his budget was ring-fenced. It came from the budget of the rest of the hospital, so he did not worry. As a result there were no extra operations and no other achievements, but a vast sum of money was spent.

That was a waste of money, which is bad enough, but there was a second consequence which was worse. A surgeon to whom I spoke had established a dedicated open-wound operating theatre and a ward served it that was kept scrupulously clean to avoid any risk of contamination by methicillin-resistant staphylococcus aureus—MRSA—or any other infection. However, the waiting list manager had to manipulate the waiting list, and some patients were getting dangerously near one of the thresholds, which meant that he might not meet a particular target. So he insisted on dumping some of his patients on that ward, including one with MRSA, another with a liver infection, and a third with another such problem.

My consultant informant said that he could not operate in those circumstances. He was told by the hospital authorities that he must—they had targets to meet. He said that that would put the health of his patients at risk. He was told that this was a P60 matter, and that he would have to think about it hard. Happily, he has a private income from a medical invention of his, so he was able to call their bluff. He simply gave all the patients a form, saying that if they wanted to go ahead with the operation immediately, they should fill it in and remove any liability that he might have—but that he could advise them to do that only if they were feeling suicidal. So none did. No operations were carried out and their lives were saved.

This is the implication of detailed micro-management—waste and reduction in quality, instead of improvements and enhancement of quality. Nothing that we heard in this Budget suggests that the Chancellor or the Government have learned the lessons of 10 years of spending and wasting. The Budget is a Budget for short-term headlines and long-term waste. It is a Budget of Conservative appearance, but socialist substance. It is a Budget that cuts rates, but increases the burdens on the British people. It will be remembered for the latter.

5.21 pm

Mr. Paul Goodman (Wycombe) (Con): It is a pleasure to speak in this second day of the Budget debate, and it is an equal pleasure to follow my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley) who, at the beginning of his remarks, made a point that had been very much on my mind this afternoon. Yesterday, when the Budget statement was delivered, the Government Benches were packed with Labour Members and they cheered the Chancellor to the echo, but today, only three could be bothered to turn up to speak on the Chancellor's Budget.

Mr. Gauke: Not even a Whip.

Mr. Goodman: Indeed. Could it be that they have worked out something about the Budget that the Chancellor did not tell them yesterday? I suspect that the answer is yes, and I shall come to that point later.

However, we have had some good speeches. As one would expect from a member of the Education Select Committee, the hon. Member for Warrington, North (Helen Jones)—the only Labour Member who is actually here—made a detailed speech on education. She said that spending should be focused on the curriculum and teachers; we will doubtless all agree with that. She also said that poverty can be a greater barrier to progress in schools than ethnicity. To judge by my own constituency experience—I have the largest number of Muslim voters of any Conservative Member of Parliament—she is absolutely right.

The hon. Member for North Durham (Mr. Jones), who is not in his place, gave us a tour of his constituency, where all appears to be well in the national health service. I have to say that that is not my and my hon. Friends' experience, nor was it the experience of the hon. Member for Rochdale (Paul Rowen). In a short speech, the right hon. Member for Leicester, East (Keith Vaz) paid a gracious tribute to my right hon. Friend the Member for Hitchin and Harpenden and touched on one of his passions: the European Union. I do not know whether he is still an enthusiast of the euro, but if he is, the Chancellor will doubtless enjoy the opportunity to talk to him about it.

My right hon. Friend the Member for Fylde (Mr. Jack) made—as one would expect from an ex-Treasury Minister and the Chairman of the Environment, Food and Rural Affairs Committee—an expert speech. He discussed in some detail his own research into the Treasury's lack of assessment of the value of its tax cuts, and his research into mortgage rates in Britain. If he wants to speak to me about his ideas on taxation and air travel, I will be very happy to listen. I will now commit my colleagues, without having consulted them, and say that if he wants to talk to any of them about inheritance tax, they will see him. I am sure that they will be pleased to hear that.

My hon. Friend the Member for Sevenoaks (Mr. Fallon), as one would expect from a member of the Treasury Committee, concentrated on the state of the NHS, as did my hon. Friends the Members for West Suffolk (Mr. Spring) and for Billericay (Mr. Baron). The latter made an interesting point about waiting times and used a particular statistic to which I intend to come later. My hon. Friend the Member for South-West Hertfordshire (Mr. Gauke) gave us a forensic analysis of the Chancellor's record, and I am sure that the Chancellor will enjoy discussing that with him when my hon. Friend questions him in the Treasury Select Committee. We all know that the Chancellor looks forward to those occasions very much indeed.

This is the Chancellor's 11th and final Budget. He wishes to be Prime Minister—an honourable aim. He wants to take the country in what he genuinely believes is the right direction. We can all surely agree on what the right direction means—improved competitiveness, better productivity growth, a manageable tax burden, borrowing that is under control, strong savings and value for money in the public services. We need all those things if the British economy is to flourish in the competitive and globalised world economy of this 21st century. For after all we must not, amidst all the headline-grabbing frenzy of yesterday's Budget

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statement, forget the starkness and seriousness of the international challenge that confronts the British economy. We must at least try to raise our eyes from this debate and look ahead and look abroad.

By 2050, it is estimated that China's share of world trade will have risen from roughly 18 per cent. to 24 per cent., but North America's will have fallen by 2 per cent. to 23 per cent. The EU's is set to fall by almost half, from 22 per cent. to a mere 12 per cent. So the choice is clear. Even to maintain our position—to keep up with US rather than EU growth rates—we have to compete to prosper, if we are to meet the challenge of the 21st century. The economy must travel in the right direction.

So we need improved competitiveness. However, according to the World Economic Forum, since 1997 we have dropped from fourth place in the competitiveness league to 10th. Nor is that a one-off. The Institute for Management Development's global competitiveness survey tells the same story. In it, we have dropped from ninth to 21st. Eleven Budgets on, the Chancellor has taken our competitiveness in the wrong direction.

We need better productivity growth. From 1992 to 1997, our annual productivity growth was 2.6 per cent. Between 1997 and 2001, it fell to 2.1 per cent. and between 2001 to 2005 it fell again, to 1.5 per cent. Eleven Budgets on, the Chancellor has also taken productivity growth in the wrong direction.

We need an overall tax burden that is going in the right direction, but our tax burden is—hon. Members have guessed it—going in the wrong direction. In 1997, it was £270 billion. Eleven Budgets on, it is £517 billion, a rise of no less than 41 per cent. in real terms—the highest tax burden in the history of the British economy. Business taxes alone have risen by £50 billion since 1997 and this year's Budget will take them up again, by an extra £1 billion next year, as my hon. Friend the Member for Tatton (Mr. Osborne) said earlier, and by £1.8 billion the year after.

With all that tax, one would have assumed that borrowing was under control. But we look at the Red Book and see that over the next five years the Chancellor is planning to borrow another £153 billion. Each year he will borrow more than the entire budget for schools. Let us not forget that the £153 billion figure is only the Chancellor's forecast. This Budget is actually the seventh one running in which he has had to come to the House and admit that his Budget borrowing forecast was wrong.

Mr. Jack: Did my hon. Friend, when he was crafting his excellent remarks, ponder the fact that the Chancellor made much of the level of growth that he anticipated in the British economy and that one would have expected in the circumstances that money would be repaid, not borrowings increased?

Mr. Goodman: I was pondering that point not only while I was crafting my remarks but while I was listening to the opening speeches this afternoon. One would certainly have expected that, and one would also have expected the Chancellor to admit to the House yesterday that, in growth terms, Britain comes in at 22nd out of the EU's 27 members. Instead, he referred only to the G7.

We need strong savings, and the Chancellor is especially culpable in that regard. In opposition, he told pensioners:

> "I want the next Labour Government to achieve what in 50 years of the welfare state has never been achieved: the end of the means test for our elderly people."

So what happened to means testing? When we left office, 37 per cent. of pensioners were means tested; now, the proportion is 45 per cent., and climbing. What happened to saving? Since 1997, the personal savings ratio, as set out on page 255 of the Red Book, has fallen by half. No wonder the right hon. Member for Birkenhead (Mr. Field) has said:

> "When Labour came to office we had one of the strongest pension provisions in Europe and now probably we have some of the weakest."

Above all, as so many Conservative Members have said, we need value for money in our public services. We do not dispute that we have had the spending: an extra £175 billion since 1997. Money has been poured into the health and education budgets, but where has it all gone? Staggeringly, and according to the Treasury's public finances databank, out of every £10 that the Chancellor has spent, only £1 has gone on investment.

Let us take the NHS. The Chancellor scarcely mentioned it yesterday, and he certainly did not announce his comprehensive spending plans for it, so I shall do so today. As my hon. Friend the Member for Billericay said, only a quarter of the Chancellor's NHS spending has gone on improving front-line services. Productivity in the NHS has fallen during each year since 1997.

> "Given the record levels of public investment, our public services should now be reaching world-class levels—we shouldn't be seeing only incremental changes."

Those are not my words: they are the words of another of the Chancellor's close friends, the right hon. Member for North Tyneside (Mr. Byers).

So after 11 Budgets, the Chancellor has given us competitiveness that is not better, but worse; productivity growth that is not higher, but lower; a tax burden that is not lower, but higher; borrowing forecasts that are discredited; and a golden rule that is now completely derided. Above all, his mania for means-testing has delivered lower savings, with over £100 billion missing from pension funds since his raid on them during his Budget of 1997, 10 long years ago.

The Chancellor would have hoped, 10 years on, to present this Budget ahead in the polls. Instead, he is behind in the polls. So what does he do? Well, with his borrowing forecasts missed, his spending out of control, his tax burden rising and his popularity falling, he has been forced to take a last, desperate gamble.

The Chancellor hopes that, if he says that he will cut one income tax after raising over 100 others, he will fool the voters into thinking that he has somehow been transformed from Stalin into Milton Friedman—that he has somehow turned into a tax-cutter. However, as we all know only too well, what this Chancellor gives away with one hand—I will not say one "clunking fist", as that is the Prime Minister's language—he grabs back with the other.

There will be a cut in the standard rate—if it happens—next year, but there will also be a stealth tax on lower earners as the Chancellor scraps the 10p band and leads them deeper and deeper into the tax credit maze. There will be the raising of the top tax threshold, but also a hit on professionals, such as doctors, as a result of the rise in the national insurance ceiling.

The Chancellor got the media headlines on Budget day, but a hangover the day after as it emerged, as my hon. Friend the Member for Tatton noted earlier, that 3.5 million families will lose out. He hopes that people will notice the tax cut but not the tax rise. We feel that that approach is—to borrow another term from 10 Downing street—"psychologically flawed".

For the truth is that the British people have seen through this Budget already. It was not a tax cut Budget, but a tax con Budget. Perhaps we should not complain. After all, in his final Budget, the Macavity of Downing street is paying us the ultimate compliment. He has no option. If he is to rein in his spending and borrowing, he has no choice but to tread the path that we have already marked out for him. We told him to remove the VAT restriction on academies. Only a few weeks afterwards, in the Budget he was forced to follow our lead—Conservative policy.

Mr. Bob Ainsworth: Why not congratulate the Chancellor?

Mr. Goodman: We told the Chancellor radically to reform corporation tax. Only a few days afterwards, in the Budget he was forced to follow our lead—Conservative policy again. We certainly congratulate him on that. We told him to grow his spending slower than the economy. In his Budget, he is finally sharing the proceeds of growth—Conservative policy. *[Interruption.]* I can tell the Government deputy Chief Whip that if the Chancellor keeps following Conservative policy, we shall of course congratulate him.

As the Chancellor has paid us such a tribute by borrowing a few of our clothes, perhaps we should be a little generous. After all, he is fully entitled to argue that having failed to take the economy in the right direction as Chancellor now, borrowing our approach to get him on track, he will take the country in the right direction as Prime Minister. He is fully entitled to claim that he can rise to the challenges of the 21st century and that the Budget will allow him to turn over a new leaf—greeting his colleagues with a cheerful smile and a listening ear, winning the trust of his most senior civil servants and bringing about a new open style of government, in which decision making is a shared responsibility animated by a generous spirit of give and take.

I do ask the House to listen not to the views on that matter of a mere Opposition spokesman, but to those of the Chancellor's colleagues—and not just the right hon. Member for Birkenhead, whom I mentioned earlier; and not just the right hon. Members for North Tyneside and for Darlington (Mr. Milburn), who collaborated last year to sabotage the Chancellor's Budget. I bet the Chancellor cannot wait for them to turn up this year.

Mr. George Osborne: What about the right hon. Member for Norwich, South (Mr. Clarke)?

Mr. Goodman: My hon. Friend is ahead of me. Their accomplice, the right hon. Member for Norwich, South described the Chancellor as "deluded" and said of him:

> "It's a controlling thing. He thinks he has to control everything".

I have still not finished with the Chancellor's colleagues—there are so many. What about the Secretary of State for Work and Pensions, whom the Chancellor could not even bear to name-check in his Budget speech? The Secretary of State said that the Chancellor would make "a—blank—awful Prime Minister". It is not just all those colleagues. No less a person than the former Cabinet Secretary and head of the civil service said of the Chancellor—well, he said many things but I shall quote just one—that he has

> "a very cynical view of mankind and his colleagues...The surprising thing about the Treasury is the more or less complete contempt with which other colleagues are held."

We are of course all waiting for the Home Secretary to come to the House to dispute that version of events.

The cynic of today cannot be the change we need tomorrow. The dealer in contempt cannot be the bringer of optimism and hope. The grim-faced commissar in the Treasury cannot be the wave of the future. If the British people want the economy to go in the right direction, if they want to share the proceeds of growth, if they want Conservative policies, they will vote for the real thing.

The Chancellor could have gone so much further. He could have made it a Budget for the NHS. He did not. He could have made it a Budget for marriage. He certainly did not. He could have made it a Budget for raising green taxes as a proportion of tax. He did not. He did none of those things. This was the Budget in which the Chancellor ran out of ideas and time. If he wants a general election, we say—bring it on.

5.38 pm

The Financial Secretary to the Treasury (John Healey): I welcome the fact that we have had a full debate today. It is the first of at least two more days on the Chancellor's Budget.

The debate has been interesting. I understand why the tax changes caught the eye yesterday and dominated the debate today, but an important part of any Budget is the Chancellor's update of the state of the British economy. This afternoon, only the contribution of my hon. Friend the Member for North Durham (Mr. Jones) fully recognised how substantial and significant the change in Britain's economic fortunes has been over the past decade, directly as a result of many of the fiscal and monetary policies introduced by my right hon. Friend the Chancellor.

The British economy is now growing faster than that of other G7 countries. It has a higher proportion of men and women in work than America, Japan and all our European neighbours. The productivity gap with Germany and Japan is now closed, the gap with the US is narrowing and the gap with France now halved. Inflation in the British economy over the last decade is half that of the previous decade; while interest and mortgage rates are half the 11 per cent. averaged in the 20 years before. The British economy now has the platform of investment, stability and employment to enable us to equip the British people with new skills for

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the jobs of the next decade and beyond, and to equip British firms with the new skills, markets, investment and innovation that they need to compete successfully and to generate jobs and wealth for the next decade and beyond.

Let me deal with the contributions to the debate. I shall start with those of the Front-Bench spokesmen. I have to say that the hon. Member for Wycombe (Mr. Goodman), along with his hon. Friend the Member for Tatton (Mr. Osborne), struck a very different note from their leader's response to the Chancellor's Budget statement yesterday. The right hon. Member for Witney (Mr. Cameron) started by saying:

"Well, the Chancellor has finally given us a tax cut."—[*Official Report*, 21 March 2007; Vol. 458, c. 829]

Perhaps he did not fully understand what he had heard from the Chancellor, but that is not surprising, as he was getting feverish and whispered advice from the hon. Member for Tatton and the right hon. Member for West Dorset (Mr. Letwin). The right hon. Member for Hitchin and Harpenden (Mr. Lilley) said this afternoon that this was not a tax-cutting, but a tax-raising Budget, while the hon. Member for Billericay (Mr. Baron) said that he was not sure, as there was a dispute about whether it was tax-cutting or tax-raising.

Several hon. Members *rose—*

John Healey: It seems that, 24 hours after the Budget, the Opposition still cannot get their act together—*[Interruption.]*

Greg Clark *rose—*

John Healey: The hon. Gentleman has not been in his place for much of the debate and did not contribute, though I appreciate that he was here at the start.

Mr. George Osborne: Will the Minister give way to me, then, as I was here at the start?

John Healey: I will give way later, but Opposition Members are asking me, "Which is it?" The Chancellor could not have been clearer in his Budget statement, so let me refer Conservative Members to column 819 in yesterday's *Official Report*. The Chancellor said:

"Let me be absolutely clear: with the economy now growing strongly, faster than any other major economy, this is not a time for a fiscal loosening, and the changes that I make today will be broadly neutral for the public finances and overall, which is the right decision for Britain at this time in the economic cycle."—[*Official Report*, 21 March 2007; Vol. 458, c. 819.]

The Chancellor could not have been clearer, even if Conservative Members, and particularly the right hon. Member for Witney, did not hear him.

Mr. Osborne: The Minister is making a valiant attempt to pretend that the Chancellor did not present his Budget as a tax-cutting Budget. As often happens, the Institute for Fiscal Studies has looked into the figures, and it has confirmed that it is a very substantially tax-raising Budget. Will the Minister now confirm that the IFS is right?

John Healey: No. I think that the hon. Gentleman should do his own work. If he looks at table 1.2 on page 14 of the Red Book, he will see precisely the net result on tax take of all the policy decisions in the Budget.

Mr. Lilley: Will the Minister confirm that he is talking about the decisions in the Budget, which excludes all the revenue raised by decisions taken since the last Budget—they do not appear in this Budget—as shown on page 210 of the Red Book? They amount to the best part of £3 billion.

John Healey: I am making the point—in order to clear up what is clearly a great deal of confusion among Conservative Members—that in broad terms, this was a fiscally neutral Budget, just as the Chancellor made clear yesterday afternoon.

Mr. Jack: Will the Minister confirm that there is column in the Red Book for the financial year 2008-09? At the bottom, where all the pluses and minuses of the Budget are summed up, there is a plus £280 million additional tax take for the Treasury. That is in the Red Book. Will he confirm that?

John Healey: The right hon. Gentleman has been a Treasury Minister. He will also have seen in the Red Book that the total spend for this coming year is £550 million—Hon. Members: Billion. Billion—thank you. In that context, the figures in table 1.2 that I have mentioned mean that the Chancellor is absolutely correct: this is broadly a fiscally neutral Budget.

Several hon. Members *rose—*

John Healey: I must make some progress; I want to respond to the other contributions that have been made today.

Mr. Baron: Will the Minister give way?

John Healey: I am going to deal with some of the comments that the hon. Gentleman made during the debate. If he will forgive me, I shall ask him to wait until then, because I particularly want to talk about the NHS, about which he was concerned.

The hon. Member for Brent, East (Sarah Teather) talked about education, as did my hon. Friend the Member for Warrington, North (Helen Jones). Contrary to the argument put forward by the hon. Member for Brent, East, the Department for Education and Skills will be one of the greatest beneficiaries of yesterday's settlement in the next spending review period. She asked about the significance of the 2.5 per cent. real-terms increase over the comprehensive spending review. When we do our public finances, we take a cautious view, based on below trend growth. That means that we take a base view of the public finances at 2.5 per cent., which means that education funding over this next period will continue to grow in line with gross domestic product. So, instead of education funding being 4.7 per cent. of

GDP, as it was in 1997, it will be 5.6 per cent. during this comprehensive spending review period.

Education will also take an increased share of the CSR increases. In the past five years, education took 13.3 per cent. of the cash increase in the total managed expenditure. In the coming CSR period, it will take 14.4 per cent. In other words, education will take a greater share of the new public spending in this spending review period than it has in the past five years. This is a very good settlement for education. It will mean, just as it has over the past 10 years, big improvements in all our schools: more equipment, more computers, more books, more teachers and supply staff, and more students making the grades that we expect them to. We have also seen more schools rebuilt in the past five years than in the previous 25. As the Secretary of State said earlier, we have seen essential investment over the recent period, accompanied by important reforms.

The extra investment will allow us to do still more. There will be one-to-one teaching for 600,000 students, the number of apprentices will double to 500,000, and we will increase the number of higher education students by another 60,000. Every school will become an extended community school.

Sarah Teather: I understand the answer that the Minister gave me earlier; I was expecting him to say that. Nevertheless, his response contradicts the figures in the Red Book, which give an average projected economic growth rate of 2.75 per cent., not 2.5 per cent. as he has just said. I understand that the Treasury has its own special figures, but will he explain the contradiction between his statement and the figures in the Red Book?

John Healey: I do not want to repeat myself, but I will explain that, although the trend rate of growth is 2.75 per cent., we take a cautious baseline view of public finances, using 2.5 per cent., and that is what we base all our public spending decisions on.

I turn to the personal taxation changes. The purposes of the package of reforms are varied. They include: a desire to cut the basic rate of income tax by 2 per cent. for all; taking 600,000 pensioners out of taxation altogether by increasing the age-related allowances; providing direct support for families with children, taking another 200,000 children out of poverty; improving the incentives to work by raising the value of the working tax credit; and simplifying the personal tax system so that we have two rates and two thresholds, by aligning the national insurance contributions upper earnings limit with the higher rate threshold.

Greg Clark: Will the Minister give way?

John Healey: If the hon. Gentleman will forgive me, I want to respond to the hon. Members who have made contributions to the debate, and who have been in here for longer than he has.

We are able partly to pay for the package by abolishing the 10p starting rate, but by taking action to increase the child tax credit, the working tax credit and pensioner allowances, we are able to target the resources more directly on our three priorities: families with children, pensioners and work incentives. Despite what the hon. Members for Tatton and for Wycombe and others have said, the results of the package of reforms are that a single-earner family with two children on median earnings—about £27,000—will be £500 a year better off by 2009; four fifths of families will be better off or see no change; households with children in the poorest fifth of the population will be £350 a year better off, on average; and 6.4 million households in the bottom half of the income brackets will gain an average of £4 a week.

The hon. Member for Sevenoaks (Mr. Fallon) has an established interest in the independence of statistics, which he mentioned today. I wish to make sure that he has seen on page 42 of the Red Book the box headed "Independence for statistics", which covers the reforms that we are making. It also confirms that the budget for the next five years for the statistics board and the statistics system will be £1.2 billion. That will allow the new board to be established and to deliver on its new functions, as well as deliver a high-quality census in 2011.

The hon. Gentleman and the hon. Member for West Suffolk (Mr. Spring) voiced concerns about the business taxation changes and in particular about the competitiveness of our rates and regimes with those of other countries. I should have thought that they would welcome the changes that the Chancellor announced yesterday. By cutting the main corporation tax rate from April next year from 30p to 28p, the rate in the UK will be lower than those in America, Germany, France, Japan and all our major competitor countries.

Greg Clark: Will the hon. Gentleman give way?

John Healey: The hon. Gentleman has moved. I give way because he is most persistent.

Greg Clark: I am grateful. Will the Minister confirm that there is a provision in the Chancellor's Budget statement to which he did not draw attention, which is that the changes to the tax system will cost charities an extra £70 million a year through the loss of gift aid? The Chancellor did not mention that in his speech. It is a huge blow to every charity in the country. Why did he conceal it from the House when he made his speech?

John Healey: The Chancellor is to take a look at the gift aid regime to see how we can improve what it can deliver for charities, and he said clearly that the business tax reform package, which I am about to explain, would not apply to charities.

The package constitutes the most extensive reform of investment allowances since the 1980s. There will now be two rates for capital allowances: 20 per cent. for short-life assets and 10 per cent. for long-life assets, with no allowances for property. As a result, there will be fewer tax-driven distortions in the system and incentives will be more properly aligned with economic depreciation.

Several speakers have commented on the matter of legitimate small businesses. Part of the reason for staging the increase in the small companies rate is that we estimate that the majority of those currently paying that rate were advised to incorporate from employment or self-employment in order to be able to take their

[John Healey]

labour income as dividends and, as a result, artificially avoid the tax that they should pay. All the revenue raised from the increase in the small companies rate will be recycled back to legitimate small businesses in the form of support and investment incentives, and the new annual investment allowance of 100 per cent. up to a limit of £50,000 will be available to all companies, incorporated and unincorporated. *[Interruption.]*

The hon. Member for Tatton seems perplexed that such allowances should matter to small companies. I point out that hauliers can use the allowances for their lorries, a service or IT worker can claim for his computer or office equipment, a restaurant can claim for its fridges, tables and ovens, and so on. The hon. Gentleman should not confuse small companies with small businesses. The present system of capital reliefs is not necessarily available in full to unincorporated businesses. The new annual investment allowance will be open to all those, including the self-employed, and they will also benefit from the personal tax changes that we are making.

Mr. Spring: Will the Financial Secretary give way?

John Healey: Forgive me, I will not. I have referred to the hon. Gentleman and I will do so again if I have time.

The hon. Member for Sevenoaks asked a question about the resource accounting issues in the NHS. The Department of Health is looking seriously at the case for reversing the past impact of the resource accounting and budgeting deductions from trusts and the future of the application of that accounting system. Once that assessment has been completed, decisions will be announced without delay.

Essentially, the complaints of the hon. Member for Rochdale (Paul Rowen) boiled down to the claim that we are not doing enough for further education. He made a particular plea for FE in his area. I was fortunate that my hon. Friend the Minister for Higher Education and Lifelong Learning was sitting next to me. In 1997, the total capital available for FE was zero. This year it is £500 million. That is a significant change and a sign of how strongly we support the further education system.

The right hon. Member for Fylde (Mr. Jack) spoke about the tax law rewrite project. The Paymaster General and I, who have steered some of the tax rewrite Bills through Parliament, appreciate his work on the steering committee. He is interested in the buy-back terms for self-generated electricity. In this Finance Bill, we are legislating to ensure that there will be no income tax take on that. Ofgem is likely to look at the barriers and incentives that may be appropriate to support the development of that sector.

The hon. Member for West Suffolk is concerned about the North sea tax regime. There are unique characteristics of the North sea that make that tax regime important and distinct from other systems. Off the back of the discussion paper that we published yesterday, we are interested in having a wide-ranging discussion with the industry on that.

My hon. Friend the Member for Warrington, North made an impassioned speech about education. In particular, she seemed to be concerned about specialist schools and whether there is really any evidence that they work. Specialist schools make up about 85 per cent. of the school system now. The percentage of good GCSEs gained generally within the system is about 58 per cent. In specialist schools, it is 3 per cent. higher, at 61 per cent.

My hon. Friend the Member for North Durham gave us a clear exposition of the state of the health service. *[Laughter.]* Well, he talked about the reduction in waiting lists, the increase in staff and the introduction of new technologies. He is absolutely right. He also mentioned that, in a deprived and disadvantaged area of his constituency, there was school that was nevertheless in the top 10—among the most improved schools in the country. I congratulate Janet Bridges, who is the head of Stanley school of technology, her staff and the students on that.

I promised to come back to the hon. Member for Billericay. The right hon. Member for Hitchin and Harpenden was also concerned about the NHS. Their cry was, "Where has the money gone?" First, there are over 1 million more operations in the NHS than there were in 1997. Secondly, in 1997 the number of people who waited more than 13 weeks for an out-patient appointment was over 330,000. In January this year, it was 103. In 1997, the number of people who waited for in-patient operations for more than six months was over 280,000. In January this year, it was 299.

Mr. Baron *rose—*

John Healey: I will not give way.

My right hon. Friend the Member for Leicester, East (Keith Vaz) was concerned about the Bank of Credit and Commerce International. Although I appreciate his frustration and that of those who are connected with this matter, I know that he appreciates the complexity better than anyone. It is true that, since 1997, we have made substantial changes to the regulatory regime for banks with the establishment of the Financial Services Authority.

My right hon. Friend said that this is the best Budget that he has seen in 21 Budgets in this House. He said quite rightly that the test of the Tories will be how they vote. Will they support our package of personal tax changes? Will they support the 2p cut in the basic rate? Will they support the environmental tax changes? Will they support the business corporation tax reforms? Will they support our spending totals for the comprehensive spending review in the future? Or will they stick to their third fiscal rule? Will they stick to what the Leader of the Opposition said? He said that, when the money comes in, it should be shared between taxes and public spending. That is a dramatic difference. By taking an inflexible, ideological approach, it is not just a dramatic difference over an economic cycle; it is a dramatic difference each and every year. It would mean £21 billion of spending cuts, which is the amount that we spend on transport or the total amount we spend on housing—

It being Six o'clock, the debate stood adjourned.

Debate to be resumed on Monday 26 March.

DELEGATED LEGISLATION

Mr. Deputy Speaker (Sir Michael Lord): With the leave of the House, I will put motions 3 to 7 together.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

Representation of the People

That the draft Representation of the People (England and Wales) and the Representation of the People (Combination of Polls) (England and Wales) (Amendment) Regulations 2007, which were laid before this House on 21st February, be approved.

Local Government

That the draft Local Authorities (Mayoral Elections) (England and Wales) Regulations 2007, which were laid before this House on 19th March, be approved.

Pensions

That the draft Occupational Pension Schemes (Levy Ceiling) Order 2007, which was laid before this House on 19th February, be approved.

That the draft Occupational Pension Schemes (Levies) (Amendment) Regulations 2007, which were laid before this House on 19th February, be approved.

That the draft Pension Protection Fund (Pension Compensation Cap) Order 2007, which was laid before this House on 19th February, be approved.—*[Huw Irranca-Davies.]*

Question agreed to.

Hunting Act 2004

Motion made, and Question proposed, That this House do now adjourn.—*[Huw Irranca-Davies.]*

6 pm

Miss Ann Widdecombe (Maidstone and The Weald) (Con): I am grateful for the opportunity to raise before the House the issue of the enforcement of the Hunting Act 2004.

As has often been said, hundreds of hours were taken up in this Chamber debating whether or not there should be a ban on hunting with packs of hounds. Parliament voted for that ban on numerous occasions, and finally the ban became law. It is axiomatic that when the Chamber passes law, we expect it to be enforced. It is quite wrong if a group of people believe that they are uniquely above the law and, furthermore, that their breaches of the law may be blatant and rejoiced in. I hate to say it, but I have even heard hon. Members boasting that they have been hunting since the passing of the ban. We need to ask why the ban is not being properly enforced.

To date, there has been only one successful prosecution for hunting with packs of hounds. The huntsman of the Exmoor Foxhounds was convicted of illegal hunting, although an appeal is outstanding. The interesting thing is that the judge, when summing up, said explicitly that there are

"only a small number of wooden areas on Exmoor"

and thus, in his opinion, that

"flushing cannot take place legally anywhere on Exmoor."

Yet, I have not heard that the Exmoor Foxhounds has been disbanded. I have not heard that hunting on Exmoor has ceased. Indeed, all that I have heard is that a public meeting was laid on by the hunt to protest that the law dared to take its course and that a conviction had actually been secured. The sad thing is that that prosecution was not brought by the police or sanctioned by the Crown Prosecution Service. It was actually brought by the League Against Cruel Sports.

Mr. Deputy Speaker (Sir Michael Lord): Order. I am not well enough informed about all the details of the case to which the right hon. Lady is referring, but she knows the way in which we approach such things in the House. I trust that the matters that she is discussing are not, at the moment, sub judice.

Miss Widdecombe: As I said, Mr. Deputy Speaker, an appeal is outstanding. However, what the judge said has been put in the public domain and is well known. I merely cite it and point out that the prosecution—again, this is a matter of public fact—was not undertaken by the police or sanctioned by the CPS, but brought by the League Against Cruel Sports.

An impending prosecution—I shall give no details at all in case I fall foul of your ruling, Mr. Deputy Speaker—is being brought by the Avon and Somerset police. It is generally believed that the source of encouragement for the police to take action on that occasion was the success of the Exmoor prosecution—or, at any rate, its success hitherto, pending the outcome of the appeal. We have to ask why the Act is not being enforced, even though the ban is broken

[Miss Widdecombe]

blatantly day after day in the fox hunting season, and we have to ask what the Government intend to do to ensure that it is enforced.

Mr. Bill Olner (Nuneaton) (Lab): Most of the hunts have moved on to drag hunting, lure hunting and so on. An awful lot of the hunts talk of disobeying the law but are actually obeying it, and that worries me considerably.

Miss Widdecombe: Some hunts, but only a very small number, have registered as drag hunts. Only a small number have done so because once they register they are bound by drag-hunt rules and are subject to the discipline of drag hunting. Rather than convert to drag hunting, most of them say that they are not chasing live quarry but are flushing, following a trail or doing something else, because they do not want that discipline. The hon. Gentleman raises a most important point: there is a mechanism by which they can say that they are doing one thing but, in effect, do another. I will come on to one of the ways in which that has been monitored.

Of course, we have known for a long time—we knew it long before hunting was made illegal—that hunts cause tremendous problems. They disrupt traffic, block roads, kill domestic animals, and let hounds get on to railway lines, sometimes with horrible consequences. If any other group in society regularly caused that amount of disruption, grief and trouble, and carried on doing so when a law had been passed to try to stop their activities, there would be an outcry, but that one group in society seriously thinks that it is above the law.

I was asking why enforcement is not as effective as it should be, and and the answer partly because there is a lack of understanding on the part of the police. In one hilarious conversation that took place between the police and a hunt monitor who had called them, the policeman said, "But, madam, as long as they're not killing the fox, they're not committing an offence." There is an absence of understanding generally throughout the police force, and an absence of willingness but greater understanding among the senior part of the police force. Let me say, as any reasonable person would, that we know very well that the police are completely overburdened and overworked; they have plenty of things to worry about, and one can understand the temptation for them to say that the issue does not matter, but it does matter if the message is going out that the law may be broken, blatantly and deliberately, and that nothing will be done about it.

I turn to the activity of hunt monitors. I stress that I am talking about monitors and not saboteurs. Monitors are generally elderly, inoffensive ladies—I have met a lot of them—who go to hunts with cameras and who film what is happening. They have to do that because the police are not doing it. If we leave it to the Royal Society for the Prevention of Cruelty to Animals, the League Against Cruel Sports and other such bodies to gather the evidence to mount prosecutions, which the police take over only at the last minute, if at all, we must have people who gather the evidence. At the moment, that is done by hunt monitors, and I pay tribute to them, because some of them are extremely brave. They are inoffensive, modest people whose motivation is simply to try to ensure that the law is upheld.

There have been assaults on hunt monitors. There is a film in my possession that I intend to make available to Members of the House later this year—after the decision on Exmoor has been confirmed, so that I do not risk having my film pulled half way through. It shows a large number of incidents involving hunt monitors, including direct assaults and damage to cars. Hunt monitors call the police, but the police do not always arrive. Although they sometimes do, I cannot show that on my film. In one instance, a lady in her car was hemmed in by two hunt vehicles, or vehicles belonging to people supporting the hunt. She was unable to move and was being threatened—a man was actually bashing on the window of the car—but there was not a policeman in sight. That is simply not acceptable.

If the police are rather torpid on the issue, the Crown Prosecution Service is even worse. Its default position is that if there is a doubt, and if it is a bit difficult to try to work it out, the benefit of the doubt is given to the hunt. That attitude must be challenged, as it is crucial that the CPS understands the law on hunting. It should not be the case, as the Royal Society for the Prevention of Cruelty to Animals put it to me today, that those cases should arrive in the in-tray of some junior person in the CPS who finds it all a bit difficult, so the cases sit there for five and a half months and, under statutory limitations, run out. The CPS must get a grip on the problem.

The Under-Secretary is nodding—I am grateful that she is doing so—and I hope that she turns that nod into verbal reassurance when she replies. I have seen that film and the detail that it provides, and I have to say that I was shocked. Even though I knew that hunting was going on, I did not quite realise the risk that hunt monitors ran. We saw the hunting brigade's contempt for the law when some of its members entered the Chamber, believing that they had the right to do so and to defy the law. Because they have been doing that for several centuries, they believe that they have a God-given right to be above the law.

I mentioned one way to monitor hunting. It is very expensive, but it has been done successfully. People can go up above the hunt in a helicopter that has monitoring equipment. When that happens, the hunt suddenly obeys the law, so no one sets off after a fox and no one encourages the hounds—they sit there. That would be a very good solution if only there were a billionaire benefactor in the animal welfare lobby who would enable us to put helicopters up over every hunt. Very soon, people would be bored, because all that they could do would be to sit there, obeying the law. They would not follow the hunts, which would not have any supporters and would go broke. Failing a billionaire benefactor, may I suggest to the Minister that the occasional police helicopter over a hunt—I am not saying that we should divert huge resources—would act as a dampener on its very unlawful activities?

I have a final suggestion to make. I do not expect the Minister to respond on the hoof tonight, but I hope that she will contemplate it seriously. As I said, if the police are not going to go out and collect the evidence, someone has to do so. I believe that we should license

hunt monitors—they would be checked to ensure that they did not have a criminal record, and would be respectable people, not "sabs"—and it should be made an offence to obstruct a licensed hunt monitor, in the same way that it is an offence to obstruct a policeman.

One thing that will be shown on that film, apart from the shocking assaults on hunt monitors, is the way in which the hunt deliberately sets out to make sure that those people cannot film. Its members stand in front of them, put horses in front of them, and hem in their vehicles so that they cannot move. If it were an offence to do so, and if the hunt monitors were licensed to film, we might have more law-abiding hunts—if there is such a thing and it is not a contradiction in terms. I look forward to the Minister at least telling me that she will have give that proposal serious consideration, and to hearing any suggestions from the Government to make sure, first, that illegal hunting is monitored and, secondly, that monitors are given better protection.

6.13 pm

The Parliamentary Under-Secretary of State for the Home Department (Joan Ryan): May I start by congratulating the right hon. Member for Maidstone and The Weald (Miss Widdecombe) on securing this Adjournment debate? I acknowledge her longstanding and ongoing commitment to the hunting legislation and, indeed, the whole issue. It is a timely point at which to discuss the enforcement of the legislation. There is plenty to say in the debate, and she is right that there is still a great deal of activity. However, we contend that that activity centres on drag hunting, and I hope to be able to unravel some of the issues this evening. It is an interesting debate and the matter should be scrutinised.

Before dealing with enforcement of the Hunting Act 2004, it is important to clarify what exactly the legislation does and does not ban. The Act came into force on 18 February 2005. It bans all hunting with dogs of wild mammals in England and Wales, apart from a few tightly drawn exemptions set out in the Act, which allow for pest control and other essential activities to be undertaken, subject to strict conditions. The ban covers the hunting of all wild mammals, including hare, deer, fox and mink. It also completely bans hare coursing.

The Act does not prevent hunts from meeting up and riding with their dogs, provided they stay within the law. It does not prevent legal equestrian activities, such as trail or drag hunting.

Mr. Olner: One of the major problems is that there is incitement by some hunts to break the law. I agree with the right hon. Member for Maidstone and The Weald (Miss Widdecombe) about monitors and that they need protection, but there is incitement to break the law, and I hope my hon. Friend the Minister will deal severely with that.

Joan Ryan: If my hon. Friend bears with me, I shall come to some of those issues shortly.

The Act does not prevent hunts from meeting and it does not prevent activities such as trail or drag hunting. We would have no difficulty with those activities, and I noticed that the right hon. Lady feels the same way. The Act does not prevent farmers and others from undertaking legal pest control activities, such as using up to two dogs to stalk and flush out foxes and other wild mammals, providing they are shot as soon as possible after being found or flushed out. All the other activities that hunts have traditionally engaged in, such as dog walking, puppy shows, hunt balls and point-to-point racing, are equally unaffected. Those are perfectly acceptable social activities.

The criminal offences created by the Hunting Act 2004 are punishable by a fine of up to £5,000, the maximum that magistrates courts may impose. The Act gives the police powers to search and seize vehicles, animals or other articles used for illegal hunting, with a related power of entry to land, but not to private houses. The Act also allows the courts to order the forfeiture of vehicles, dogs or hunting articles and gives the court the discretion to order their disposal or destruction.

Operational decisions on the arrest and prosecution of those taking part in illegal hunting activity are a matter for the police and prosecuting authorities. The police have made it clear that they will enforce the hunting ban, and the Association of Chief Police Officers has issued guidance for police forces on the practical aspects of enforcing the Act. The police are treating offences in the same way as other wildlife offences with similar penalties. The police also have obligations under the Director of Public Prosecution's guidance on charging, which ensures that all offences under the Hunting Act are referred to a Crown prosecutor for early consultation and charging decision. That is in line with the procedure for all other crimes.

I hear what the right hon. Lady says about the case to which she referred, which is in the public domain—she is right, although it is as well that we are wary of crossing that line. The individual to whom she referred was one of the first people to be convicted under the Hunting Act. His case was brought privately by the League Against Cruel Sports and later taken over by the Crown Prosecution Service.

The case led anti-hunting groups to question whether the police were acting properly before cases reached the CPS. Following a meeting with anti-hunt groups on 20 October 2006, Assistant Chief Constable John Sampson, the ACPO lead on the issue, sent a reminder to ACPO colleagues about their obligations under the DPP's guidance on charging to ensure that all offences under the Act are referred to a Crown prosecutor for early consultation, which is a crucial point. I heard what the right hon. Lady said about how these matters are dealt with by the CPS, which will, I am sure, pay attention.

Early consultation and charging decisions are in line with the procedure for all other crime. Lessons have been learned from that. The right hon. Lady referred to one conviction. In fact, there were three convictions in 2005. Figures are not yet available for 2006.

Miss Widdecombe *rose—*

Joan Ryan: If the right hon. Lady is going to ask me for further details of those convictions, I do not have them with me.

Miss Widdecombe: I could help the Minister, because I do have them.

I was very careful about the way in which I phrased it. One conviction was for hunting with a pack of hounds, and the others concerned individuals with two dogs.

Joan Ryan: I accept that the right hon. Lady has in-depth knowledge of this matter. Nevertheless, it is important to clarify the point about convictions.

It is not for the Government to direct chief constables on how to deploy their resources to deal with hunting. Chief constables are best placed to decide how to deploy the resources available according to operational priorities and objectives. While we have not made funding available specifically to tackle illegal hunting, the rural policing fund was introduced part way through 2000-01, when some £15 million was made available to enhance the policing service in rural areas at no cost to metropolitan forces. The fund comprised £30 million per annum benefiting 31 shire forces. In 2006-07, Ministers agreed to amalgamate the rural policing fund with three other specific grants—special priority payments, London and south-east allowances and forensic grants—to create a single special formula grant to give police authorities more control over how the grant may be used.

Three individuals have been prosecuted under the Act, and there are, as the right hon. Lady said, other cases in the pipeline. Court proceedings data for 2006 will be available in the autumn of 2007, when we will see the outcome of several ongoing operations. Anyone convicted of offences under the Act will get a criminal record as well as a fine of up to £5,000. Those are appropriate and proportionate sanctions for such an offence.

Let me return to what the right hon. Lady said about the need for evidence and the conversations that she reported hearing with other hon. Members discussing hunting. Anybody who has any evidence should make it available to the police, who have made it clear, as we see in the ACPO guidance, that they will act upon evidence received. We must make it clear that nobody, inside the House or not, is above the law. In a democratic society, we cannot pick and choose what laws we obey, and hunts must obey the law as it stands. It would come as no surprise to us that hunts want the Act to be repealed. For whatever reason they have remained in business—perhaps to try to outlast the ban and wait for a change—there should be consequences if they do not abide by the law. That will depend on evidence being available and action being taken.

Miss Widdecombe: I think that the Minister will acknowledge that the hunts are carrying on because they are waiting for a change, which they think will take place at the next general election. They hope that the legislation will then be repealed, which is even greater reason to make their lives uncomfortable between now and then.

Joan Ryan: As I said, for whatever reason they are continuing, the law must be obeyed, and nobody is above the law. We also have plenty of evidence that many of those doing drag and trial hunting are getting on well and are unlikely to want to revert to their previous practice. The vast majority of the public still support a hunting ban—they were not just supporting it when legislation was before the House and interest in the issue peaked—and any future Government of any party will need to pay attention to that. The legislation is in force and must be adhered to.

Mr. Olner: In the four minutes remaining, I hope that the Minister will address the right hon. Lady's point that it is important not only to get evidence but to protect the evidence givers and gatherers. Incitement to break the law is also a tremendously important issue, and we should seriously address that on a national basis.

Joan Ryan: As I said, anyone who has evidence should make that available. I acknowledge what the right hon. Lady said about helicopters, and serious concerns have been expressed, including by members of ACPO, that a danger might be posed to both humans and animals. We must pay attention to that. The advantage of having this debate is that all those undertaking the activity, dealing with it or enforcing the law will see that these are important issues that are still being considered by the House and the public.

I am aware that some commentators have suggested that the legislation has loopholes and that that has resulted in limited convictions. That is not the case. The Hunting Act makes it an offence for a person to hunt a wild animal with a dog unless the hunting is exempt. For the purposes of the Act, the word "hunting" has its ordinary English meaning, which includes searching for wild animals, chasing them or pursuing them for the purpose of catching or killing. Hunting requires an intention, on the part of the person rather than the dog—for example, to chase the quarry—so there can be no accidental hunting. We need to be clear about that.

I also acknowledge the point made by the right hon. Lady, and echoed by my hon. Friend the Member for Nuneaton (Mr. Olner), about hunt monitors. She asked me to consider that point, and I undertake to reflect further on it. In practice, hunting includes a range of activities, from chasing an animal over many miles with the intention of killing it, to deliberately setting one's dog on to a wild animal with the intention of catching it or frightening it away. It would be for the police and prosecutors to decide whether to pursue individual cases and for the courts to decide whether an offence had been committed.

Inventive individuals can create a large number of theoretical scenarios to call the detail of any legislation into question. In practice, the courts apply common sense to clear legislation. The Hunting Act is clear legislation.

In summary, I must disagree with the right hon. Lady's contention that the Act is not being properly enforced. ACPO has made it clear on a number of occasions that it will enforce the hunting ban, and I am satisfied that that is being done. Having said that, I welcome the opportunity provided to debate the issue this evening, and am pleased that the concerns have been put on the record. I undertake to reflect further on her points.

Question put and agreed to.

Adjourned accordingly at twenty-nine past Six o'clock.

House of Commons

Friday 23 March 2007

The House met at half-past Nine o'clock

PRAYERS

The Second Deputy Chairman of Ways and Means took the Chair as Deputy Speaker, pursuant to the Standing Order.

9.33 am

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): I beg to move, That the House do sit in private.

Question put forthwith, pursuant to Standing Order No. 163 (Motions to sit in private):—

The House divided: Ayes 0, Noes 25.

Division No. 080] **[9.33 am**

AYES

Tellers for the Ayes:
Kerry McCarthy and Mr. Adrian Bailey

NOES

Ainsworth, rh Mr. Bob
Balls, Ed
Butterfill, Sir John
Cooper, Yvette
Cunningham, Tony
Dorries, Mrs. Nadine
Duddridge, James
Field, Mr. Mark
Gilroy, Linda
Hillier, Meg
Hoban, Mr. Mark
Hope, Phil
Iddon, Dr. Brian
Ladyman, Dr. Stephen
Lancaster, Mr. Mark
Love, Mr. Andrew
McCabe, Steve
Newmark, Mr. Brooks
Pearson, Ian
Purnell, James
Randall, Mr. John
Rosindell, Andrew
Smith, Sir Robert
Wicks, Malcolm
Winterton, rh Ms Rosie

Tellers for the Noes:
Richard Ottaway and Philip Davies

It appearing on the report of the Division that fewer than 40 Members had taken part in the Division, MR. DEPUTY SPEAKER *declared that the Question was not decided.*

Orders of the Day

Financial Mutuals Arrangements Bill

Order for Second Reading read.

9.47 pm

Sir John Butterfill (Bournemouth, West) (Con): I beg to move, That the Bill be now read a Second time.

It is a very great honour and privilege to be able to present the Bill to the House. As hon. Members will be aware, I am deputy chairman of the all-party group on building societies and financial mutuals. I am pleased that our chairman, the hon. Member for West Bromwich, West (Mr. Bailey) is in the Chamber this morning, and I pay tribute to what he has done to promote the well-being of the sector and to the work of the all-party group, which recently commissioned a detailed survey of the benefits of mutuality for the British economy. There is no doubt that those benefits are considerable. The mutual sector as a whole plays a vital role in British society, and more than 19 million British individuals—one in three of the population—are members of one or more mutual societies. That is a considerable number, and it compares favourably with other forms of economic participation and mass membership. For example, there are 8 million more members of mutuals than there are listed owners of shares. Mutual organisations have more than three times as many members as trade unions, and 20 times more than political parties—although nowadays that is not terribly difficult.

There are about 9,000 industrial and provident societies—a term that covers all organisations registered as co-operatives, community benefit societies and credit unions. They range from the Co-operative Group, which employs more than 60,000 people, to football supporters trusts, which may not employ anyone. In total they hold assets of over £65 billion, have almost 10 million members and employ about 100,000 people. There are 60 building societies in the United Kingdom, and collectively they have more than £300 billion worth of assets and employ around 50,000 members of staff. They have about 2,150 branches, 22 million individual investors—although some investors have accounts with more than one building society—and almost 3 million borrowers.

Friendly societies are the longest established and most numerous type of mutual insurance providers. The larger societies are members of the Association of Friendly Societies, which has 57 societies that hold funds of £15 billion for 5 million members. Not all mutual insurers are registered as friendly societies. Some of the largest mutual insurers are registered as companies, but all have a strong democratic mutual structure dedicated to offering the best deal to their members, rather than external shareholders. These societies collectively represent £8 billion in premiums, which accounts for 6.8 per cent. of the non-life market and 6.4 per cent. of the life market.

The contrast between a mutual and a company can immediately be seen when we look at how mutuals distribute the profits of their business. They do not pay dividends to shareholders, so they are able to operate on much narrower margins than plcs. That means that, all things being equal, they can deliver better value for

[Sir John Butterfill]

their customers. They can also influence quite considerably the pricing policy of their competitors. For example, pressure from building societies was the main factor preventing banks from charging for access to cash machines, and a very creditable and successful campaign that was.

A PA Consulting international study in 2003 showed that the size of the mutual sector in most countries has had a direct influence on the size of bank profits, finding that the

"profitability of the banking sector is inversely proportional to the market share of mutuals within the banking sector."

The reputation of the mutual sector is such that one of its leading lights, the Co-operative Group, is the most trusted brand in the UK in the eyes of consumers. That was established in the 2006 research undertaken by the National Consumer Council and AccountAbility, which showed that that group was more trusted than any other high street operator.

Mr. Andrew Love (Edmonton) (Lab/Co-op): Does the hon. Gentleman agree that mutuals are always at the top of the best buy tables for financial services, such as the cost of mortgages or the rate for savings? Is that not why the public trust them so much?

Sir John Butterfill: Indeed. We are presenting the Bill with a view to strengthening the mutual sector and removing some of the disadvantages that it faces under present legislation. It is extremely important that we recognise the value that the mutual sector gives to its customers and to the economy as a whole, and the fact that because of historical circumstances it is rather inhibited in what it can do.

I am fortunate that in my constituency, Bournemouth, West, we have some of the leading financial mutuals. We have the UK headquarters of the Liverpool Victoria friendly society, the largest of all the friendly societies. We also have the Portman building society's headquarters, which is at present the fourth largest, although it is about to merge, if its members agree, with the Nationwide building society. That will become by far the largest building society in the United Kingdom. Indeed, the merger will make it big enough to be extremely competitive with all the major plcs in the banking and lending sector.

The building society movement has come of age. I remember that back in 1986, not long after I was first elected to this place, we deregulated the building society movement. We had a good debate on that deregulation, which I keenly supported, and it did a great deal to set the building society movement on the right course. We were also right at that time to consider that building societies as financial institutions did not have experience in the capital markets, did not have experience in unsecured lending and did not generally have the sort of banking experience that the clearing banks had. Therefore it was right, for the protection of members of building societies and the public as a whole, that some constraints were imposed on the degree of access that building societies could have to the financial markets.

That is precisely what we did. We set for building societies a maximum gearing level—borrowing against the assets that they had, deposited by their members—of 50 per cent. Over the years that has worked pretty well. Indeed, until now it has been possible for building societies to operate reasonably adequately within the constraints imposed in 1986. However, the time has come when we need to free them up somewhat more.

One of the things that my Bill will do is change those 1986 limits and take them up to higher levels of permitted access to the capital markets. That will be dealt with by means of regulations brought forward from time to time by the Treasury. It is no secret that we are talking of 75 per cent., with which all the building societies have said, through their trade body, that they will be entirely happy; I do not think there is a single dissenting building society.

James Duddridge (Rochford and Southend, East) (Con): Will my hon. Friend explain how the figure of 75 per cent. was reached, and whether he thinks that the Financial Services Authority and the Treasury will increase that amount in the longer term?

Sir John Butterfill: It is not foreseen that the level will need to go beyond 75 per cent., which is probably the maximum prudent level envisaged. The Bill will enable the regulations to be made by the Treasury from time to time.

Hon. Members will see that the Bill is somewhat complex. It is an enabling Bill, allowing the Treasury from time to time to make changes, as it thinks conditions demand and as it considers prudent. The role of the FSA is important in that. In general, the fact that the Bill is enabling, allowing the Treasury to make from time to time orders that can be dealt with by negative resolution, means that it will be flexible legislation, and we should not have to revisit these matters in future through primary legislation. That is extremely helpful for the sector, and this is the right way forward.

As I said, the legislative position is not currently a constraint on most building societies, but there are concerns that as the markets change and things go forward in future, it may become a constraint. It is therefore advisable to take action now that will give freedom of regulation for the future.

Mr. Love: The hon. Gentleman will be aware of the Miles report of 2004, which investigated the movement into longer-term fixed rate mortgages and highlighted some of the real concerns for the funding of organisations, such as building societies, that are based on members' capital. The move to more wholesale funding would be one appropriate way in which that difficulty could be resolved should we move in that direction.

Sir John Butterfill: The hon. Gentleman, with his usual perspicacity, has anticipated my next point. The Miles review, which was commissioned by the Treasury in 2004, raised that very issue. The prospect of an increased demand for long-term fixed rate mortgages, which we are now seeing—because of the increase in house prices, the much more difficult affordability with

traditional short-term interest rates and the longer terms of mortgages now coming through into the market—makes it important that the current constraints should not adversely affect the market. The building societies that may wish to embrace the new fixed-rate policies have emerged, and if we do not have primary legislation now, it could inhibit the entire operation of the mortgage market.

The removal of the constraint means, as I say, that the building societies would be in a position to meet whatever changes emerge in the marketplace over the next few years, rather than having their response to market changes constrained by legislation that might by then appear out of date and unnecessarily restrictive. This in no way forces building societies to move in the direction of non-retail funding, and many may choose not to do so, but it gives them the opportunity to do it in the most cost-effective way, funding possible mortgages for their borrowing members. There is no doubt that if building societies were not able to meet the demand, other institutions would take that opportunity.

If the Bill receives its Second Reading today, it may be necessary to move an amendment in Committee to provide the Treasury with an order-making power, to move the non-member funding limit into secondary legislation, and for the non-member funding ratio to be increased to a fixed level of 75 per cent. That is a matter for the Committee, but I thought that I should mention it now. It is not likely to be a significant constraint for the future.

Another consideration is the position of the members of a building society and their relationship with the capital markets from which money may be raised. In response to the increased limits, we want through the Bill to help and give reassurance to the members of the societies, so that in the event of a winding up they will rank pari passu with the other creditors. The reason for that is that people who put money into building societies tend to be relatively small investors, not particularly sophisticated in these markets, and who regard a building society as probably the safest and most convenient place for their money. It is therefore appropriate that, because they are not as sophisticated as people who buy shares in banks, for example, they should have an extra degree of protection.

As I understand it, the Treasury is perfectly happy that that should occur, the societies are very pleased about it, and, interestingly, the capital markets have said that they do not think that this will affect the rate of interest that they charge building societies. I had thought that they might want one or two extra basis points in order to agree to this, but all the indications are that they regard the building societies as so safe and so well run at the moment that they are not likely to increase the charge. One of the main purposes of the legislation is to allow very cheap mortgages to be offered, and that will not be affected by this alteration of priorities, which is entirely desirable. Again, it will be dealt with by means of a Treasury order from time to time, but that is the right way forward and an entirely appropriate safeguard for rather less sophisticated savers.

That is all dealt with in the second part of the Bill. No investor in any building society, since at least 1945 and probably well before that, has ever failed to get their money back before a distribution is made to others. Over the last 60 or so years, building societies have been among the safest of institutions in which to invest.

All the building societies are covered, along with other institutions, by regulations issued by the Financial Services Authority and by the financial services compensation scheme. Under the scheme, savers are entitled to 100 per cent. compensation for the first £2,000 invested, and above that, they can claim 90 per cent. for the next £33,000, making a maximum claim of £31,700. No building society has ever been in a position requiring the FSCS arrangements to be invoked, and the predecessor arrangements that existed before the Financial Services and Markets Act 2000 were never invoked for building societies, either. Part 2 of the Bill therefore covers a highly unlikely circumstance.

None the less, it is necessary to describe the two different types of investor in building societies—the depositor and the investing member or shareholder. Depositors, which are usually financial institutions, are not members of the society and are mostly institutions that operate in the wholesale markets that we talked about earlier. They have no say in the running of the building society. However, the ordinary man-in-the-street investor in a building society does become a shareholder, and, as members, such people have the right to receive information about the activity of the society, including the summary financial statement, notification of the annual general meeting and any special general meeting. They can also vote in elections for the board of directors, and frequently have done so, partly because of the activities—undesirable activities in my view—of carpetbaggers in the recent past. Provided that correct procedures are followed, they can propose motions or even stand for election themselves. Again, some of them have succeeded in that objective.

The depositors are not members of the society and have few of the rights of shareholders. They need not be notified of the annual general meeting, as they are not entitled to attend or vote at that meeting, and they are not automatically sent a copy of the summary financial statement, although generally copies of the document are available from the societies if they ask for them.

In theory, depositors have more security than shareholders, but in practical terms the distinction is largely irrelevant. Under current arrangements, the depositors would get all their money back, but under the Bill, if there were a shortfall the shareholders would not suffer in comparison with the others.

The Building Societies Act 1997 imposes restrictions on the categories of deposit accounts that an individual may hold with a building society and, apart from a number of exceptions, individual investors may have only share accounts with societies. Those exceptions, where customers may still open deposit accounts, include current accounts; client or trustee accounts; qualifying time deposits; deposits at overseas branches; and where the society has announced publicly that it intends to transfer its business to a company. Currently, as I said, most depositors are the big wholesale investors.

[Sir John Butterfill]

The proposals in clauses 1 and 2 will strengthen building societies and enhance the operation of the mutual movement. Clause 3 addresses the transfer of engagement rules. This is a huge opportunity to strengthen the mutual sector. For many years, mutuals in the UK saw themselves as part of their own mini-sector, such as co-operatives, building societies or friendly societies. More recently, they have been seen as part of a larger reality called the mutual sector. Indeed, that was reflected in this House when the original all-party group on building societies expanded its scope, and its title, to become the all-party group on building societies and financial mutuals. That was because we identified the fact that the mutual sector was a movement in itself, with levels of ethics that were greatly appreciated by the general public and levels of performance that were generally better than the performance of the incorporated sector.

Sadly, membership of the mini-sectors within the mutual movement has continued to shrink, through a combination of demutualisation and business consolidation. Consequently, mutuality is seen as a declining business form, despite its great appeal and its value to consumers and customers. The Bill seeks to increase the strength of the mutual sector.

Mr. Love: Does the hon. Gentleman agree that it is palpably unfair that any type of mutual can convert into a company format, but a mutual cannot convert into another type of mutual? That simply cannot be right. We ought to create a level playing field, so that if people want to choose another mutual format, it will be as easily available as the corporate format.

Sir John Butterfill: As always, the hon. Gentleman is absolutely right. That is the whole purpose of clause 3. As we stand at the moment, it is not possible for a member of one mini-sector to amalgamate with a member of another mini-sector without one of them demutualising, which defeats the point of the exercise. We want to enable those sectors to merge, provided that they are all mutuals as defined in the Bill, and to do so without losing the mutuality of each of the members. That would create cross-fertilisation between the mini-sectors and help to allow the boards of mutuals that are considering their future status to offer their members alternatives to demutualisation. The capacity to grow, perhaps by merger, is at the heart of clause 3.

At the moment, the situation is ridiculous. It emerges not out of any devious means of trying to restrict building societies and other mutuals, but out of the original legislation that set them up. The Bill will deregulate the sector and the various pieces of legislation that apply to it so that mergers can take place across the boundaries. For example, it is not currently possible for a building society and a friendly society to merge. One could take the other over only through the demutualisation of the other, which would be crazy. If the Liverpool Victoria friendly society in my constituency wanted to merge with a building society, it could not now do so. Similarly, a co-operative society could not merge with a mutual insurer. Those restrictions are petty, and restrict and restrain the growth and strength of the mutual sector, which is why the Bill seeks to eliminate them.

The technical term used in the Bill is "engagements", which has nothing to do with putting rings on fingers. At the moment, engagements can be transferred only if the two bodies involved are in the same category. Such events are dealt with under the Building Societies Act 1997 and the Industrial and Provident Societies Act 1965. There are different voting thresholds for transfers between societies and for those who want to demutualise. In some cases—for example, industrial and provident societies—the thresholds are higher. The threshold under the Friendly Societies Act 1992 is the same for any transfer. The Bill would rationalise that situation, largely through the power to make regulations in the future.

In comparison with the rest of the world, the UK environment currently restricts, or at least does not encourage, new corporate options for mutuals, which compares unfavourably with external competitors. For example, there are huge mutual businesses that operate group structures elsewhere: in France Crédit Agricole is a huge mutual, in the Netherlands there is Rabobank, and in Germany there is DZ bank. Seeing the mutual sector as a series of ring-fenced mini-sectors is too restrictive for the remaining businesses, and it militates against consolidation and strong mutuals.

Apart from the damage that that restriction does to the continuance of mutuality, the higher voting thresholds can also lead to higher windfall payments being paid to members in order to secure their votes. That involves the bribery of the members—the carpetbagger syndrome—which can happen only through the higher thresholds. That ultimately reduces the capital value of the business, and it is against the long-term interests of members who want to stay with the business post-transfer and continue to enjoy the benefits of mutuality.

The Bill will give the Treasury a power to make orders to allow different categories of mutuals that want to do so to receive transfers from other categories of mutual society. It would allow Her Majesty's Treasury to treat the transfer of mutuals to other mutuals, or their subsidiaries, as if they were transfers between the same category of mutual. Under the Bill, a building society could be transferred to a subsidiary of an industrial provident society that is qualified to take deposits under the same rules that allow thresholds that pertain to transfers from building society to building society. The same principle could be established for transfers from building societies, industrial and provident societies, friendly societies and mutual insurers. The only exception to that rule is, of course, credit unions, where the nature of their business would preclude them from participating in this type of transfer.

I believe that that would be an important amendment of the law, which would assist in the cross-fertilisation of mutuals and strengthen the sector with very little legislative change. With the order-making power established, we can envisage Her Majesty's Treasury consulting either separately or collectively on changes.

Mr. Love: I thank the hon. Gentleman for being so generous this morning. With consolidation taking place across the whole financial services sector, if the

mutual part of that sector of the economy is to compete with those consolidated businesses, it needs clause 3 to be able to achieve that effectively. Is that not one of the main reasons clause 3 is so important to the Bill?

Sir John Butterfill: Again, I entirely agree with the hon. Gentleman.

Overall, the proposal in clause 3 is probably the most important thing that we could do to strengthen the mutual movement as a whole and ensure that it is not gobbled up by the private sector for profit, but continues to be able to offer to British citizens all the advantages of mutuality and the mutual sector's increasingly competitive edge over the incorporated sector. I very much hope that hon. Members will give the Bill a fair wind and allow it to pass through to the Committee stage.

10.21 am

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): Let me start by congratulating the hon. Member for Bournemouth, West (Sir John Butterfill) on securing his position in the private Members' ballot. From the perspective of the chair of the all-party group on building societies and financial mutuals, I am very pleased that he took up this issue, for two reasons in particular. First, it is recognised across the House that he has unparalleled expertise and experience in this area, so the Bill could not be in better hands. Secondly, although he was too modest to say so, he has had previous experience of navigating private Members' Bills through the House. We therefore have the benefit of somebody with considerable financial expertise allied to a certain navigational skill, which, as we all know, is most necessary to guide private Members' Bills through the rocks and obstacles that lie ahead of them.

The hon. Gentleman made several kind comments about me. Perhaps I should make it clear that prior to coming to this House I had 18 years' experience in the co-operative movement. The values that underpin it are somewhat akin to those that underpin the mutual movement. The Co-operative party has had long-standing political representation, and I am one of those representatives.

The mutual movement has always been slightly different. When it hit the problem of privatisation 20 years ago, one of the reasons it had such difficulties was that its unique ethos, structure and value system, and its worth in the marketplace, were under-recognised. The public perceived it to be little different from the banks, and its members could not see why they should not go along the privatisation route. As a result, a lot of mutuals privatised and became banks. Happily, what remained of the mutual sector responded positively by clarifying the benefits of mutuality in the provision of financial services. Since then, there has been, if not a renaissance of mutuals, then certainly a consolidation of their position in the market and an increased recognition by the financial press and consumers of the unique role that they play in the provision of financial services.

Arising out of that experience, we have the all-party group, which has about 170 Members from both Houses and, obviously, from all parties. It is one of the largest all-party groups, which reflects the esteem that the movement enjoys within the House.

The genesis of the Bill lies in two inquiries that were held by the all-party group and in the Miles report, which has already been mentioned. The all-party group carried out its first inquiry in 2004. Its purpose was to explore and demonstrate the role of the mutual sector in the provision of financial services. It had a Select Committee structure whereby the group interviewed representatives of the movement and of other financial services sectors, as well as commentators.

The inquiry reached two key conclusions. First, institutions in the mutually owned corporate structure, being owned by the customers rather than the shareholders, offer certain natural advantages over other financial institutions. The crucial advantage is that they do not have to pay dividends to shareholders. An estimate by the Building Societies Association has put the cost savings derived from that advantage at as much as 35 per cent. One can have a cost advantage but still not be efficient. Happily, however, one of the other key indicators of efficiency demonstrated that in providing services to customers the margin between mortgage and savings rates in the past year was typically 1.09 per cent. for mutuals and 1.5 per cent. for plc banks. That is a clear indication that the cost advantage is reflected in the value of service provided for the customer.

Secondly, the mutual sector, merely by having a presence in the financial marketplace, provides competition that prevents the plc banks from becoming too shareholder-focused, which means not only that it provides better value for its customers but that the non-mutual sector has to pay more regard to its customers and to compete. The mutual sector benefits not only its own customers but consumers requiring services across the whole sector.

After the first inquiry, it was decided that it would be logical to hold another to assess whether members of the former mutuals that had demutualised had been better served by that process and whether the value of the windfalls that they received after privatisation had subsequently been outweighed by higher costs or lower returns on investment. Again, the group carried out the inquiry in a Select Committee style, interviewing representatives from the mutual sector, from companies that had not demutualised, and from other interest groups, including campaigners for privatisation. The second report, entitled "Windfalls or Shortfalls", was written independently by the Association of Chartered Certified Accountants. It demonstrated that the mutual sector, including building societies and life assurance companies, performed better than their plc rivals in a variety of performance indicators.

As my hon. Friend the Member for Edmonton (Mr. Love) said, mutuals are consistently placed higher than plcs in the "best buy" tables on a variety of criteria, ranging from savings and mortgage rates on the one hand to annual premium-with-profits policies for insurers on the other.

In comparing the average standard variable rate mortgage of the top 10 mutual building societies with nine converted societies assessed in September 2005, it was found that the average rate was 6.58 per cent. for former mutuals and 6.37 per cent. for building societies. Again, that is a clear statistical demonstration of the added benefit that mutuality brings.

Mr. Love: Before my hon. Friend leaves that point, did not the investigation show an even deeper malaise in that all the former building societies that demutualised had set themselves various objectives on demutualisation but had in almost all cases failed to achieve them? Indeed, some had been gobbled up by other companies in the marketplace, and few had shown genuine positive signs of growth and success as a result of their demutualisation.

Mr. Bailey: My hon. Friend makes a valuable point. I do not wish to indulge in the grief of the experience of one or two of the companies that demutualised, but it is worth underlining that, in many cases, members of building societies that demutualised have subsequently lost out on the value of the products that they had with those companies.

Since mutuals have an obvious cost advantage, one would think that they commanded a higher proportion of both the savings and the mortgage markets. However, obstacles have stood in the way of their expansion. One is the wholesale funding restraint, which the hon. Member for Bournemouth, West mentioned. The Bill tackles that. To hark back to the Miles report, which the Treasury commissioned in 2004 to make recommendations for improving funding provision for long-term mortgages, recommendation 19 advocated modifying the wholesale funding restraint to enable building societies to take up to 70 or 75 per cent. of their funds from the wholesale funding market. The issue has lain fallow until the hon. Member for Bournemouth, West took it up. That restraint acted as a considerable brake on the potential for building societies to expand.

The history of building societies shows that they grew out of small, often deprived communities, and their savings products reflect that. By their nature, building societies found it proportionately more difficult than the plc banks to obtain the savings that would have enabled them to get greater wholesale funding. The difficulty has been exacerbated by the fact that, for good community reasons, building societies have maintained their branch networks and their roots in local communities in a way that plc banks have not.

In my area, the successful West Bromwich building society has done well historically in providing low-cost financial services for the local housing market, and plays an active part in promoting community causes. We also have two much smaller societies that do the same in very local areas. They are the Tipton and Coseley building society, which operates in one of the most deprived communities historically in the black country, and the Dudley building society. They provide access to financial services that the major plc banks do not. However, the nature of the customers with whom they engage means that there is not the same intake of funds that there might be in other areas. By removing the wholesale funding restraint or modifying it to the point where mutual societies can borrow more on the wholesale funding market, the Bill takes away one of the obstacles that prevents them from undertaking their activities more effectively.

The hon. Member for Bournemouth, West mentioned the Bill's provisions on pari passu, which effectively give members equal rights with wholesale funders in the event of a dissolution of a society. As he said, dissolution is highly unlikely and the provision is not likely to be used, but it is necessary to include it. It makes it clear that, in the unlikely event of a dissolution, existing members will not be disadvantaged if the building society had expanded its wholesale funding, so the provision is welcome, logical and necessary.

The Bill also deals with transfer of engagement. Again, that has an undeniable logic. Let us consider the co-operative movement. A hundred years ago, there were literally thousands of co-op retail societies. Even as recently as 20 years ago, there were well over 100. However, a process of transfer of engagement, which was allowed under the Industrial and Provident Societies Act 2002, means that those societies have merged to become, in many cases, major societies with huge turnovers. That has happened in response to market conditions and the need to adapt to changes in consumer behaviour. It is therefore illogical that the mutual sector does not have the same flexibility. I understand that some technical problems exist, but I hope that the Treasury ensures that they are ironed out to give the mutual sector the same flexibility that has existed for the plc and co-operative retail sectors for many years.

Mr. Love: Is not one of the primary reasons for clause 3 an attempt to sponsor transfers of engagement from positions of strength and not, as has happened in the mutual movement of the past, from positions of weakness? Only through coming together when in a strong position can we grow the mutual movement and compete effectively with the rest of the sector.

Mr. Bailey: My hon. Friend makes a valuable point. Looking at the co-operative retail sector, I would like to think that not all the transfers of engagement came from positions of weakness, but certainly a fair proportion of them did. In the mutual sector, companies are much stronger and this process is likely to be used as part and parcel of a process designed to strengthen their position even more. It is certainly a way of promoting as opposed to just defending the mutual sector. As I say, I believe that it has a compelling logic and I hope that any technical obstacles will be overcome in Committee.

To conclude, over the last 100-plus years, the building societies movement has played a huge and valuable role in the purchase of housing for lower-income people. It has been of enormous and significant social benefit. Even today, in a very highly sophisticated financial market, the mutual sector has proved that it can deliver in a way that the plcs have not.

Sir John Butterfill: Does the hon. Gentleman agree that when the banks, for example, want to improve their expertise in mortgage lending, the route that most have taken is not to get their own department to do it, but to seek to take over a building society to perform that function under their jurisdiction?

Mr. Bailey: The hon. Gentleman makes a valuable point again, no doubt rooted in his deep knowledge of the industry. It is fair to say that the expertise built up in the portfolios that building societies have is much

coveted by the plc banking sector, so we could say that they are prime targets. That underlines the rationale for the Bill, as it clearly demonstrates that if we want building societies to thrive and sustain their value in the market, we must give them the legislative and regulatory framework to enable them to do so.

In removing this obstacle, the Bill may seem to be a fairly arcane piece of financial regulation, but it none the less has potentially profound and significant implications for how the movement can develop and continue its historic role in a highly difficult and sophisticated financial setting.

10.43 am

James Duddridge (Rochford and Southend, East) (Con): I support the Bill and I am particularly grateful to the big hitters on the two Front Benches for being here to listen to my modest contribution.

It is a pleasure to follow the symmetrically named hon. Member for West Bromwich, West (Mr. Bailey) and I would like to congratulate my hon. Friend the Member for Bournemouth, West (Sir John Butterfill) on securing a place in the ballot. As those who have not been successful often point out, it is simply a lottery. The real skill is in introducing legislation. In that respect, my hon. Friend has been characteristically modest in not mentioning that he has brought three private Members' Bills before the House and that, if this goes through, it will be his fourth—a record for this House of Commons. I am sure that the House would want to congratulate my hon. Friend on that. Members will want to speak to him later about his skill.

Today's debate is about the building society sector and I would like to commend the Minister, whose speech to the Building Societies Association I read this morning. He referred not just to 200 years of British history, but went back even to Roman history. I hesitate before complimenting him, however, given that politicians sometimes rise to make speeches written by others—as I am sure he in particular will know.

The Bill's removal of funding limits is certainly a very welcome step. I probed in an earlier intervention on my hon. Friend the Member for Bournemouth, West the level to which he thought it would rise through the Financial Services Authority and the Treasury. It was interesting that a broad consensus seemed to arise around 75 per cent.

A second aspect of the Bill—dealing with the transfer between mutuals and other structures—is incredibly sensible. It made no sense whatever that the only exit route for a building society was to merge with its exact mirror, or indeed with a plc. Most mergers nowadays are more mature and they take place not for size reasons but for specialism reasons. It makes more sense for a small building society to merge with a friendly mutual that might typically offer insurance products rather than just lend for mortgages. The Building Societies Act 1986 was a major step forward, but it became evident over subsequent years that some areas needed changing. The Bill certainly brings forward most of those changes.

I spent a little time in retail banking in the UK and Africa, but I am not an accountant, so I am a little confused about the issue of pari passu—people who deposit money in building societies being placed on an equal footing with creditors. Will the Minister confirm that those people are on an equal footing with people who deposit at banks? My hon. Friend the Member for Bournemouth, West made a comparison in respect of investing in banking shares, but I am not sure that that is the exact comparison that we need. Perhaps the Minister will look further into it.

I support the Bill, but I was a little concerned when my hon. Friend the Member for Bournemouth, West started talking about it becoming an enabling Bill, allowing the Treasury to introduce changes through negative rather than affirmative resolution. I am not making a party political point, but I have considerable distrust in the idea of handing over more power to the Treasury and the FSA. It will be interesting to explore further in Committee what checks and balances are in place to ensure that the power is discharged reasonably and sensibly.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I am interested to hear the hon. Gentleman's comments, but it seems to me that one of the advantages of the Bill's crafting is that it does not require primary legislation. If the hon. Gentleman does not want powers put in the hands of the Financial Services Authority, what is his alternative suggestion?

James Duddridge: When it comes to what appears directly in the Bill, I would be more inclined to see a better balance in the light of the complexities. We do not want to see too much detail, which would mean drafting a new Bill every time we wanted change. It is a balancing act. I am simply flagging up the fact that I would like to see the problem explored further in Committee. I am certainly not saying that the FSA should not have authority to propose changes, with the double lock that they must be supported by the Treasury.

I was about to conclude. I view this as a welcome deregulatory Bill, and the House should support it.

10.48 am

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I congratulate the hon. Member for Bournemouth, West (Sir John Butterfill) on securing the debate and on his well-crafted Bill. Speaking as a new Member, elected only in 2005, I often come to the Chamber to watch and learn. We can see the advantages of a well-crafted Bill that does what it needs to do without pushing the boundaries so much that it makes it difficult to legislate on a complex issue. I therefore congratulate the hon. Gentleman and hope that, one day, I might reach his record for private Members' Bills, as so far I have not been lucky in the ballot.

I am proud to stand here today as a Labour and Co-operative MP—one of many in one of the largest groups in Parliament. The fact that the Bill has cross-party support and the fact that the all-party group is one of the largest shows how mutual endeavour and co-operative values transcend party politics. They genuinely benefit the consumer, and it is important that we MPs recognise that.

As I said in my intervention on the hon. Member for Bournemouth, West, it seems sensible to allow the

[Meg Hillier]

Financial Services Authority flexibility over the percentage of funds that can be raised from the markets. I am sure that the issue will be explored in greater detail in Committee, and I understand that discussions are being held about whether the percentage should be set at 75 per cent. It is sensible not to put a figure on the face of the Bill, because this relates to market sensitivity. The FSA, in its role as protector of the consumer, should make such decisions. Clearly, it would require Treasury support, but I hope that the Economic Secretary to the Treasury agrees that it would be inappropriate for the Treasury to be too heavy-handed or to go into too much detail, and that it should leave the FSA to do its work. The Treasury should then rubber-stamp the FSA's decision.

The provisions in the Bill that put members on an equal footing are critical. If we really believe in mutuals and in the co-operative sector, we must also believe in the members of those mutuals. This measure is long overdue, and it should be introduced as quickly as possible. It is also common sense to make it easier for a financial mutual to transfer to another mutual outside the financial sector. I appreciate that there are problems with that measure, but I hope that they can be resolved.

I have experience in the housing association sector. Over the years, housing associations have grown and developed, and many have taken on other responsibilities. At first, they used to renovate street properties and, when they got the money to do so in the 1970s, build a small amount of housing. They then expanded to provide care packages, care homes, regeneration packages and building services. Sometimes, they also provided private housing for sale to cross-subsidise their other work.

The housing association sector and, in particular, the National Housing Federation have done a great deal over the years to ensure that all those different interests can co-exist within one group structure. Some have merged and come together under one umbrella, while others have diversified from their original base under one umbrella. That has allowed multiple businesses to exist within one organisation. The governance of the housing association sector has developed to tackle the challenges of the modern world, and I hope that lessons can be learned from that and applied to the issue of the transfer of engagements, so that multiple co-operative and mutual businesses can co-exist under one umbrella.

It is appropriate that my hon. Friend the Economic Secretary is going to respond to the debate. He is the first Co-operative Treasury Minister to deal with legislation on the financial mutual sector, and we are delighted to have him as a member of our Co-operative group in Parliament. I hope that augurs well for the passage of the Bill. We shall certainly have some interesting discussions in our private meetings if he proves unwilling to support certain aspects of it. I feel confident, however, that he and his colleagues in the Treasury will give the Bill a fair wind, because it tidies up aspects of the Building Societies Act that need tidying up, and puts members at the heart of the business.

I should like to use this opportunity to talk about the history of the co-operative and mutual sector, in which the Bill represents a staging post. The sector is made up of a complex and diverse range of organisations, but they have one common feature: they belong to their members. They do not belong to shareholders and they are not owned by an individual or a few individuals. They are a group of organisations with a long history of providing mutual self-help and of strengthening community bonds. Throughout our history, the mutual sector has not only acted to provide services on which working people relied, but strengthened the bonds that are so important in the communities that we represent.

The earliest mutuals were societies or self-help organisations that provided a means of mutual insurance through regular member contributions. Members of these friendly societies were bonded to each other, perhaps by locality or trade, and their regular contributions ensured benefits for them and their families in the event of sickness or death. Happily, the days are long gone when we had only each other to rely on. Now, we have a welfare state that protects people at difficult times, but in the early days of the mutual sector, the friendly societies were vital for preserving family life and people's actual lives.

Mr. Love: Earlier in the debate, the hon. Member for Bournemouth, West (Sir John Butterfill) talked about opinion polling showing that trust in mutual organisations was significantly higher than trust in other organisations. Does my hon. Friend agree that that trust is based on the movement's history of representing ordinary people and of the institutions being owned and controlled by their members?

Meg Hillier: I could not agree more. These organisations belong to the people who benefit from them and run them for each other. When I am with my children on the 349 bus in Hackney, I point out to them that the people working on the bus own the company that runs it, Hackney Community Transport, and that we can therefore expect a better service. The company is owned and run by its employees for its passengers. That thread runs through every aspect of the mutual sector. When I was much younger, we saw the effect of carpetbagging and the loss of many building societies. I remember regretting that we were losing that crucial membership because people were selling their long-term benefit for a short-term gain.

Sir John Butterfill: That is an important point. The assets of a building society have been built up by all who have contributed to it in the past, and they are held on trust by the members for all who will come after them. The activities of carpetbaggers have robbed future generations of what should have been their inheritance.

Meg Hillier: The hon. Gentleman makes his point eloquently and passionately, and I absolutely agree with him. My own children will have fewer choices in the marketplace, thanks to that sad and unfortunate period in the history of mutuals, but I hope that the Bill will help to strengthen the role of members, and I congratulate the hon. Gentleman again on that.

By the end of the 19th century there were about 30,000 registered friendly societies with around 4.5 million members. Building societies emerged from

the friendly society movement, and the first was established in the late 1700s. There had previously been temporary societies, which were wound up as soon as they had provided housing for their members. The garden suburbs in London were formed through mutual housing set-ups, which people paid into and borrowed from while their houses were built, and which ceased to exist in that format thereafter. So the long history of mutuals has even had an impact on our city of London.

The first building societies in a form that we recognise can be dated to 1845. Funds for building houses were supplemented by funds from people wanting to save, but not necessarily wanting a house, thereby addressing some of the problems with the earlier form of building society. This left them able to borrow money from investors to build houses more quickly, and able to create reserve funds across generations of members.

We cannot mention building societies without mentioning the co-operative movement and its birth in Rochdale in December 1844, with the establishment of the Rochdale Equitable Pioneers Society, a consumer co-operative, founded by just 28 members. That is just one fewer than the number of Co-operative Members of Parliament—perhaps there is a lesson for us there. They registered their society with the registrar of friendly societies on 24 October 1844 and opened their first store just before Christmas, on 21 December, on Toad lane in Rochdale, with the objective of

"selling pure food at fair prices and with honest weights and measures".

That commitment to consumers was crucial to its success, although I gather it had some early problems that it overcame. It went on to be very successful at a time when many private shop owners were suspected of cheating their customers by adding impurities to sugar and flour and tampering with weights and consumers could not be sure that they were getting what they should. Those people in Rochdale were pioneers, because over 150 years later we are still talking about the origin of food and wanting to know what is on our plate. In a way, we have come full circle, of which the co-operative moment should be proud.

From that moment, the co-operative movement took off. It was strengthened in 1863 by the establishment of the Co-operative Wholesale Society, which rapidly expanded into other activities such as banking and insurance, and diversified beyond food into other areas of retailing. Those organisations grew out of the needs of working-class families in conditions imposed by the industrial revolution, including the uneven distribution of economic resources, the exploitation of labour, the difficult living conditions in overcrowded urban areas, and the particular vulnerability of families to the loss of a single wage earner. At that time, the dependency ratio—the number of people depending on that wage earner—rose in most parts of England.

It is possible to identify the origins and development of each type of enterprise in the mutual sector as responses to different types of hardship imposed in that era, but I will not go into all that history now. The key features common to each form of self-help are a harnessing of the economic resources of those in work and an adherence to a set of governance values founded on important social ideals. Again, it is membership that is key to the co-operative movement. I must commend the hon. Member for Bournemouth, West again for his proposal to give members parity with other investors.

The strength of mutuals and the movement came from their functional purpose. They were a way for working-class people to gain some power over their living conditions and productive output. We see that today in local farming co-operatives in developing countries, where people want control over their lives. Exclusion and marginalisation from the political process—adult suffrage was not universal in the early stages of the co-operative movement—left people with no alternative but to work their way out of poverty through other means. The core values of that era remain. While the organisations, along with the country, have moved on a great deal from their roots in the past two centuries, they remain the same in one crucial respect: they exist to provide mutual self-help for their members, rather than to generate profit for investors. Those core values drive high standards of ethical behaviour throughout the sector. The absence of external shareholders means that there are no conflicts of interest between the claims of consumers and owners, leaving mutuals no incentive to exploit their customers for short-term gain. As others have said, that has led to greater trust among consumers for the products offered by the mutual sector.

Crucially, the ethical emphasis in the co-operative moment has led to a greater emphasis on ethical practice by non-mutuals, and I pay tribute to the work of several colleagues, including the work of my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry), on corporate social responsibility. That desire for businesses to have wider social responsibility stems from the important values laid out by the co-operative movement.

In a wider sense, the membership base also enables co-operatives and mutuals to take a broader view of the interests that they aim to serve, to pursue values that are not purely financial, and to take a long-term view of their members' interests. It also gives them space to pursue social and ethical goals and support members' communities.

Perhaps the best, iconic example is that of the Co-operative bank in the 1990s, which, under its chief executive Terry Thomas, now Lord Thomas, pioneered ethical banking before it was flavour of the month. That approach to investment is now being taken up across the banking sector, and consumers are getting savvier about what they should be asking for. In the same way, the Co-operative bank pioneered the recognition of the importance to business of environmental concerns. It sponsors and supported the first environmental business centre, which opened in Manchester in the mid-1990s, showing that business, too, had a responsibility to the environment, and that responsibility could be met in giving economic benefits to banking, business and the community.

Retail co-operatives were the first major retailers of fair trade products, which we now see on supermarket and shop shelves up and down the country. The success of the Co-op in selling fair trade products no doubt encouraged other businesses to sell them too. Fair trade product sales have risen from £32 million in 2000 to over £290 million last year. My borough of Hackney is

[Meg Hillier]

attempting to become a fair trade borough. By doing so, it will also support co-operatives in the developing world, which is entirely appropriate given the make-up of Hackney's population: about 13 per cent. of my constituents come from parts of Africa.

Mutuality has not only fostered organisations with a strong moral purpose and ethical function but has driven other organisations to follow suit. The initiatives first taken by mutual organisations have subsequently been taken up by multiple plcs. That would not have happened in the absence of the mutual sector.

Today is a small but significant moment in the history of the mutual sector. Through the Bill, we hope to put power and rights back into the hands of members, and to give mutuals a level playing field alongside other key financial institutions. I hope that the Bill gets a fair wind in Committee, and I look forward to seeing it return for its Third Reading.

11.7 pm

Mr. Andrew Love (Edmonton) (Lab/Co-op): I also congratulate the hon. Member for Bournemouth, West (Sir John Butterfill) on introducing the Bill. I was not aware that he had been so successful not only in getting private Members' Bills on to the Floor of the House, but in piloting them to fruition, on which I also congratulate him. I congratulate him, too, on choosing this subject for his Bill, which is appropriate. As we see in the Chamber, it has a wide range of support across all sections of the House.

I do not want to go into great detail about different parts of the mutual movement. Other Members have already done that. Mutuals compete in the marketplace, and many are successful in doing so: there are mutuals that are not successful, and they must take the necessary action to ensure that they become more successful. In many ways, however, the mutual movement, and certainly those parts that will be affected by the Bill, have been and are successful. We hope that the Bill will help them to become more successful.

Mutuals thrive in the marketplace, but this is not the first Bill to reflect that they face some disadvantage. That disadvantage does not relate to how they compete in the marketplace, but to the legislative framework in which they must operate. In the limited time that I have been a Member of Parliament, significant new measures on company law and the framework for the private sector have been passed by the House, but little has been introduced to reflect the needs of the mutual sector, apart from some private Members' Bills. I hope that, in some small measure, the Bill will begin to create a more level legislative playing field, so that the many successful mutuals can compete even more successfully than they have done up to now.

My starting point is that we need a mixed economy, not only in financial services but in other sectors. A mixed economy brings real benefits to consumers. Worker co-operatives, mutual insurers and building societies confer many benefits not only on their members but on other stakeholders. The financial services sector of the mutual movement has perhaps been the most successful. As was pointed out by the hon. Member for Bournemouth, West, mutuals are successful not just in this country but internationally. Many mutual financial services organisations look to organisations such as the Rabobank in the Netherlands, which is one of the great success stories showing how mutuality can deliver for both customers and members.

As many have pointed out today, mutuals also provide a competitive spark in the wider marketplace. For mortgages and mortgage rates as well as for savings rates, mutuals are at the top of the best-buy tables. That benefits not only their own members, but those in other organisations who must compete with the best—and when it comes to those basic services, mutuals and building societies are the best.

The same applies to policyholders in mutual insurance companies. Organisations such as Royal Liver Assurance, Liverpool Victoria and Royal London are doing a tremendous job on behalf of both their members and the wider marketplace. If I had to single out one organisation, though, it would probably be the Nationwide building society, which goes from strength to strength. At this point I should declare an interest, as a former member of the Lambeth building society who has since become a member of the Portman building society and in the next few weeks will become a member of the Nationwide—of which, in fact, I am already a member.

My reason for being a member of the Nationwide is the service that it delivers. It employs 16,500 people, mainly in Northampton and Swindon, and it has 1 million customers. Perhaps most important of all, over the last 10 years it has delivered £4 billion of benefits to its members and customers, an enviable record for any organisation, mutual or otherwise.

But the Nationwide goes much further. It has campaigned on behalf of not just its own consumers and members, but the wider public interest. It conducted a campaign at some cost to itself, pointing out the dangers of taking up attractive short-term fixed-interest mortgages only to pay for them later, and trying to set a standard by which others—including those attempting to compete with it—should operate in the marketplace. It suffered significantly in the early stages of its campaign, but continued its pioneering work in the mortgage market.

Sir John Butterfill: We ought to have known that the Nationwide would act in that way given its former name, the Co-operative Permanent building society, which made it clear that its ethics were unquestionable.

Mr. Love: Indeed. The origins of the Co-operative Permanent building society lay with the employees of the co-operative movement. The society was set up specifically to help co-operative employees to become owner-occupiers. It grew, became independent, and through merger eventually became the Nationwide that we know today. I believe that the Nationwide is so widely trusted partly because of its history of representing its member-owners and trying to reflect not just their limited interest but the much wider interest of consumers generally, which lies at the heart of the consumer co-operative movement.

I know that the subject of cash machines is close to the heart of the Economic Secretary, who has taken a

leading role in this regard. The Nationwide has argued consistently that its members should have free access to cash machines, and that not just building societies and mutual organisations but all organisations in the financial services sector should offer that service.

There are problems and dangers at present. Last year, for every free cash machine that opened 67 charging machines opened. I am very taken with the innovative scheme that my right hon. Friend the Member for West Dunbartonshire (John McFall)—the Chairman of the Treasury Committee, of which I am a member—has developed with the Economic Secretary to pilot 600 new free cash machines throughout the country. I say that as one whose constituency is likely to benefit from seven of them. I am consulting the organisation involved to decide where they would best be placed.

Meg Hillier: I agree with my hon. Friend that cash machines are an important issue. Many of my constituents are among the poorest, and are not easily able even to open bank accounts. That is where credit unions come in useful. Does my hon. Friend not agree, however, that taking away free cash machines is a reprehensible act on the part of some of our larger financial institutions, which seem to care only about people who can afford to open bank accounts?

Mr. Love: I agree very strongly. Those on lower incomes—those who can least afford to pay charges—are affected particularly adversely, because a £1 or £1.50 charge is much higher for someone who is taking out £10 than someone who is taking out £100. Moreover, most charging machines are located in low-income areas, while free machines are not easily accessible to those on low incomes.

Kerry McCarthy (Bristol, East) (Lab): I believe that my hon. Friend signed my early-day motion, which congratulates my right hon. Friend the Member for West Dunbartonshire (John McFall) on his initiative in promoting free cash machines. Is it not important that as many Members as possible point out that some of the most deprived parts of their constituencies lack free machines, and that we do all we can to lobby for them to be located in such areas?

Mr. Love: I congratulate my hon. Friend on her early-day motion, which is an excellent way of drawing attention to an issue to which we will return. The Nationwide has played a central role in this respect as well, not just in providing free cash machines itself but in recognising the wider consumer interest in ensuring that they are easily accessible, especially to the less well off.

Sir John Butterfill: While many banks pay lip service to the problems of financial exclusion, do not those that impose charges on those who draw money from cash machines reinforce the reluctance and fear of those who are shy of opening bank accounts?

Mr. Love: I agree. That is a very important point, because the thrust of our efforts is to try to eliminate financial exclusion. When we look into why many people do not take up the opportunities that are now available in this modern consumer society, we discover that the reason is their resistance to what they perceive to be the motivation of the organisations concerned. Charging people for gaining access to their cash reinforces those negative stereotypes. If the financial institutions were to eliminate such negative stereotypes and give a more positive image to those who currently do not make use of the financial services sector, that would benefit them in terms not only of their public reputation, but of their bottom line.

Kerry McCarthy: My hon. Friend has rightly sung the praises of the Nationwide building society for its initiatives on free cash machines. Does he agree that the Nationwide should also be congratulated on its promotion of basic bank accounts? Some of the other high street banks have not been quite as enthusiastic about making such bank accounts available to the most financially excluded people. Does my hon. Friend agree that they should take a leaf out of the Nationwide's book by doing more to promote such accounts?

Mr. Love: Yes, I do agree. All the evidence shows that a bank account is the gateway to financial services in this country. Clearly, an ordinary cheque account might not be entirely appropriate for low-income consumers for all sorts of reasons, which I shall not go into at present. The basic bank account has been constructed to be an attractive option for people on low incomes. The financial services sector should help to ensure that anyone who wishes to open an account opens the appropriate one, and for those who prefer a basic bank account that option should be available. My hon. Friend is right that, sadly, the evidence is that many organisations in that sector are not doing that with as much enthusiasm as we would expect.

In terms of other financial institutions, I especially wanted to mention the friendly societies. The hon. Member for Bournemouth, West mentioned the Liverpool Victoria which is based in Bournemouth. It is the largest friendly society. There are 57 such societies in total, with a turnover of about £15 billion, and with about 5 million members. We should not lose our sense of history in respect of the friendly societies. In the pre-war period, the Beveridge report was produced, and its aim was to address the five great wants, as he called them. It led to the creation of the welfare state, but Beveridge did not suggest that the state should lie at the centre of the provision of welfare. He suggested that there should be a major role for what he called voluntarism, which at that time was primarily represented by the friendly societies. They had an enormous membership—in the region of 12 million or 13 million people. The creation of the welfare state—and the delivery of welfare through state mechanisms—contributed to the decline of the friendly societies. However, such societies offered a specific and targeted service to low income consumers, and that has persisted through their period of decline. The friendly societies could greatly help us to achieve our goals, especially that of engendering the saving habit among those who do not save very much. The child trust fund is among the measures already taken to address that.

All mutuals in this country share a few fundamental principles. First, they share a community purpose. My hon. Friend the Member for Hackney, South and Shoreditch (Meg Hillier) talked about the housing

[Mr. Love]

association movement, which consists of industrial and provident societies established for community benefit. The principle of community benefit is a central purpose of all mutual organisations. It inspires the Nationwide and other such organisations to offer a service not only to their members but to the wider community.

As has been mentioned, the mutuals are owned by their members. There can be confusion about who is an owner or a shareholder and who is simply a depositer. That distinction can be complex, but the reality is that all such organisations are owned by their members, rather than by a separate group of shareholders.

They also have a democratic voting system. That has not been talked about, but the principle of one member one vote lies at the heart of mutual organisations. It is an important principle that we should try to uphold because what such organisations have tried to achieve for their members and society in general is based on that principle.

There has been much change. Members have mentioned the changes brought about by the Building Societies Act 1986 and the movement towards deregulation. In the early 1980s we got rid of exchange controls, and in the mid-1980s we had the big bang in the City of London, and it was almost inevitable that that would feed through and have an impact on the building societies and the housing association movement. The result was the 1986 Act, which introduced the opportunity to demutualise. We have had many arguments subsequently about whether demutualisation gave the members of that generation a short-term benefit but at the cost in the longer term of the society and future generations of its members. I do not wish to rehearse those arguments with the hon. Member for Bournemouth, West, but I think that we both agree that many people lost out because of the blandishments offered in respect of what was a short-term benefit. The current members of demutualised societies are living with the consequences of that.

The Abbey National demutualised in 1989, and the Cheltenham and Gloucester followed in 1995. The big year for demutualisation was 1997—that was the year of the demutualisation big bang. The Woolwich, the Halifax, the Alliance and Leicester and Northern Rock all demutualised in that year. Bradford and Bingley demutualised in 2000. That was the last demutualisation; seven years have now past without one.

What has happened to all the societies that demutualised? First, a number of them have disappeared from the high street—they have been taken over and consolidated into other organisations. As the hon. Member for Bournemouth, West said, many banks found it convenient to buy a building society or a demutualised mortgage bank in order to gain their expertise and to be able to deliver new services in the marketplace, and that was sensible. Some societies have gone from strength to strength; that is the case in respect of the Halifax, because it was a large organisation. The one major success in the demutualised sector has been Northern Rock, and I shall return to that point shortly.

It is worth repeating that the organisations that demutualised produced a great stream of statements about what they were going to achieve by demutualisation, but, disappointingly, almost none of that has been achieved. Most organisations still provide the basic financial services that mutuals provide. They have not got into the broader areas of financial services—the more sophisticated high risk areas, which some of them have tried and failed to get into. If such organisations continue to provide those basic financial services rather than provide more sophisticated services, by far the most appropriate structure for them to have is a mutual one because in that case they do not pay shareholders and they can deliver the benefit to the people they represent.

Demutualisation has been a disappointing experience: not an entirely negative one, but, generally, the demutualised societies have not achieved what they set out to achieve. One cannot escape coming to the possible conclusion that demutualisation was undertaken for the benefit of senior employees and that it has been of very limited benefit for some of the members. That was done in accordance with the spirit of the age, and we may well now be living with the consequences of that.

Nothing has happened since 2000. Has demutualisation run its course? Only time will tell. Interestingly, in 2005 a part of the old Bristol & West was re-mutualised, so we are beginning to see the reverse process. Someone said to me, "Was that the first remutualisation?" It may have been, but it was not the first conversion from company to mutual. If one goes back through the aeons, one discovers that Standard Life was originally a company that became a mutual, only to demutualise in the past few years. It will be interesting to see whether in 20 years' time, Standard Life may consider it advantageous to it, and to its policyholders, to become a mutual again.

Although there has been consolidation within the building society movement in the past five or six years, the number of societies has decreased from 65 to 63. However, as several Members have said, the expectation is that the consolidation process will speed up, and we hope that the Bill will give that process impetus. The level of consolidation so far has been small, but interestingly, between 2001 and 2005 the number of full-time employees increased from 28,000 to 35,000. In 2001 there were 9,000 part-time employees; now there are 12,000. Moreover, funds from mortgage advances have risen from £31 billion to £59 billion, so we can say with some certainty that although the number of societies in the movement may be decreasing, the number of employees—and, more importantly, the number of customers and member mortgages—is growing very quickly. Indeed, the Nationwide is a very good example in that regard.

Can the Bill help that process? I certainly think it can, and that it will create a stronger and much better mutual movement. As others have said, the Bill has three important clauses. Clause 1, which everyone has discussed, deals with the relaxation of non-member funding limits for building societies. The Building Societies Act 1997 resolved this issue by creating the 50 per cent. limit. In a sense, it was a mopping-up measure that tried to create a level playing field for a building society movement that had been under severe attack since 1986 from carpetbaggers and others, who I

think we can say were not primarily concerned with the best interests of the movement. The Act was meant to address that issue, and it created a permissive regime and increased the regulator's powers to ensure that everything was done properly and transparently. It increased accountability to society members. Numerous societies rarely contacted their members or had any conversation with them, and the Act corrected that.

The 1997 Act also introduced the 50 per cent. member funding limit, and since then, there have been occasions when people—and, indeed, the movement itself—thought that an inappropriate constraint. The Miles report comments on that issue in several different ways. That provision can limit the amount of mortgage business that a society can do, which can therefore have an effect on the competitive pricing of their mortgages. It must be stated clearly that on occasion it can be cheaper to go to the wholesale market than to raise the money from one's own members.

That brings me back to the one demutualisation success story: the Northern Rock. As part of its demutualising strategy, it took in enormous funds from the wholesale market, created a much more efficient organisation and leant those moneys back to mortgage holders. The strategy was successful for the Northern Rock, and my strongly held view is that if building societies are given the flexibility that clause 1 provides, it will be successful for them, too.

The other reason for clause 1 is the growing trend towards fixed-rate mortgages, which at the moment are relatively short-term. People have a three or five-year fixed-rate mortgage, and then go on to something different. As I said earlier in discussing Nationwide, people must consider carefully what are their best interests. However, there is a trend for moving to long-term fixed-rate mortgages, which the Government would like to foster. One can see many benefits to mortgage holders in having a fixed rate and knowing how much they will pay in future, and if we go in that direction, it will have implications for societies based mainly on short-term members' funds.

The Miles report goes into that subject in great detail, and if the Government want to sponsor a move in that direction, we must create the conditions for building societies to compete in those circumstances. Clause 1 offers that opportunity, and it will deliver a competitive building society movement. It will also allow them to issue more mortgages—to follow the Northern Rock strategy of building the business, and by doing so, creating a more competitive business. I therefore strongly support the clause. It is a very important step in the creation of a level playing field for mutuals and the rest of the financial services sector.

Clause 2 would rebalance the relationship between members—those who own the business and who, in many cases, will be depositors—and non-members. The issue is not just wholesale funds, however. One need only speak to someone at the Nationwide building society to realise the full complexity of the situation, in that some depositors are members and therefore shareholders, and others are not. The reality is that taking in a large group of new depositors—in others words, wholesale funds—changes markedly the relationship between those depositors and the people who are also members and shareholders, and who, in normal circumstances, therefore come last in the pecking order should the society be dissolved.

Everybody has made this point, but let me make it again. No member of a society has lost out in any transfer of engagements or in any building society dissolution since the second world war. It is one of the safest investments that anybody can undertake, so we are discussing only a theoretical possibility—but of course, theory sometimes becomes reality. If it did, it would be inappropriate for members, who in many cases are depositors, not to stand on a level playing field with those who deliver wholesale funds. Otherwise they would almost certainly lose their capital in a dissolution, because they would come last. That would not be right, and by saying that the consumer will be protected, we are standing up for the consumer.

The hon. Member for Bournemouth, West has already made the point, which others have confirmed to me, that the wholesale markets will not look negatively on allowing such a privilege. They will still deliver wholesale funds at a competitive rate and in a way that allows building societies to continue to compete with the rest of the financial services sector, because building societies are such a blue-chip investment.

I now come to clause 3. I know that many people see clause 1 as the most important, but clause 3 is at the core of what we are trying to achieve. I mentioned earlier that we have an anomalous situation in law in this country, in that any mutual from any part of the mutual sector may demutualise and become a private company, but may not transfer its engagements to another part of the mutual sector. It makes no sense that a building society may not join with a co-operative or a mutual insurer. The legislative playing field should be level so that organisations owned and controlled by their own members may take the decisions that they believe to be most appropriate for them.

If any such organisation said to its members, "You have a choice: you can either demutualise and join with an ordinary bank or other financial institution, or you can remain mutual and join another mutual in a different part of the financial services sector," I cannot imagine that people who have owned and controlled that society for generations would not prefer to remain mutual. That is what I mean when I say that there should be a level playing field, which would increase the options available to members when they decide such matters and would help to maintain and strengthen the mutual sector. That is what the Bill is about: strengthening mutuality in this country.

The mutual sector has gone through a pretty torrid time since 1986, and not of its own making. I assume that the crafters of the 1986 Act never dreamt that what actually did occur would occur. They thought that there would be a sensible, rational deregulation of the sector that would benefit consumers. They did not think that out of the proposal for demutualisation would come all that happened in the heady 10 years of carpetbagging, but it did. We have gone through that difficult time and are beginning to rebuild the sector. The Nationwide and other building societies are competing the pants off the rest of the sector, and mutual insurers are showing the rest of the insurance sector how to do it. We need to give them this Bill, and let them do it even better in the future.

11.42 am

Kerry McCarthy (Bristol, East) (Lab): I shall be brief, Mr. Deputy Speaker.

Mr. Mark Hoban (Fareham) (Con): Hooray!

Kerry McCarthy: I shall be even briefer now that I have received that response. We have had a full and comprehensive debate, although there are only a few Members in the Chamber. I am sure that the hon. Member for Bournemouth, West (Sir John Butterfill) is keen to hear what the Minister and the Conservative Front-Bench spokesman have to say about his Bill, which I congratulate him on promoting. This is only the second time that I have attended the Chamber on a Friday to debate a private Member's Bill. Last time, the Bill's promoter received something of a mauling, so it is a tribute to the hon. Gentleman's experience in this field that there has been such a degree of consensus on the Bill. Congratulations to him, for putting forward such a coherent measure.

Like my hon. Friend the Member for Hackney, South and Shoreditch (Meg Hillier) and the Economic Secretary, I speak not only as a Labour MP but a member of the Co-operative party. I used to be a director of a co-operative development agency, and am now a proud member of Money-Go-Round, Bristol's credit union, so I very much support the mutual sector—as much for what it represents as for the important role that it plays.

I support the idea that the financial sector is there to serve the needs of its community. As we have heard from various speakers, that was the origin of the building and friendly societies movement through the self-help initiatives of the 18th century. When I went on a Treasury Committee trip to the United States last year, it was obvious from the community development financial institutions and legislation such as the Community Reinvestment Act that the US still has the ethos that financial institutions should be made to play a role in their communities. We have drifted away from that in this country—a point to which I shall return. It is important to protect mutuals, but we will not do that by preserving in aspic the way in which they operate now. We should do it by introducing incremental changes as necessary, to allow them to survive and flourish in an ever-changing and often challenging marketplace.

As we have already heard, previous legislation, including the deregulation of the 1980s, has allowed diversification, but—unfortunately, some would say—it led to demutualisation. We have already heard from my hon. Friend the Member for Edmonton (Mr. Love) about some of the organisations that chose to demutualise. I worked for one of them—Abbey National—shortly after it floated and became a plc. It was very successful as a result, and was the biggest bond issuer in the country at one point. It has had its ups and downs in more recent years, but as an institution it benefited from demutualisation. None the less, it is sad that so many such institutions went down that path.

When customers of mutuals have been surveyed, it is clear what they perceive as the advantages. They believe that mutuals are much more democratic, in that members have a direct say in decision making and are able to exercise their voting rights. Above all, they are thought to work in the interests of the members, not of the shareholders. In 2001 a survey was carried out by the Consumers Association, which said:

> "Building societies deliver better value for one simple, crucial reason. The priority of the shareholder-owned banks is to keep their shareholders happy by paying large dividends, and increasing profits...we calculate that for every £100 in after tax profit the banks make, about £30-40 of that goes to shareholders as dividends."

The Centre for Business Research at the University of Cambridge has undertaken an ongoing programme of research into the benefits of mutuals. When it spoke to customers and asked them their reasons for choosing a building society, it was clear that the feeling of ownership was very important to them. The No. 1 reason they gave was the lack of shareholders, which creates a feeling of trust. Customers feel part of the institution to which they entrust their money or from which they borrow money. The CBR survey of the mutuals says:

> "The essential point is that a PLC owes its duties to its shareholders; we owe our duties to our members. It is easy for a PLC to make attempts to blur that distinction...But at the end of the day they are presented with an inescapable fact: the interests (that is, the interests of shareholders and customers) conflict...We only have to consider the interests of members present and future."

Another point about the mutual sector, the survey said, is that

> "The whole tone, the whole motivation, the whole aspiration is different."

One point that has not been made so far today is the extent to which credit unions are now filling in the gap left by the mutuals merging or demutualising. My constituency has several credit unions, but most have now merged to form one big credit union, which gives it added strength. In some ways, the credit unions have picked up the mantle of the early mutuals, harking back to their origins, when communities came together to make their own provision and fill in some of the gaps for the financially excluded communities, about which my hon. Friend spoke.

We learned earlier this month that high street banks' profits have now hit $40 billion. I have no objection to them making such profits, but more should be done to encourage them to reinvest some of those profits in communities through, for instance, promoting basic bank accounts and the free cash machines that other hon. Members have mentioned.

Earlier this month, Save the Children and the Family Welfare Association published an important piece of research illustrating what they call the poverty premium or the price of being poor in the UK. For example, if people do not have a bank account, they cannot pay by direct debit, so their utility bills are likely to be higher. It was estimated that poor families pay 150 per cent. more for basic household goods bought on credit, more than 50 per cent. more on credit and loans, and 10 per cent. more on gas bills paid through pre-payment meters. The poverty premium for a family of four, with one adult earning £250 a week, was estimated at 9 per cent. of their income. In effect, being poor makes people poorer, because they do not have access to financial products at the same rates as other

people. Support for the credit union movement is an important step in tackling some of those issues.

In my constituency, the credit union benefits from capital and revenue from the Department of Work and Pensions growth fund, which means that it can make loans to people who cannot access them from mainstream financial institutions. Eighty per cent. of those loans have gone to women, 60 per cent. of whom were lone parents. The credit union made a comparison of the costs of a loan from the credit union and a doorstep lender. It was estimated that someone borrowing £500 from Provident Personal Credit—the country's largest doorstep lender—would have had to pay £825 over a year, at an annual percentage rate of 177 per cent., but borrowing from the credit union would cost about £65 in interest over a year. That shows the difference that a small organisation can make in a poor area in my constituency.

Sir John Butterfill: I thoroughly agree with everything the hon. Lady says about credit unions. I was one of the earlier members of the Bournemouth credit union, and am still a member. We are merging with two other local credit unions, and the hon. Lady said that the same was happening in her constituency. I have no doubt that credit unions give a wonderful service in the community I represent. However, I hope that she understands that it was not technically possible to include credit unions in the scope of the arrangements set out in part 3.

Kerry McCarthy: I thank the hon. Gentleman for that intervention.

The Government last looked at credit union legislation in the very last measure passed by the Labour Government before we lost the 1979 election. Some steps have been taken since then—for example, doubling the interest rates that credit unions are allowed to charge—and I think that my hon. Friend the Economic Secretary is looking into the possibility of introducing more legislation, and I hope that will be done.

We need to look at the role that financial institutions—whether community development financial institutions or others—can play in lending to the voluntary sector and new businesses in deprived areas. There is a gap in the market that the high street banks are not really meeting. On that note I shall conclude my remarks, as I think it is time for Front Bench to have their say.

11.52 am

Mr. Mark Hoban (Fareham) (Con): It is a pleasure to follow the hon. Member for Bristol, East (Kerry McCarthy). She spoke eloquently about the benefits that credit unions bring. As a member of the Portsmouth Savers credit union, which serves not just Portsmouth but neighbouring boroughs, I agree with many of her comments about the success of new forms of financial mutual—although I realise that they are outside the scope of the Bill—in meeting the needs of people in many different communities. The credit union movement is excellent and demonstrates that financial mutuals can innovate, and refresh and renew themselves in a way that underpins the purpose of the Bill.

I congratulate my hon. Friend the Member for Bournemouth, West (Sir John Butterfill) not only on securing a place in the private Members' ballot but on choosing to steer this Bill through the House. I hope he will be successful. Given his tremendous track record, I have no doubt whatever in his ability to see his fourth private Member's Bill on to the statute book—a record to which we should all aspire over the course of our parliamentary career.

The hon. Member for West Bromwich, West (Mr. Bailey), one of the Labour and Co-operative Members taking part in the debate, spoke knowledgeably of the importance of the building society and financial mutual sector. I was delighted that my hon. Friend the Member for Rochford and Southend, East (James Duddridge) volunteered to serve on the Bill's Committee. I am sure that he will add expertise and insight to its proceedings.

When the hon. Member for Hackney, South and Shoreditch (Meg Hillier) described the Economic Secretary as a Co-operative Treasury Minister, it was not clear whether she was using the word "co-operative" as a noun or an adjective.

Meg Hillier: Both.

Mr. Hoban: I fear that may not always be the case in the debates we are holding on either side of today's private Members' business.

The hon. Member for Edmonton (Mr. Love) gave a knowledgeable and thoughtful speech. Thinking about some of his comments about the role of friendly societies before the Beveridge report, I realised that that sense of providing benevolence and support runs through the remaining friendly societies. They play an important role in meeting the needs of some of our communities.

The Bill deals with an important sector. Financial mutuals have roots in communities up and down the country. As the hon. Member for Edmonton said, historically they tackled financial exclusion by providing benefits to their members—that mission was as important then as it is today. Typically, those organisations were run by and for the benefit of their members, but mutuals nowadays cover a wide range—from the Nationwide building society to the Catholic building society and from Liverpool Victoria to the Ancient Order of Foresters. The assets of mutuals range from a few millions to many hundreds of millions of pounds.

The Bill helps us to recognise the diversity of financial mutuals and provides the means to facilitate change in the sector. If mutuals are to continue to succeed they need not only to take best practice from the commercial sector but constantly to focus on the benefits to their members that come from their mutuality. A mutual that loses sight of its key role in providing benefits to its members is a mutual that has lost its way.

Labour Members have spoken graphically about their connections with the co-operative movement. I was born and brought up in the north-east, and the physical embodiment of mutuality—the local Co-op—was a common sight in streets all over the region. The Co-op was, and to a lesser extent still is, part of the fabric of life in the north-east. The divi was a reward to

[Mr. Hoban]

members of the Co-op for shopping there—a forerunner of the customer loyalty cards of today; but it was also a sign of ownership of the business and of the rewards that come from that.

People often link the co-operative movement to the Labour party, but even in my own constituency, which is a Conservative heartland, the flagship store in the local shopping centre is a Co-op. The Co-op provides many of the convenience stores across my constituency. I have never really delved into the history so I am not entirely sure what the link is between Co-op stores, the co-operative movement and Labour and Co-operative Members. Next time I shop in my local Co-op, I shall think about Labour and Co-op Members and about the benefits of my shopping to the co-operative movement as a whole.

Because of the strong links to the co-operative movement that I have indicated and also to credit unions, I am delighted to take part in the debate. The Bill will strengthen the financial mutual sector in the future. Members have talked about the three key parts of the Bill: to amend the building societies legislation to enable the relaxation of prescribed non-member funding limits; to establish the interests of members so that they rank equally with non-member funders; and to widen the opportunities for societies to merge across different financial mutual sectors.

I want to talk about each of those three aspects, but first I want to remind the House of the background. The starting point of legislation governing building societies is the Building Societies Act 1986. At the time it was seen as giving societies greater market freedoms. It set limits on the classes of asset that building societies could invest in and also, as Members have said, provided the paving legislation that allowed building societies to convert to companies. Of the six largest building societies at the time the Act was passed only one, the Nationwide, has preserved its mutual status.

The next significant change in legislation was the Building Societies Act 1997, the culmination of a lengthy process of review and consultation on reform of the 1986 Act. It replaced the prescriptive regulatory regime of the 1986 Act with a more flexible regime and made changes to the powers of the sector's regulator, the Building Societies Commission. Measures were introduced to improve the accountability of societies to their members, but also to protect the remaining mutual building societies from the pressure to change status. Then we had the Financial Services and Markets Act 2000, which again changed the governance of the sector and brought building societies within the remit of the Financial Services Authority.

As the hon. Member for Edmonton said earlier, there have been no building society demutualisations since 2000. He identified that the savings business of Bristol and West was re-mutualised in 2006, with the acquisition of that business by the Britannia building society. There are about 60 building societies in the UK, with over £300 billion of assets. They employ about 50,000 members of staff and have over 2,000 branches, about 22 million individual investors—although some people will have accounts with more than one company—and almost 3 million borrowers. Added to that, building societies have sought to increase the range of products that they sell. They hold the majority of the cash-based child trust fund accounts—about 440,000 in total. It is not just building societies that are involved in the child trust fund business. A number of friendly societies and other financial mutuals are also key players in that market.

In broad terms—this is reflected in the Bill—building societies are defined as institutions that must have as their main business raising money from investors in order to lend on the security of residential property. Following the 1997 Act, there are few restraints on the other activities that they are allowed to undertake. The principal restrictions are to prohibit them from speculating in derivatives, commodities and foreign exchange markets, although they can hedge their risks, when looking at the risks that arise from lending in fixed-rate markets.

There are two principal issues that building societies need to think about in the context of their activities. The first is the topic of the first part of the Bill. Building societies must raise at least 50 per cent. of their funds from members—essentially, the retail markets—and the balance can be raised from the wholesale financial markets. The second is that 75 per cent. of their lending must be lent on the security of residential property. The Bill addresses the first restriction in particular. It is worth noting that not only does the Bill have support from all the relevant stakeholders in the sector but it has cross-party support in the House.

James Duddridge: My hon. Friend mentions cross-party support. Given the importance of the Bill, is he not surprised, as I am, that no member of the Liberal Democrat Front Bench or Back Bench has even come to the Chamber, let alone spoken in the debate?

Mr. Hoban: I am grateful to my hon. Friend for pointing that out. I am sure that that has not been lost on the House. However, the Bill does have cross-party support and support from stakeholders across the sector.

Sir John Butterfill: May I point out that the chief spokesman for the Liberal Democrat party on this matter, the hon. Member for Twickenham (Dr. Cable), is one of the sponsors of the Bill and has personally apologised to me for not being able to be here today?

Mr. Hoban: I am grateful to my hon. Friend for pointing that out. *[Interruption.]* The Economic Secretary suggests that my hon. Friend may have been overly generous in his remarks. I would not be quite as churlish as to say that myself, but I recognise the comments that have been made on both sides.

It is important to look at the impact that the existing limit on borrowing from wholesale markets has. It is recognised that it is, on the whole, cheaper to borrow from those wholesale markets, rather than to rely on retail funds. The hon. Member for Edmonton talked about Northern Rock. It is interesting to look at the evidence that it gave to the all-party group on building

societies and financial mutuals. Its report on demutualisation said that Northern Rock

"insisted that its success over the past eight years would not have been possible under the old mutual model. By being able to access external capital (75 per cent. of which is now raised abroad) it could grow quickly and therefore keep unit costs down."

That is an important factor to recognise. Clearly, the benefits that will accrue to building societies from the relaxation of the limits will, I hope, flow through to borrowers. The hon. Gentleman talked about some of the issues around demutualisation. It is important to recognise that, when Northern Rock demutualised, it set up the Northern Rock Foundation, which continues to support community activities across the north-east and plays an important role in providing support to community organisations across the region.

Commenting on the Bill, the Building Societies Association said:

"The removal of the constraint means that building societies would be in a position to meet whatever changes emerge in the marketplace over the next few years, rather than having their response to market changes constrained by legislation that might, in the future, appear out of date and unnecessarily restrictive."

That is an important point to make. The measure facilitates the development of the building societies sector in the future. That point was also made by Professor David Miles in his report in 2004. In the context of funds being raised from members of a building society, the report pointed out:

"If there were a significant increase in long-term, fixed-rate lending, this requirement could place building societies at a disadvantage to other mortgage lenders if tapping wholesale markets turned out to be the most effective way of funding fixed-rate lending."

Again, that shows the commercial need and the need to continue to provide good value for money to borrowers by accessing the funds that are available in the wholesale markets.

My hon. Friend the Member for Rochford and Southend, East has commented on the Financial Services Authority. The FSA states that while

"we do not think there is any immediate need for an increase in the building society funding limit, we do think it is sensible to build in flexibility for the future: ie to permit"

the Treasury

"to raise the limit if circumstances in future make that desirable."

That is an important signal from the FSA about the way in which the powers can be used in the future.

The second matter that the Bill deals with is establishing that the interests of members are to rank pari passu with non-member funders. That point has been discussed at some length already in the debate and I do not wish to comment much more on it. I took heed of the comments made by my hon. Friend the Member for Bournemouth, West about the acceptance of that by wholesale markets. That is an important factor as well. It would weaken the purpose of the Bill if wholesale markets took an adverse view of that change in priorities. I am glad to hear that they do not and that they support the change in priorities.

The third objective of the Bill is to widen the opportunities for societies of different types to merge. At a time when the commercial sector is combining different types of activities—the bank assurance model—it is important to reflect that different types of financial mutuals themselves should be able to join together without losing the benefits of mutuality.

It is important to remember why mutuals are so important today. They often service markets that many listed companies or larger businesses would not service. Because they collect relatively low premiums and use a different distribution method, they can reach out to members in a way that larger commercial organisations cannot. We need to bear in mind the diversity in the financial mutual sector, too. When I attended the conference of the Association of Friendly Societies last October, I was impressed by the variety and diversity of the organisations there, and by the different ways in which they had developed, whether they represented specific geographic communities, people in particular types of employment, or trade unions.

If we are to encourage the sector to develop, so that it remains viable and continues to meet the needs of its members, we need it to be much more flexible in the way in which it can organise itself. Of course, we must not forget the tremendous work that it does in supporting the needs of members and in going beyond contractual requirements. When I met Mark Rothery from the Ancient Order of Foresters friendly society, he emphasised the importance of the benevolent activities of friendly societies, and of going beyond a strict, contractual relationship with members. If the Bill is able to renew, revitalise and refresh the financial mutual sector, we should welcome it.

I am conscious that a lot has been said, and the Minister is keen to speak, too, so I conclude by welcoming the Bill on behalf of the official Opposition. My hon. Friend the Member for Bournemouth, West, has identified an important way in which we can help the financial mutual sector to develop, and to strengthen and renew itself. We look forward to debating the Bill in Committee, and we wish it success in its remaining stages.

12.10 pm

The Economic Secretary to the Treasury (Ed Balls): May I start by joining the hon. Member for Fareham (Mr. Hoban) in praising the series of powerful speeches made in support of the principle of mutuality and the principles behind the Bill? I join him and everyone else who has spoken in praising the hon. Member for Bournemouth, West (Sir John Butterfill) for his leadership on the issue. His speech set out clearly and in depth the case for action and for his Bill. It demonstrated a thorough understanding of the issues, and a commitment to the values that underpin the legislation. I am happy to confirm today that, in principle, the Government support the objectives of the Bill. We shall seek the support of hon. Members on both sides of the House in ensuring its smooth passage. I look forward to continuing our fruitful discussions, for which we are grateful, with all interested parties, so that we can ensure that the Bill reaches the statute book.

It is clear from today's speeches that although commentators in the financial press and more widely are sometimes tempted to talk about the mutual sector's declining role in financial services, the sector is in fact in robust health, and has broad-based support

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in the House and more widely. Indeed, it is set to expand further in the months and years to come. We have heard excellent speeches from Labour Members, including my hon. Friends the Members for Edmonton (Mr. Love), for Bristol, East (Kerry McCarthy), for West Bromwich, West (Mr. Bailey) and for Hackney, South and Shoreditch (Meg Hillier), who set out the case for mutualism and for the Bill.

There was support, and detailed questions, from the hon. Member for Rochford and Southend, East (James Duddridge), whose points I shall respond to later, and the hon. Member for Fareham, who pointed out that he has a Co-op in his constituency. That pleased me, and even in his consituency the odd Labour voter might pop in from time to time for a packet of tea or whatever. One of the most important roles that the Co-op plays in my constituency is in providing a welcome shelter from the elements on rainy days in the run-up to elections. It also offers wider support, but we will not go too far into that issue today, because this is a Bill with cross-party support. By cross-party, I do not simply mean the Labour party and the Co-operative party; I also mean the Conservative party, and we are told that there is Liberal party support, too.

I want to discuss the details of the Bill, but let me start by making a few general references to the strength of the sector. My hon. Friend the Member for Edmonton pointed out the success of the mutual sector in recent years, and he is right; at last year's Moneyfacts awards, mutuals took almost 75 per cent. of the top three places in the nine mortgage categories. The best available rate for five-year fixed mortgages, for instant mini cash individual savings accounts, and for instant access accounts were all offered by building societies, according to a 2005 study. On a subject that is particularly closely related to my responsibilities, child trust fund accounts have been predominantly provided by children's mutual and friendly societies.

The sector is vibrant, and vital to the British economy and to the daily well-being of literally millions of people in our society. As we have heard today, the sector has a proud history. It is sometimes thought that its origins lie in the self-help tradition of the Victorian era, and people look back to the early years and the work of the Rochdale pioneers—28 men and women who came together from a sense of community and a commitment to solidarity to begin the co-operative movement in Britain in 1844. In fact, history shows that the Romans got there first. It was, in fact, the Romans who first set up mutual insurance societies to provide for death and retirement as early as AD203, so there is a 2000-year history of mutualism. That history continued in mediaeval times with the establishment of craft guilds. The hon. Member for Rochford and Southend, East asked whether my speech to the Building Societies Association was my work. The answer is that it was in part, but it was also a co-operative effort, and I am grateful to the people who provided me with some of the details.

One of the earliest records of the Treasury's involvement with the mutual sector came in 1829 when, in response to cases of fraud, the Treasury appointed John Tidd Pratt as the first registrar of friendly societies, and tasked him with ensuring both that societies complied with legal requirements and that members' interests were best served. He remained in post from 1829 until 1870, and while the Treasury has not managed quite such dedicated individual service since then, our relationship with the mutual sector has remained strong to this day. As hon. Members have pointed out, I am the first Treasury Minister with responsibility for the financial sector to be a Co-operative party Member of Parliament. I see it very much as my task, working with my fellow Co-operative and Labour colleagues, and with co-operative supporters across the House, to continue the long tradition of mutualism in society.

Mutualism flourished, particularly in the late 18th and 19th centuries, in the run-up to the establishment of the co-operative movement in the early 20th century. A number of hon. Members have referred to what seemed to be a period of decline in the 1980s and 1990s, and the demutualisation of Abbey National appeared to confirm the view that mutual building societies would be unable to compete with the commercial banking sector. Between 1989 and 2000, nine societies converted into banks, and as we have heard from a number of Members on both sides of the House, carpetbagging became a growing concern. We have tried to respond to some of the concerns in the building society movement about the pressures of carpetbagging by introducing measures, starting with the passage of the Building Societies Act 1997, which amended the Building Societies Act 1986, to increase societies' commercial freedom, to improve accountability and to try to put mutuals on a more equal footing with proprietary companies.

Over a decade, the Government have introduced nearly a dozen legislative changes covering issues from accounting requirements to electronic communications, including amendments to the law affecting conversion. Before the Bill was introduced, we were pleased to support the three private Members' Bills that updated co-operative legislation. Our aim is not to give mutuality a privileged position but to allow building societies and mutuals to compete on a level playing field. For example, the 1997 Act withdrew the tortuous list of permitted building society investments, which undoubtedly hampered building societies' ability to compete fairly in the marketplace. There were some unwelcome changes in the 1980s and 1990s, but one can argue, too, that the building society sector emerged stronger from that period, rather than weaker. In an improved legislative framework, societies have had to strengthen long-term relationships with their members. Annual general meeting attendance is up and members are being more closely engaged. Building societies have recognised that they have to be businesses and compete in an increasingly sophisticated global market.

The building society model of the annotated combined code was praised by Paul Myners in his review, and other mutuals have been following the building societies' lead in corporate governance reform. The remutualisation of Bristol & West branches following take-over by Britannia Building Society is just one sign of greater confidence in the sector, demonstrating that it is succeeding and can grow. These trends suggest that the role played by mutuals is not just an accident of history, and that in the face of intense and growing competition mutual financial

services providers have proved that they can compete and indeed have some advantages, compared with the profit-making sector.

First, as my hon. Friends the Members for West Bromwich, West and for Hackney, South and Shoreditch noted, as mutual institutions owned collectively by their members, without external shareholders in the conventional sense, building societies can achieve advantages in efficiency and innovation and operate with lower cost ratios than plcs. Secondly, some mutuals, particularly small mutuals, including small building societies, serve markets that are often ignored by plcs, and can therefore develop local knowledge and engagement that is hard for larger organisations to achieve.

That can lead to a third advantage, building local loyalty and making a special contribution to local and community life. In the consultation that we are undertaking on the use of unclaimed assets in bank and building society accounts, we have responded sensitively to a particular issue in the building society world by making sure that local and small building societies can use unclaimed assets to continue those links and make a local contribution to community life.

At a time of rapid change and growing complexity in financial services, and given some of the difficulties that have occurred in the past 10 or 20 years in some aspects of retail financial services, there is a unique trust in mutuals, and they have maintained the reputation that they have historically had. That places them in a strong position to respond to consumers' need for transparency, fairness and the knowledge that they can trust their providers. Members know that across the vast range of mutual societies that exist, they can expect public service and local commitment. Trust is an increasingly valuable commodity in a complex financial environment.

As more financial responsibility is expected of individuals for personal finance and pensions, the mutual sector can continue to grow in size and capability. For it to do so, we need to ensure that the legal framework within which it operates is fit for purpose. Over decades the legislative framework has not properly kept pace. Co-operatives and credit unions are operating in a framework that dates back many years. The Industrial and Provident Societies Act 1965, which consisted of nine Acts covering the sector, was a consolidation of 19th century legislation. The Credit Unions Act 1979 is almost 30 years old.

Starting with the Building Societies Act 1997, we have tried to put mutuals on a better footing. Significant changes were made for the benefit of the industrial and provident societies by the Industrial and Provident Societies Act 2002. The Co-operatives and Community Benefit Societies Act 2003 introduced further change. In the last year, the Government have introduced measures to increase the maximum interest rate that a credit union may charge its members. Most recently, last week to the day, we laid before Parliament two statutory instruments proposing amendments to building societies legislation. The first of these deals with the treatment of building societies' offshore deposits and changes to their treatment for the purposes of the funding limit, allowing such deposits to be treated the same as members' shares, up to a limit not exceeding 10 per cent. of the value of total shares in the society. The second enables societies to present their summary financial statements in a form consistent with international accounting standards. Our aim, as I said, has not been to give mutuality a privileged position, but to allow a level playing field.

To build on the progress that we have made, in November last year I announced that the Treasury would review all co-operatives and credit union legislation. Since then, I have been grateful to all the individuals, societies and trade associations, as well as hon. Members, who have provided valuable advice and constructive ideas to the review, which will lead to a consultation document to be published this spring. Following publication, there will be a 12-week period for formal responses, and we hope to be clear on the final recommendations by autumn this year. I know from the discussions that I have had that the mutual sector attaches high importance to the outcome of that review.

We do not know whether we will be able to come forward with an omnibus Bill. We will need to ensure that we take advantage of every opportunity that arises to implement the findings of the review, whether through regulatory reform orders or when private Members' Bills present opportunities such as today. That is why the Treasury was pleased to see the hon. Member for Bournemouth, West so high up in the ballot, and in particular that he chose to devote his slot to helping in this comprehensive effort to improve building society and wider mutual legislation. We agree with him and with Members on both sides of the House who have spoken today that this provides an opportunity to improve the competitive position of building societies and to allow them to respond effectively to the needs of their members.

With regard to clause 1, as hon. Members have already pointed, in particular my hon. Friend the Member for Edmonton, the Miles review on the UK mortgage market identified a need for building societies to be able to access higher levels of wholesale funding. I refer particularly to recommendation 19 of that report, which advised

"that Government consider lowering the minimum funding limit by members from the current 50 per cent. 25 or 30 per cent. of building societies' funds coming from members would still represent a substantial source of funding."

It is clear, as hon. Members have said, that raising the level of wholesale funding would impact on members' rights on the winding up or liquidation of a society, because members' shares are subordinate on a winding up. It is for that reason that the Bill includes clause 2. It is clear, certainly to those on the Treasury Bench, that clause 1 should not be commenced in the absence of clause 2. They stand together.

Clause 3 is different from the other two clauses, being of a far broader scope. Its aim in attempting to facilitate transfers within the financial mutuals sector is admirable. However, as I have already said, mutuals legislation is complex. The different Acts are not necessarily compatible with each other. Therefore we have been working and continue to work closely with the hon. Member for Bournemouth, West to clarify the issues, which we will seek to address in Committee.

I shall respond to each clause in detail. Clause 1 proposes to remove the funding limit for building societies. Building societies are constrained in their business operations by the statutory requirement that

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they raise at least 50 per cent. of their funds in the form of shares held by individual members of the society. The measure proposes abolishing that requirement, which currently restricts the amount of wholesale funding that a building society is permitted to have. Although we fully agree with the need for greater flexibility, we do not consider that removing the limit entirely is consistent with the nature of building societies. That is why we have agreed to discuss with the hon. Member for Bournemouth, West and his advisers an appropriate amendment that substantially increases the level of wholesale funding that building societies are permitted to have, while retaining a requirement for member funding, too. We have discussed the measure at length, and in our view the objective will be best achieved by giving the Treasury, and not the Financial Services Authority as stated in the current long title, the power to increase the permitted amount of wholesale funding to a maximum of 75 per cent.

Meg Hillier: Will my hon. Friend explain why the Treasury has made that decision, because it seems to make sense to leave the matter in the hands of the FSA? Will he expand on that point a little more for our benefit?

Ed Balls: We have looked carefully at the legislation and where the responsibility lies. We have consulted the hon. Member for Bournemouth, West and the FSA. The FSA is the regulator of individual institutions, but responsibility to this House for setting the overall framework, and therefore the accountability for that framework in legislation, lies properly with the Treasury. I assure my hon. Friend that we will make decisions in full consultation with the FSA. This House will always have the opportunity to scrutinise the decisions that we take. As has been said, the limit will give the building societies substantial room for manoeuvre, but the appropriate decision maker to be accountable to this House should be the responsible Minister. In discussion, we therefore concluded that it should be for Treasury Ministers to make those decisions and to be directly accountable to this House for them.

Clause 2 relates to the consequential rights of building society members on a winding-up or a liquidation. The intention of the clause is to place members on a par with other creditors in the case of a winding up. Currently, members' funds would rank below those of other creditors. The clause would put members' funds on an equal footing with wholesale debt in the event of a building society being wound up. The position of members' funds has been a cause for concern for regulators for some time, because following the winding up of a building society, members could stand to lose more than the equivalent bank customers, although up to certain statutory limits they would most likely have recourse to the financial services compensation scheme. As my hon. Friend the Member for Edmonton has said, that is an academic concern, rather than a real concern, in today's environment.

For many decades, no building society has been in difficulty, because of the soundness of the sector and the cautious way in which it operates. We agree with the hon. Member for Bournemouth, West that we should take this opportunity to make the position clear. I assure the hon. Member for Rochford and Southend, East that the Bill provides an equal ranking with creditors, including wholesale depositors. The financial compensation scheme applies exactly the same as it would to bank deposits. We will introduce minor amendments to clause 2 in Committee, but only to ensure that we can give proper effect to the intention of the clause. As I have said, we believe that clauses 1 and 2 stand together.

Clause 3 would give the Treasury the power to make regulations to facilitate transfers of business from one type of mutual to another. There are currently legal limits on the permissible types of transfer between different mutual bodies, whereas companies have no such restrictions on the transfer of ownership. The clause would make it easier for a financial mutual to transfer its business to another mutual or to its subsidiary. It would give the Treasury the power to treat transfers between mutuals as if they were transfers between the same category of mutual. For example, a building society could be transferred to a subsidiary of an industrial and provident society or a friendly society under simplified rules and thresholds.

In principle, we support the intention behind the clause, but it is undoubtedly the most challenging part of the Bill. There are still important legal and technical issues to be resolved. A key risk is that it could, if we get it wrong, inadvertently remove certain safeguards that are in place to protect mutuals from carpetbaggers converting them into non-mutual companies. For that reason, we will propose, and I believe that the hon. Gentleman will accept, amendments in Committee whereby the provisions should be subject not to the negative but the affirmative resolution procedure. That means that not only will the Treasury consult on the detail of the proposed measures but that Parliament will have the opportunity for further debate to ensure that the principles of mutuality are not compromised. I hope that all hon. Members will recognise that that extra safeguard is right and proper in order to ensure that the strengths of the mutual sector, which I and many other hon. Members have set out today, are preserved and not inadvertently undermined.

We are concerned about three particular issues. First, there is the question of how a mutual transferring its business to a subsidiary of another mutual would work. Most subsidiaries are companies, and we need to ensure that a mutual transferring business to a company subsidiary would not inadvertently make demutualisation easier. Secondly, the Bill seeks to make transfers to mutual insurers easier, but, again, some mutual insurers are companies, and we want to ensure that the procedure does not inadvertently lead to more demutualisation. Thirdly, some mergers or transfers are not possible because of European legislation—for example, it is not possible to be an insurer and a bank at the same time. We need to ensure that we get that technical issue right in the final drafting of the clause.

As I say, we will need to table further amendments to clause 3 in Committee to ensure that we get the detail right. I cannot, at this stage, give an absolute guarantee that we will succeed, although the indications from our

discussions with the hon. Gentleman and his advisers is that we are making good progress, and we are confident that it can be done.

In conclusion, the Government are committed to the continued success of the mutual sector and to playing a role in supporting it. We are sympathetic to the principles that underpin the Bill and wholly support the values that it seeks to entrench in legislation. We need to keep the building society and mutual sector competitive, and if we get the Bill right, we will succeed in that objective. We congratulate all those who have been involved in its preparation, particularly the hon. Member for Bournemouth, West on his leadership, and look forward to assisting with its progress through Parliament.

12.39 pm

Sir John Butterfill: I thank the Economic Secretary for his comments and the helpful way in which he and the Department assisted us in preparing the Bill and getting it to its present stage.

We accept that it may be necessary to table amendments in Committee. Indeed, we have already agreed some of them in principle. I hope that we do not need to revert to affirmative resolution procedure in all cases, but we can debate that at the relevant time. If we need to give the Treasury a longer period in which to consider some of the more detailed aspects that the Economic Secretary outlined in relation to clause 3, there will probably be happy agreement in Committee that we shall do whatever is necessary to get the Bill on to the statute book.

We have had an excellent debate, with wonderful contributions from all parties, for which I am grateful. The hon. Member for Hackney, South and Shoreditch (Meg Hillier) made a splendid speech. I say to her that, although the co-operative movement arose from the needs of many poor people, other stakeholders also supported it. My mother, who was born in 1898, the daughter of a successful Victorian industrialist and became a civil servant at the Bank of England, was a keen supporter of the co-operative movement and a member of the Co-operative Wholesale Society for as long as I can remember. However, she always voted Conservative, as far as I know.

I should like to take the opportunity of thanking a few others. First, I thank the Building Societies Association for its tremendous co-operation and that of its individual members on the Bill. I thank the Association of Friendly Societies and all the other mutual organisations that have been so supportive in getting the Bill this far. It is invidious to single out individual ones, but I must say that the Portman building society in my constituency has been very helpful, as has the Liverpool Victoria friendly society. They put a tremendous amount back into my local community. I have twisted the arm of the Liverpool Victoria to give significant funding to the Youth Cancer Trust, which is a major charity that provides palliative care to young people in my constituency. The Liverpool Victoria has given us a big sponsorship, so I offer it special thanks. However, that is typical of what mutuals do in constituencies throughout the country.

I give my sincere thanks to Mutuo, whose members are listening to our discussion. Without that organisation, it would not have been possible to get the Bill to this stage. It is a great supporter of everything that we do and of the all-party group. I am extremely grateful to it. With its aid, we may get the measure on the statute book.

Question put and agreed to.

Bill accordingly read a Second time, and committed to a Public Bill Committee.

Vehicle Registration Marks Bill

Order for Second Reading read.

12.42 pm

Richard Ottaway (Croydon, South) (Con): I beg to move, That the Bill be now read a Second time.

It is a pleasure to follow my hon. Friend the Member for Bournemouth, West (Sir John Butterfill). Before the Economic Secretary leaves, may I say to him that, although he is capable of being a controversial figure, we all appreciate the consensual way in which he recognised the abilities of my good friend and colleague?

I was a Friday Whip for the last two years of John Major's Government, which was not the quietest period in the Whips Office. I am therefore well aware of the limitations of coming No. 10 in the private Members' ballot. One is faced with a stark choice between introducing a measure that is hostile to the Government, then, when it does not get a second's air time on the Floor of the House, issuing a press release criticising some heartless Whip for objecting to it, and searching for consensus through working with hon. Members of different parties on a measure that will, one hopes, improve the lot of the citizens whom we represent. On this occasion, I have chosen the latter course and I am pleased to introduce the Bill today.

I am grateful for the Minister's co-operation and that of the Department for Transport. I am also grateful for the co-operation of officials in the Driver and Vehicle Licensing Agency—I have not had to bother them too much because the Bill is fairly straightforward. I am only too sorry that I have not been able to get down to Swansea, but I sit on a busy Committee. I would not say Swansea is another land, but it takes quite a while to get down there and back again, so perhaps I can take up the invitation on another occasion.

I am also grateful to the Cherished Numbers Dealers Association for encouraging me to introduce the Bill and for its fund of stories about the history and complexity of the registration mark system. I am grateful to the Retail Motor Industry Federation for its general encouragement and support, and to Members from all parties for theirs. I stress that the Bill has all-party support.

James Duddridge (Rochford and Southend, East) (Con): On that particular point, will my hon. Friend clarify that the Bill truly has all-party support? For the second time today, I see no one on the Liberal Democrat Front Bench and no one on the Liberal Democrat Back Benches. On the previous Bill, the Liberal Democrat spokesman apologised to the sponsor for his absence, so can I ask my hon. Friend whether he has received a similar apology? Does he put this down to serial rudeness, apathy or incompetence on the Liberal Democrats' part?

Richard Ottaway: I can confirm that I have received no communication from Liberal Front Benchers and I leave it to my hon. Friend to decide which of his three choices to put that down to. In all fairness, the Bill is supported by the hon. Member for Harrogate and Knaresborough (Mr. Willis), who has taken a keen interest in it, but Liberal Front Benchers have shown no interest whatever. Perhaps the Liberal party is suffering its private grief—in private!

The Minister of State, Department for Transport (Dr. Stephen Ladyman): It has just occurred to me that the Cherished Numbers Dealers is probably the only organisation called CND that we are all allowed to be members of these days. Perhaps the Liberal Democrats' ambivalence to CND organisations meant that they decided not to appear today.

Richard Ottaway: Either that or they are in the process of changing their minds yet again on their attitude towards that issue. I had not spotted the CND connection; perhaps we should award a number plate with that on it to the Liberal Democrats.

The motor car was the most significant development of the 20th century. It gave a freedom to travel that our forebears had possibly never envisaged; it made access to all parts of the nation possible; it transformed local economies, communities and regions; and it enhanced the country's prosperity. I happen to believe that the motorist is taxed too much, but was there ever a motorist who thought otherwise, and we live in modern times. I also believe that motorists produce too much pollution and I support the Government's efforts to address that problem. However, I am unashamedly pro-motorist and will, in truth, do anything to try to improve his lot, which is why I introduce the Bill today.

Until I embarked on this measure, the world of vehicle registration marks was an unknown one and its complexities had never been of concern to me. As I explored the issue, I found that number plates play an important role in regulating the motor car. They are used to identify the car, for purposes of taxation, and—as a number of my constituents never fail to write and tell me—for law-enforcement purposes.

I often speculate whether a personalised number plate makes it easier to identify a car than a normal number plate. Personally, I suspect that it does, but the reasons people have personalised number plates are many and varied. The important thing to remember about a number plate is that it is not owned by the owner of the car: it is assigned to a vehicle through a sort of franchise operation, with ownership remaining with the Secretary of State and the Department for Transport. It remains with the vehicle until it is broken up, destroyed or exported. The key point that I invite the House to remember is that the assignment is linked to the owner of the car rather than to the vehicle itself. I will address later the problems that that causes, which the Bill is designed to solve.

There is widespread interest in personalised number plates. They were first issued by counties at the beginning of the 20th century. In the early days before personalised number plates, the focus was on number plates such as A1. That particular number plate was sold by London county council in 1903 to the second Earl Russell, who queued for the entire night outside the council offices to have the right to be able to buy it. He beat someone else to it by just five seconds. Having acquired it, he sold it to the chairman of the London county council four years later, in 1907. History does not relate whether he made a profit.

The second Earl Russell was clearly a flamboyant character. If you will indulge me on a grey Friday morning, Mr. Deputy Speaker, I will tell the House how his history possibly reflects on those who buy cherished number plates. He was married three times. After his second marriage, he was charged with bigamy and, as a Member of the House of Lords, became one of the last peers to elect for trial by his peers. After a great amount of deliberation in the upper House, he was convicted, but sentenced to only three months on account of the extreme torture of his first marriage. He subsequently became the first peer to join the Labour party, and went on to hold ministerial office. As Under-Secretary of State for Transport, he introduced the highway code and abolished speed limits. He went on to become Secretary of State for India. The Ramsay MacDonald Government reintroduced speed limits, but they felt that they had to wait until the second Earl Russell had died before they could do so. He was succeeded by his younger brother, Bertrand Russell, who perhaps became more famous.

My constituents are all, of course, paragons of virtue, but many of them would recognise the character of the second Earl Russell in those who buy personalised number plates. The part of Croydon that I have the privilege to represent has been identified as the wealthiest postcode in Britain, and I have to confess that we have more than our fair share of personalised number plates floating around the leafy suburbs of Purley and Coulsdon. I am pleased to be able to introduce a Bill that will smooth the transfer of such number plates.

Dr. Ladyman: Before the hon. Gentleman moves on from the history of number plates, I would like to ask him whether he recollects a former Member of Parliament whom I remember well from when I was a young boy watching the news: a gentleman by the name of Gerald Nabarro. One of my memories of him was that he had a fine collection of cherished number plates such as NAB1 and NAB2, as well as a big handlebar moustache.

Richard Ottaway: We all remember him well. Hon. Members will also recall that his personal assistant was Christine Hamilton, now married to Neil Hamilton, who is constantly in our thoughts. *[Laughter.]* Neil is a good friend of mine; I did not mean that in a derogatory way.

The personalised number plate regime was set up in its present form in 1994, and I am pleased that it was continued by the present Government—not least, I suspect, because it has turned out to be a nice little earner for the Department. There is, however, a problem with the system. Let us suppose that you, Mr. Deputy Speaker, have the number plate AH1, and that you decide to sell it. The first step will be to separate your car from the number plate, which involves the process of putting it on retention. Let us suppose that I decide to buy it for my god-daughter, whose initials are also AH. If I have a car to put it on, there will be no problem. But if she is under age and does not have a motor car, I, too, will have to put the number plate on retention and hold it separately from a car. When I then elect to nominate a car, the Driver and Vehicle Licensing Agency approves the application, puts the number plate on that car, and the transaction goes through. But if I do not have a car to put the number plate on, and I want to hold it on retention, I would pay the seller of the number plate, but I do not gain any legal rights until I nominate a car, which might be weeks, months or even years later providing that you, Mr. Deputy Speaker, keep renewing the retention until such time as a car is nominated. Throughout that period, I would need your co-operation.

Kerry McCarthy (Bristol, East) (Lab): Is the hon. Gentleman aware that the most expensive number plate sold at auction was M1, which went for £331,500 to a man in the north-west, who reportedly bought it for his six-year-old son? We can only speculate on what sort of car such a person would buy for his six-year-old son when he becomes old enough to drive. Is not that a telling example of someone who will have to maintain a relationship and contact with the seller of the number plate for at least 11 years before his son is old enough to drive and own a car?

Richard Ottaway: The hon. Lady very intelligently goes to the heart of the problem. I will have paid you a sum of money, Mr. Deputy Speaker, but I am exposed until the number plate is attached to a car. There is huge vulnerability to fraud. The hon. Lady referred to the highest recorded sum paid for a number plate of £330,000-odd. When I looked on the internet yesterday, I found that RO1 is for sale for £150,000, and that 1A was sold in 1989 for £200,000—one can only speculate what it would sell for today.

James Duddridge: I hate to advertise for CND, but is my hon. Friend aware that MP1 is available for only £20,000? While not considering purchasing a number plate myself, I take great interest in such matters, as my constituents will do. The reason that I would not consider purchasing a number plate is that DUD1 is perhaps not a good promotion.

Richard Ottaway: My hon. Friend makes his point well. MP1 for £20,000 sounds rather good value, and perhaps the price will rise after this debate, which merely illustrates the point.

The vulnerability to fraud is that until the number plate is assigned to another vehicle the seller has the rights of retention. He might disappear, which makes it hard to get him to sign it over to a new car, or he might even be a criminal who sells it again, which, as he still has ownership, raises interesting legal complexities. That undermines confidence in the system for what has become an established, if not overly critical, part of British life, and if it is to be allowed, it is important that the system is run properly.

The Bill tries to remedy the defects in the system by allowing a person other than the registered keeper of the vehicle that originally had the number plate on it to hold a number on retention. Under the Bill, the number plate could be assigned to a third party who did not, at the moment of sale, have a vehicle to put it on. Clause 1 amends the Secretary of State's powers, and subsection (1) extends the powers to give a right of retention to someone other than the registered keeper. Subsections (2) and (3) make consequential amendments.

[Richard Ottaway]

Having had the opportunity, for which I am grateful, to discuss this matter with the Minister, I hope that he will accept those provisions and the structure of the Bill. The upshot of the Bill will be confidence in the system, and a system that is more efficient, with less fraud. I commend it to the House.

12.59 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I congratulate the hon. Member for Croydon, South (Richard Ottaway) on gaining a place—albeit 10th place—in the ballot for private Members' Bills. I also congratulate him on his choice of Bill. This Bill is exactly what a private Member's Bill should be: it is short, it addresses a narrow point of law, and it deals with a topic that, as he said, matters to a growing number of people. In the three years between 2002-04 and 2005-06, the number of "cherished transfers" rose from some 260,000 to nearly 300,000, and the number of retentions rose from 146,000 to 189,000.

It is some time since I had a number plate that I might have wished to keep. I was interested to learn about the history, of which I certainly was not aware in the days when I owned my first vehicle, of a Ford Consul Classic with the registration LUO. I confess that my family nickname at the time was "Lulu". My close family thought it highly appropriate, and used to say that Lulu and LUO made a very good duo. I do not imagine that that number plate could have been of any great value to others, although given the tortuousness of the link I have just described and the strange nicknames that people have, who can tell what it might have meant to them?

Another vehicle, of which I had part-ownership, was a white Mini estate with the registration HOT. The vehicle became known as just that—Hot. I am one of those people who grow rather attached to the cars that they own, and this one, as can be imagined, had a great deal of character. It also gave a great deal of trouble. I was its last owner—part-owner—as it reached the end of its long life. Had I acquired another vehicle at the time, I would probably have considered keeping the number plate and transferring it to the new vehicle. However, that was not to be, and I do not think that in those days people wished to retain number plates on the present scale.

If I had known of the possibility of retention, I might well have wished to exercise such a right, and had I done so, who knows what difficulties might have arisen in the process described by the hon. Member for Croydon, South? I might have wanted to assign the plate—I understand that that is the correct term—and wash my hands of it as the idea lost its attraction and my enthusiasm waned; meanwhile, a friend might have wanted to keep the option open. I can imagine what a tortuous process might have developed in the passing on of such a desirable number plate.

While I wish the Bill a speedy passage, I have some worries about it, although I was somewhat reassured by what the hon. Gentleman said about the way in which it would assist in preventing fraud. I served on the Standing Committee considering the Bill that became the Vehicles (Crime) Act 2001, some of whose provisions had a very good provenance. The Vehicle Crime Reduction Action Team was established in 1998; I am not sure whether it still exists, or whether it has been consulted on the Bill.

Part 1 of the Act included measures to regulate the motor salvage industry. It provided for the keeping of records, and for the police to have the right of entry to examine them. That is of relevance to the Bill. The Act's provisions in respect of the regulation of registration plate suppliers, which include powers to control the supply and issue of number plates, must be taken into account. The Act requires number plate suppliers to register, to make suitable checks before selling a number plate, and to keep records of transactions. Sadly, many criminals using vehicles to carry out criminal activity—such as armed robbery, and burglary as vehicles are used to transport stolen goods—put false number plates on those vehicles to avoid detection. Recently, we have also had to consider deep concerns about terrorists and their activities.

The Act regulated the supply of number plates in order to combat vehicle ringing and vehicle cloning. It is important to consider the implications of the Bill in respect of both of those undesirable activities. Ringing is the process of giving the identity of legitimate vehicles that have been seriously damaged or written-off to stolen vehicles. Cloning uses the identity of an existing vehicle to disguise another vehicle. The 2001 Act sought to stamp out both activities.

At that time, there were about 27,000 outlets supplying some 6 million to 7 million plates a year—that amount has probably increased because of increased prosperity and car ownership. About 2 million of those plates were for trade-ins and another 2 million were replacement plates. The volume of business in that area is great, and at that time it was in need of better regulation. Vehicles of a value of £112 million a year were being lost as a result of ringing, and some 20,000 to 40,000 vehicles each year were involved.

Difficulties had arisen in respect of automatic number plate recognition. The Act sought to ensure that the numbers and letters displayed on plates were of a standard font and size that could be recognised by ANPR devices—a role was beginning to be found for cameras to do that at that time. ANPR has become more important for our security as the terrorist threats have increased; we owe much to that technology, which can track vehicle movements.

The Bill is neat and valuable, but it must not create any gaps or loopholes in respect of the Act's measures, which some of us spent such an interesting time scrutinising in Committee in 2001. The Minister responsible was my right hon. Friend the Member for Ashfield (Mr. Hoon). Other provisions in the Act also relate to the licensing and registration of vehicles. They ensure that the vehicle licensing process is not open to fraudulent practices, such as those I have referred to.

The Bill's measures are welcome in as much as they enable the Driver and Vehicle Licensing Agency to conduct its business more effectively in respect of the sale of vehicle registration marks—an area that has been called a "nice little earner" because of the income it can generate—but I encourage the Department for Transport and other stakeholders to undertake a

review of the fundamental issues that it is necessary to address to ensure the sustained integrity of the whole registration mark system.

Technological progress presents us with a dilemma. Automatic number plate recognition enables the police to read up to 50 million vehicle movements per day. Advances in processing and printing technology have been such that more than 35,000 retail outlets—compared with 27,000 just a few years ago—are registered with the DVLA to supply motorists with new and replacement vehicle registration marks, which we refer to more frequently as vehicle number plates. Although one new technology has sought to ensure road-user compliance and to deter criminals, another has provided a gateway for non-compliant motorists and criminals to counter such activity. Sadly, despite our best endeavours when scrutinising the 2001 Bill, there is evidence of a growing incidence of vehicle number plate theft. The number of such offences is about 35,000 per year, which is similar to the number when we previously tried to clamp down on them.

One moves the goalposts and tries to resolve one problem, but another emerges. Many other countries have introduced better organised systems to manufacture and distribute vehicle number plates that have the provenance of bank notes, in that they are both security printed and distributed. I suggest to the hon. Member for Croydon, South that now may be the time to implement a more appropriate system in the United Kingdom. We discussed this issue in Committee when we considered the 2001 Bill, and at that time it was thought not entirely necessary. I do not want to over-complicate the Bill before us, which I have described as neat and appropriate, but it does give us an opportunity to reconsider that proposal. It has the support of the Association of Chief Police Officers of England, Wales and Northern Ireland. I hope that the hon. Gentleman will take into account its views on the matter, and that the Minister will when he replies. I am sure that ACPO will have been in touch with my hon. Friend, who will outline the Government's position in due course.

Although the proposal to enhance number plate manufacture and distribution will go some way toward enhancing road-user compliance, it is also appropriate to encourage key stakeholders to review their enforcement strategies. Although number plate manufacture and distribution remains haphazard, the enforcement procedure against non-compliant number plates also lacks the coherence and effectiveness that modern technology would allow us to introduce.

The MOT regime requires number plates to be compliant, but compliance applies only on the day of the test, and I am also unsure about the rigour with which the requirement is enforced. The Bill is an opportunity for us to revisit the fraudulent use of number plates and to consider introducing greater flexibility to the transfer of cherished number plates, so that it is not just a nice little earner, but contributes to our safety and security and to stamping out the criminal exchange of number plates.

Should there be changes to the MOT regime to reflect European practice, which is to have the first MOT after four years and then every two years—the first is currently after three years—a lighter touch with road user regulation might well warrant a more forceful touch with number plate compliance. The Bill has great merit in seeking greater flexibility in the transfer of number plates that have particular significance to the present, previous or future car owners, although, as we learned from the hon. Member for Croydon, South, it is a question not of transferring ownership, but of reassigning the number plate. In 2005-06, the volume of such transactions under the cherished transfer scheme was approaching 500,000, and I dare say that it has increased since then, so we need to err on the side of caution when considering how to introduce flexibility.

The current arrangements are certainly inflexible beyond what is necessary. Only the registered keeper of the donor vehicle is entitled to place a registration mark on retention. Once held on retention, the mark may be assigned only to a vehicle registered in the name of the grantee or the nominee. As entitlement to the registration mark may not be passed on while it is held on retention, the nominee does not have a legal entitlement to the mark before its assignment by the grantee of the vehicle, but that creates difficulties. As has been outlined, the grantee may not dispose of his entitlement to the registration mark, but must remain involved in the process until it is properly assigned to the nominee's vehicle.

Although I have described how the process could be painful and bureaucratic, even in the hands of well-meaning people, I would want to be sure that all the necessary end-to-end testing has been done on the relevant computer systems to ensure that the greater flexibility that the Bill seeks to achieve would not come at the expense of opening up loopholes. We have all seen how the ineffective scrutiny of computer systems has let down the implementation of all sorts of different policies. Therefore, it is well worth taking the time to ensure that the complex computer systems that underpin the anti-crime and anti-fraud measures that have been introduced in recent years to stop the illegal and inappropriate transfer of number plates are maintained, and that there are no potential loopholes. We must not water down the provisions that we have introduced or undo the good work that we tried to put in place through the Vehicles (Crime) Act 2001.

We are running to stand still in trying to stamp out the fraudulent use of number plates and transfer of vehicles, and we must take into account all the stakeholders, including ACPO. In considering the Bill, I have looked at the regulatory impact assessment, which covers most of the ground that one would expect. It gives a coherent outline of the rationale for Government intervention in this area at this time, and deals with the consultation. It says that there has been informal consultation

> "between the Agency and representatives of the cherished number industry",

but that was back in 1999-2000, when it was agreed that the enhancement to the existing retention facility should be introduced at the earliest opportunity. It certainly is not my intention to delay that any further, but the regulatory impact assessment does not refer to ACPO or any of the crime prevention organisations that might take an interest in this. It has considered two options.

[Linda Gilroy]

Option one is to continue with the status quo. The only mention in the regulatory impact assessment of the fraud issues that I raised is:

"The existing arrangements were drawn up very tightly in 1983 to counter problems with abuse of the system. It is the Agency's view that the safeguards resulting from electronic links with the vehicle record now mean that these arrangements are unduly restrictive."

The changes that were introduced by the Vehicles (Crime) Act will make a difference, but the investigation into the impact of that change must be thorough to ensure that we avoid some of the difficulties that have arisen from improperly scrutinised changes to important public policy such as we are dealing with in the Bill.

Option 2 will allow the seller to make a clean-break sale, and the registration mark dealer will have entitlement to the registration mark and thereby avoid the three-cornered sales transactions that can be so tortuous, as the hon. Member for Croydon, South described. For traders who purchase retained registration marks speculatively, the gap between entering an agreement with the vendor and identifying an end client can be lengthy, and under the new facility traders can acquire entitlement to a registration mark from the outset and have much more autonomy over the process.

I recommend to the hon. Gentleman and to my hon. Friend the Minister that these important fraud issues are carefully considered. When the Minister sets out the Government's position, will he look at the regulatory impact assessment to see whether, as I have suggested, there should be further consultation to ensure that all the loopholes and issues of concern that I have raised can be properly covered? The regulatory impact assessment covers a lot of what we hoped it would cover, and gives quite a good account of why the Government should intervene, although it does not do so as fully as it might.

I hope that the hon. Member for Croydon, South will see the benefit of considering the issues in more detail. The sheer volume is shown in the regulatory impact assessment. There were 259,599 cherished transfers in 2003-04 and 297,339 in 2005-06; and there were 146,845 retentions in 2003-04 and 189,980 just three years later. That totals 500,000 transactions, and we must keep a close eye on them. There may be savings under the proposed new arrangements for number dealer businesses in the resource and administrative costs associated with contact between trader and vendor, but we must ensure that the efficiency and saving for those involved in the trade is not at the expense of the ability of the police to use automated number plate recognition devices to underpin our safety.

I am sure that, like all Members who seek to put a Bill on the statute book, the hon. Gentleman will not want a Bill associated with his name to lack proper scrutiny and to have unforeseen side-effects and will want people to refer to the Ottaway Act, as I am sure it will be known, not with contempt and disdain, but with admiration and thanks.

I wish to ensure that, as the Bill moves into Committee—as I hope will be agreed later—scrutiny there picks up on some of the issues that I have mentioned. When my hon. Friend the Minister sums up, I look forward to what he will say to ensure that the Bill does precisely what it sets out to do and does not bring with it all the side-effects that I have set out at considerable length. I hope that both the hon. Gentleman and the Minister will understand that, having spent a good number of hours on the Standing Committee of what is now the Vehicles (Crime) Act I would not want to see all that go to waste while introducing what is in essence a good and appropriate flexibility in relation to this important trade.

1.26 pm

Dr. Brian Iddon (Bolton, South-East) (Lab): I too support the Bill of the hon. Member for Croydon, South (Richard Ottaway), which amends another Bill with a personalised acronym, the Vehicle Excise and Registration Act 1994—otherwise known as VERA. In Bolton the mayoral car carries the registration plate WH1. We have had offers for that plate in the past, but Bolton council has always refused to sell it, because of its history and long-standing connections with the town. However, we have never had a year like this one: the present mayor is Walter Hall—the first man of that name to be a mayor of Bolton. Walter Hall is proudly being conveyed around the town in a car that carries his own personalised number plate. Our neighbouring town of Bury has been forced to sell a painting by Lowry to subsidise the budget this year. If there is anyone out there willing to make me an offer for WH1 that reaches the price of a Lowry, perhaps we might part with it.

Dr. Ladyman: I hope that my hon. Friend is not going to resume his seat without telling us why the mayor of Bolton has the number plate WH1 in the first place.

Dr. Iddon: I was hoping that the Minister would not ask me that question, because I cannot tell him the answer at the moment. Perhaps I will write to him.

Linda Gilroy: It occurs to me that WH are the initials of William Hill. That family probably have considerable resources, so the mayoral car number plate may well have a value that means that it has to be disposed of.

Dr. Iddon: I am pleased to be conducting this Dutch auction in the House today. I await the correspondence that will undoubtedly flood in. *[Interruption.]*

Dr. Ladyman: It has just been pointed out from the Opposition Benches that a former leader of the Conservative party, who I understand now has a reasonably good income, might well be interested in the number plate.

Dr. Iddon: Being on this side of the House, I would never mention former leaders of the Conservative party.

I am a driver, and when I drive around the roads of Great Britain I have two hobby-horses—but I can ride only one of them this afternoon: the one about number plates. The second hobby-horse is about the number of vehicles on our roads with inadequate lighting at both

front and rear. I know that lights are expensive to renew, but it is dangerous to travel in that way.

My first hobby-horse is number plate recognition. When I spent 30 days with Greater Manchester police I was on traffic control for two complete shifts in a Range Rover fitted with one of the first pilot automatic number plate recognition readers. I was amazed even at that time—the technology is much better today—by how much information the police drivers could get about a vehicle in front of us. They could tell whether it was a stolen car and whether the insurance and road tax had been paid, and get other information relevant to the work of the police, too. However, there were often problems in recognising number plates, many of which were personalised, and the Bill is about personalised number plates.

Undoubtedly, the market for personalised number plates has taken off in a big way. Occasionally I flick through the advertisement pages of my Sunday newspaper, or even the daily papers, and I see long columns of number plates for sale. I must say that they are sometimes rather esoteric, and I wonder whether anyone would ever buy some of the combinations of letters and numbers, but there must be a trade in them. Obviously, people's initials are a driving force. It is often difficult to read the advertisements; I have to take a magnifying glass out occasionally, because they are in such a small font, but perhaps that is because of my age.

I am astonished by the price of personalised number plates, and some figures have already been mentioned. When I look at the prices, I think that people must have more money than sense, yet the prices are increasing. It astonishes me that people have enough money to part with a third of a million pounds to buy a number plate that they want for one reason or another. MP1 has been mentioned, and I am surprised that that is worth only £20,000. I wonder how much PM1 is worth.

Linda Gilroy: Will my hon. Friend give way?

Dr. Iddon: I have set my hon. Friend off again. Yes, I give way.

Linda Gilroy: Would my hon. Friend care to put a value on the number plate B1MP?

Dr. Iddon: No, I would not. What I really object to is the appearance of the plates. Sometimes, in order to personalise them completely, people move the letters and the numbers on them. My hon. Friend rightly pointed out that the fonts, letters and spacing have to conform to regulation standards, but I tell the Minister that we are not policing the way in which standard number plates are produced. My hon. Friend the Member for Plymouth, Sutton (Linda Gilroy) referred to the number of dealers. There are 35,000 people printing, manufacturing and selling number plates, either to us personally or to dealers, who need them for new cars. We are certainly not policing the way in which those number plates are produced.

As I drive around, I see plates on which the bolt—sometimes there are two bolts—attaching the plate to the car has been deliberately used to alter a letter on the number plate. Unless a person gets extremely close to the car, it is impossible to tell exactly what the number plate reads.

Dr. Ladyman: My hon. Friend rightly highlights an important point, and it is an offence to alter number plates in the way that he mentions. He followed closely the passage of the Road Safety Act 2006, and he will be aware that registration plates can now be bought only from authorised dealers. They can no longer be made generally available by anybody else.

Dr. Iddon: Of course that is good news, but it does not get us away from the fact that there are thousands of plates on the road now. When a car goes for an MOT test—whether it is its first test, which takes place when the car is three years old, or its annual test—perhaps the person carrying out the MOT could be given powers to make the driver change the plate back to a regulated plate of the kind that the Minister mentioned. That subject is a hobby-horse of mine; the police and the automatic number plate readers should be able to read plates accurately, so that the police get the right information, which can often help them to catch a serious criminal.

Lastly, my hon. Friend the Member for Plymouth, Sutton referred to the fact that nearly 500,000 transactions are carried out via the Driver and Vehicle Licensing Agency, but no one has yet mentioned the figures involved in those transfers. If a person wants to make a retention application to the DVLA, it is £25; if they want to transfer a cherished number plate from one vehicle to another, it is £80. If we work out how much money the DVLA collects, as taxpayers we ought to be grateful that transfers of cherished number plates have grown to that extent.

1.35pm

Mr. John Randall (Uxbridge) (Con): First, may I congratulate my hon. Friend the Member for Croydon, South (Richard Ottaway) on his success in the ballot for private Members' Bills and on introducing his relatively uncontentious Bill in the House? I thank the Minister, too, for making the explanatory notes available. Like my hon. Friend, I have some experience as a Friday Whip, and endorse his comments about private Members' Bills. He has chosen a suitable subject, and I congratulate him on his choice. Like many private Members' Bills that we have debated over the years, it has been fascinating to see lines of debate emerge, and we have had an interesting debate about number plates.

My hon. Friend made an eloquent case for the measures to simplify the process of buying, selling and transferring vehicle registration numbers that the Bill would introduce. The Conservative Front-Bench team supports everything that he said, with one or two important caveats. I should declare an interest—or perhaps make a confession—as I am the owner of a cherished number plate. I say "cherished" rather than "personalised", because the number plate was purchased by my grandfather about 50 years ago. It was on a company vehicle—hon. Members will probably know that I am an hereditary retailer who has not been abolished quite yet—and as it was part of the fabric of the shop we were reluctant to let it go. In fact, when I go down to the shop, I sometimes think that we are reluctant to let some of the stock go as well.

[Mr. John Randall]

That number plate has remained in the family, and it is on my car. It causes problems—it does bring recognition, although it does not cause the populace of Uxbridge to mob me with popular acclaim—as people know where I am, and they may see me, so I have to curtail my otherwise interesting travels around the constituency in case they see my car hanging about outside. I believe, as I have said, that the police would recognise it, but that would only be a good thing in my case.

As we know, a registration number normally remains with a vehicle until the vehicle is broken up, destroyed or sent abroad permanently. However, as we have heard, because of the widespread interest in personalised registration numbers, special facilities are provided for motorists who wish to transfer their number. Again, speaking from personal experience, I can say that is quite a complicated procedure, although I make sure that it is part of the deal when I buy a new car, whether second-hand or not, that the transfer is included in the purchase price. Another advantage of those number plates is that as one grows older it is more difficult to remember fancy numbers, but it is easy to remember the number plate that one has had for the past 20 years or more.

The Cherished Numbers Dealers Association says that

"personalised and attractive number plates have become a growth industry, with thousands of motorists now displaying registrations which perhaps represent their initials or advertise their business or profession".

Many hon. Members may have seen in the local area around Westminster a firm of well-known plumbers that uses registration numbers such as WC40 or LOO 2 OLD, which is a clever way of using those number plates. One of the Bill's sponsors, my right hon. Friend the Member for East Yorkshire (Mr. Knight), who is a great authority on motoring and classic vehicles, chooses to display his membership of the Privy Council on his number plate.

The Cherished Numbers Dealers Association has worked hard over the years to ease the process of buying, selling and transferring number plates through its efforts to introduce discipline and high standards into the industry, by encouraging reputable dealers to join an association, as well as its certificated valuation service and strict code of conduct. As we have heard, the association backs the Bill as a welcome simplification to the current system, as does the DVLA.

Under the present scheme, a vehicle number plate can be held on a retention certificate for 12 months pending its assignment to another vehicle. As we know, while the assignment is pending the number remains the property of the registered keeper. If after 12 months have passed the purchaser has not yet assigned the number, and the registered keeper will not grant an extension or cannot be contacted, ownership reverts to the keeper. There is clearly some potential for fraud inherent in this system.

As my hon. Friend the Member for Croydon, South made clear, the Bill amends to the Vehicle Excise and Registration Act 1994. Revised subsection (1) and new subsection (1A) of section 26 allow the Secretary of State to make regulations to provide for the granting of a right of retention of a vehicle's number plate to be transferred to someone other than the registered keeper of the vehicle. In other words, the keeper would be able to grant retention rights directly to the purchaser. According to the CNDA, not only would this change make the process of buying, selling and transferring cherished number plates easier for the consumer and the industry, but it would provide greater protection for the buyer, shutting down the existing potential for fraud in the process.

Linda Gilroy: I see the logic of the point that the hon. Gentleman is making, which was also made by the hon. Member for Croydon, South—but is he convinced that the new arrangements do not introduce any new loopholes or any new possibility of fraud? Does he agree that that should be considered in Committee?

Mr. Randall: That is very much the position that we take on the Front Bench. Although we welcome the Bill, we want to make sure that in Committee—if it goes to Committee, as I sincerely hope it will—we do not allow any further scope for wrongdoing. It is important that the Bill is watertight.

Already we have a problem on the country's roads with a large and increasing number of rogue drivers, by which I mean drivers who are disqualified, without insurance and in unregistered cars, and who regularly flout the law. They endanger themselves and others on our roads. My hon. Friend the Member for Epsom and Ewell (Chris Grayling) has uncovered figures that show soaring numbers of people being caught for driving while disqualified—a leap of 20 per cent. since 1997. Other figures show that there are as many as 2.3 million unlicensed vehicles on the roads.

Those are worrying figures. Apart from the obvious problems, so many unlicensed vehicles could cause a problem for the Government's proposals for a "spy in the sky" road user charging regime—which, happily, are a debate for another time. If the Government are to make significant improvements in road safety, they must get a grip on who is driving on our roads. I am sure the Minister will say that the Government are looking at ways of achieving that. It is an important matter.

Part of the problem is that in many parts of the country, police forces rely on cameras rather than uniformed officers. I am not convinced that the Government are getting to grips with the problem. Speed cameras cannot detect whether a car is licensed or taxed, or indeed whether the driver is over the legal drink-driving limit. Whatever their merits, speed cameras are no replacement for road traffic police.

Dr. Ladyman: The hon. Gentleman may be interested to know that this week, at the request of the hon. Member for Epsom and Ewell (Chris Grayling), the shadow Transport spokesman, I placed in the Library a copy of a letter written by myself and my hon. Friend the Minister for Policing, Security and Community Safety to all chief constables, pointing out to them the importance that the Government attach to road policing, and the need for them to ensure that appropriate resources are allocated to precisely the issues that the hon. Gentleman is speaking about.

Mr. Randall: I thank the Minister, and I am glad that the Government have responded to my hon. Friend.

Other than seeking those simple assurances, the Opposition are happy to see this sensible simplification, which if implemented properly will help the industry and the consumer. I hope that the Bill will receive its Second Reading and go forward to Committee for further scrutiny.

1.45 pm

The Minister of State, Department for Transport (Dr. Stephen Ladyman): I congratulate the hon. Member for Croydon, South (Richard Ottaway) on his success in the ballot and his choice of Bill. He is absolutely right. When one comes 10th in the ballot one can either make a gesture or do a little bit of good, and he has chosen to do a little bit of good. I am not suggesting for one minute that it will dramatically reform any particular piece of legislation or affect large numbers of people, but as a result of the Bill, which I hope will receive its Second Reading today, a few people will find their lives a bit easier and find themselves a little less likely to be cheated, and, I hope, able to make slightly more profit out of their livings in the future.

I was interested in the comments of the hon. Member for Uxbridge (Mr. Randall). He talked about his family firm, at which point my Parliamentary Private Secretary told me that he was held up on the Uxbridge road behind one of the hon. Gentleman's family firm's vans this very morning. I was also interested to hear that he inherited from his grandfather a cherished number plate. I did not inherit a cherished number plate from my grandfather, because for one thing he did not have a car. But his great claim to fame was that before off-course betting was legal, he had a bookmaker to whom he had to identify himself by a code name, which was Lucifer. The hon. Gentleman can imagine how it appeared to me as a little boy, brought up in a Catholic family, when I heard my grandfather say, "This is Lucifer here." Sadly, that was not translated into a cherished number plate that I could take over.

The registration of motor vehicles in the United Kingdom began in 1903 with the introduction of the Motor Car Act. It was the first legislation to require the registration of motor vehicles and included the requirement to display vehicle registration plates. Hon. Members will be interested to know that it went further than that and introduced registration fees for vehicles and for drivers. The registration fee for a vehicle was set at 20 shillings and for a driver at 5 shillings. The Bill also introduced for the first time a variety of offences for speeding and reckless driving, and it raised the speed limit to the grand and probably frightening speed at the time of 20 mph. Fines were also introduced for driving unlicensed vehicles. I am sure that our far-sighted predecessors who introduced that Bill would have introduced speed cameras, to which the hon. Gentleman referred, but unfortunately the box Brownie had been invented only three years earlier and probably would not have been quite so effective as the modern-day equivalent.

Since then, there has been a variety of reforms to road traffic and vehicle numbers legislation. That particular Motor Car Act was not the one that introduced petrol duties, although they came in soon after in 1908 in a Finance Act, when petrol duty was set at 3p a gallon. If we have any younger citizens listening to us today, that is three old pence, rather than three new pence, so slightly more than 1p per gallon of petrol.

Things have changed since then. The licensing of vehicles has passed through a variety of organisations, through local councils and into the hands of the Driver and Vehicle Licensing Agency, which is now responsible for the registration of vehicles kept on public roads on behalf of the Secretary of State for Transport.

Equally, the legislation has moved on. That function is now carried out in accordance with the requirements of the Vehicle Excise and Registration Act 1994, as amended, which my hon. Friend the Member for Bolton, South-East (Dr. Iddon) correctly described by its acronym, VERA.

Mr. Randall: I thank the Minister for giving way and am sorry to stop him in mid-flow. Does he share my regret that since the responsibility for registration passed from county councils to the DVLA, one cannot recognise a vehicle's county of origin from its registration number? That is a shame, because there was a certain pride in seeing cars from one's own county in far-flung spots.

Dr. Ladyman: Yes, I think that we have lost something, because one could always tell where a vehicle was from. There is still a connection between the registration and the place where a vehicle was registered, but it is far less easy to identify than it used to be. That is partly because back in 1903, when the Motor Car Act was introduced, there were precisely 5,000 vehicles on the road. We now have 33 million of them, so number plates must clearly be different.

The other piece of legislation that covers such matters is the Road Vehicles (Registration and Licensing) Regulations 2002. The registration and licensing process plays an important part in identifying vehicles and their keepers. As my hon. Friends the Members for Bolton, South-East and for Plymouth, Sutton (Linda Gilroy) have said, identifying vehicles and their keepers relates to road safety as well as the collection of revenue. Incidentally, this is the first time that I have heard my hon. Friend the Member for Bolton, South-East make a speech touching on road safety in which he has resisted the temptation to discuss retro-reflective tape.

The main functions of licensing and identifying vehicles remain the principles behind the vehicle register held at the DVLA today. The registered keeper of the vehicle is the person responsible for keeping, using and licensing it, who may not necessarily be the vehicle's legal owner. The legal ownership of a vehicle is a civil matter, usually established by a "bill of sale" or other document of title. There is a statutory obligation on the vehicle keeper to notify the DVLA when a vehicle is disposed of.

The registration of vehicles is performed by the DVLA, local offices or motor dealers with the appropriate computerised links. Motor dealers with that facility subsequently send the first licensing and registration details to the DVLA, where the information is then held

[Dr. Ladyman]

on the central computer record. As I have said, there are currently in excess of 33 million licensed vehicle records held at the DVLA.

When a vehicle is first registered and licensed, it is allocated a vehicle registration mark. Vehicle registration marks are not items of property in their own right, so it is not possible to acquire legal title to them. Registration marks are assigned to, and may be withdrawn from, vehicles rather than keepers by the Secretary of State as part of the registration and licensing process required by law. Furthermore, the DVLA on behalf of the Secretary of State can withhold registration marks, if the mark is likely to cause general offence or embarrassment if displayed on a vehicle.

Marks can be withheld for a number of reasons, for example, on the grounds of political, racial and religious sensitivities or simply because they are regarded as in poor taste. Indeed, I have recently had cause to withdraw a registration mark because the initials had unfortunate historical connotations—it spelled out an organisation associated with the Nazi party. In recent months, I have also had cause to initiate the withdrawal of a number plate that was clearly homophobic.

Another consideration when assigning registration marks is to ensure that they are easily identifiable. The law requires number plates to be clearly readable. The misrepresentation of number plates can make vehicles difficult to identify and hamper police efforts to trace vehicles involved in incidents such as hit-and-run collisions and serious crimes. Registration marks can be withdrawn if we are advised by the police or other bodies of improper display.

Those are the issues that my hon. Friends mentioned, and I hope that I can give them some assurances. My hon. Friend the Member for Bolton, South-East, in particular, focused on the display of registration marks. The law requires them to be clearly readable, and it is an offence to alter, rearrange or misrepresent the characters in a mark in a way that makes it difficult to distinguish it. There can be a maximum fine of £1,000 for doing so. The reason for that is exactly as my hon. Friend said: it makes it difficult for the police to identify the owner. Moreover, it is difficult to read number plates using automatic number plate recognition systems if they have been mis-spaced or corrupted in any way.

I can assure my hon. Friend that the Department for Transport is determined to crack down on the problem, and we are collaborating with the Association of Chief Police Officers in doing so. People who identify number plates that have been so distorted can notify the DVLA. Since we started the scheme in 1999, the agency has received, from 40 participating police forces, more than 5,000 notifications of misrepresented registration marks. A warning letter is sent to each offender telling them to change their plates, and they are told that any further notification of an offence from the police will result in the registration being permanently withdrawn from use. Clearly, if somebody has paid a great deal of money for a number plate, the threat of having it withdrawn from use is a serious deterrent.

Mr. Randall: The Minister has correctly identified the problem and is explaining the measures that are in place. Are there any measures to deal with similar offences in relation to foreign-registered vehicles? I presume that there could be the same problems, but we do not have jurisdiction over them.

Dr. Ladyman: The hon. Gentleman is right, and we are looking into that. Under the Road Safety Act 2006, when a visitor in a foreign vehicle commits an offence, we are able to stop them at the roadside and request from them a deposit equivalent to the fine that they would have to pay if the matter was taken to court and they were found guilty. If the matter goes to court and they are found innocent, they get the deposit back. If it goes to court and they do not turn up, the deposit is retained. If they do not have the deposit, the Act allows us to immobilise the vehicle and keep it until such time as the deposit is paid. We are working with EU member states on processes for identifying the owners of vehicles and ensuring that they pay their fines.

When a registration mark is assigned to a vehicle, it normally remains with that vehicle until it is broken up, destroyed or sent permanently abroad. Since the early days of the registration system, the idea of having a distinctive or personalised registration mark for vehicles has appealed to many citizens. To meet the widespread interest in personalised and cherished marks, the DVLA introduced special facilities to allow vehicle keepers to acquire and retain the use of particular marks. Once a mark is assigned to a vehicle, further movement of that registration mark is subject to the requirements of the cherished transfer and retention schemes.

A market in attractive marks began to gain real momentum in the mid-1970s. A personalised mark may, for example, reflect a person's initials or date of birth, and a cherished mark may have sentimental value, as we heard from the hon. Member for Uxbridge and my hon. Friend the Member for Plymouth, Sutton. In response to growing public demand for attractive marks, in 1989 the DVLA began making available registration marks that had not previously been released for use. Up to that point, the only marks available to trade or transfer were those which were already in use on vehicles.

There is still a steady trade in such numbers, which can range in value from a few hundred pounds to many thousands. The DVLA's sale of marks scheme made it possible for the first time for individuals to buy the rights to have unissued registration marks assigned to their vehicles. Those marks are perceived as especially desirable and are often purchased to celebrate a specific event such as a birthday or anniversary.

Linda Gilroy: In view of some of the prices paid when such number plates change hands, is my hon. Friend convinced that the DVLA gets a sufficient income from the process?

Dr. Ladyman: My hon. Friend has jumped ahead of me, because I was about to say that the marks can range in price from £250 to more than £200,000. She will be delighted to know that in 2006 the income from the sale of such marks since the scheme began in 1989 passed the £1 billion mark. It is good business on the part of the taxpayer to attract such an amount of money.

When the DVLA entered the cherished numbers market in 1989, perhaps a dozen private businesses traded in used registration marks. Today, there are more than 150 registration mark traders. Many traders deal in marks that are already in use on vehicles, as well as trading in unissued marks, which are available only from the DVLA.

Number dealers currently account for some 35 per cent. of the registrations sold by the DVLA. The sale of marks website is one of the most visited in Government, with some 800 million hits each year. In the next two years, the site will be redeveloped to provide online payment and purchasing facilities. That has been prompted by rapid changes in technology and a greater understanding of customer needs and demands. Customers currently research the website on a 24/7 basis for their desired mark but have to make the purchase during office hours.

When buying the rights to display a registration mark, the purchaser does not acquire legal title to that mark. Purchasers acquire only the right to display the registration mark on an eligible vehicle. The services provided by the DVLA for the acquisition, assignment and transfer of registration marks must be operated in a way that does not compromise the fundamental purpose of vehicle registration marks. Strict requirements are therefore in place for those facilities. My hon. Friend the Member for Plymouth, Sutton emphasised that in her contribution. It is vital that we do not allow fraud to occur.

It is always difficult to identify a desirable mark or an offensive mark, or the different ways that people may use to try to cheat any system that we introduce. Thorough processes and procedures therefore need to be in place to ensure that we have covered all those matters.

Linda Gilroy: Does my hon. Friend feel that sufficient consultation has taken place, including with ACPO? As I said earlier, I did not get a sense from the regulatory impact assessment that that had been done, and I would greatly welcome further information.

Dr. Ladyman: My hon. Friend is right to highlight that point. My understanding is that the police are comfortable with the proposed change. However, I promise that, if the House sends the Bill into Committee, we will double-check that the police are happy. I assure her that we do not intend to allow changes to the system that would permit fraud, and we do not believe that the Bill would have that effect. However, the retention facility that the measure aims to amend had to be withdrawn in 1977 because of abuses of the scheme. It is therefore important that we are alive to the possibility.

The increasing value of these marks means that the system is open to abuse, as people will try to find ways to cheat others out of valuable marks and the money that comes with them. The DVLA recognises that there will be circumstances where people will try to cheat the system, which is why the changes have been carefully controlled and the procedures carefully planned.

I am absolutely confident—and can give my hon. Friends and the hon. Member for Croydon, South my assurance—that there is no way in which this reform will make it easier to cheat the system. The Bill does not weaken any existing provisions. If it is implemented, all existing standards and legislation will stay in place. As I said, I will check with ACPO to ensure that it remains happy with the scheme.

The Bill's purpose is to make people's life just a little bit easier. It will not be necessary to chase the owner of the registration mark each year on retention. The assignment of the right to retention can be made at the point of sale, so people cannot disappear or try to re-sell the mark at any particular time in the future, thereby causing what the hon. Member for Croydon, South identified as a potentially interesting legal situation. We are absolutely confident that these proposals are nothing more than a sensible simplification of the system.

Linda Gilroy: Given that we have seen large reductions in this area of crime, has the Minister consulted his colleagues in the Home Office about the security aspects of the Bill?

Dr. Ladyman: I can assure my hon. Friend that the Home Office is perfectly happy with the proposed changes. I work closely with my colleagues in the Home Office on such matters. Serious issues of security were identified, which always have to be taken into account, particularly if we are to enforce road legislation and deny criminals the use of the road. I believe that this reform will not make that more difficult. Rather, it will simplify the lives of people trading in number plates and those who decide to sell their registration mark in the future. It will make their transactions slightly more profitable and less open to cheating.

I am delighted to say, on behalf of the Government, that we commend the Bill to the House. We congratulate the hon. Gentleman on introducing it. If the House agrees that it should go into Committee, I look forward to working with him. We hope that it will go on the statute book in due course.

Question put and agreed to.

Bill accordingly read a Second time, and committed to a Public Bill Committee.

Cystic Fibrosis (Exemption from Prescription Charges) Bill

Order for Second Reading read.

2.8 pm

Mr. John Hayes (South Holland and The Deepings) (Con): I beg to move, That the Bill be now read a Second time.

When Members get drawn in the private Members' ballot, a dilemma becomes apparent: should we grandstand on a controversial issue that is bound to attract notice—something spicy and irresistible to press and public, a Bill that embodies contentious sentiments that the promoter believes are vital and essential to the whole nation's future, but nevertheless would have no chance whatever of becoming law—or should we opt for a modest, sensible measure that will not make us famous but might have a real chance of moving hearts and minds in the House, thereby changing public policy?

Despite suffering from the burning temptation that afflicts all who believe that they alone know the solution to the problem of the meaning of life of opting for the first type of Bill, I opted for the second—recalling, as F. D. Roosevelt said, that the "true conservative" is

"the man who has a real concern for injustices".

It is thus with great pride and faith in the reason and fairness of my parliamentary colleagues of all parties that I present this Bill to exempt cystic fibrosis sufferers from prescription charges.

This short, straightforward Bill aims to correct an anomaly—to right a wrong. I will explain why and how, and talk a little about the context, in five points. First, in 1968, the British Medical Association drew up a list of conditions that would thereafter be exempt from prescription charges. They were defined as those

"readily identifiable conditions, which in virtually all cases call automatically for prolonged continuous medication."

At that time, the vast majority of cystic fibrosis sufferers died in infancy, and the condition was left off the list because then, as now, children were exempt from prescription charges.

Secondly, medical advances have, fortunately, meant that the outlook for sufferers has improved markedly over the past few decades. Average life expectancy is now 31 years, but while times have changed for those affected, the conditions that are exempt from prescription charges remain stuck in a 1968 time warp. Adults with cystic fibrosis are therefore still obliged to pay prescription charges.

My third point is that these are typically people whose education and employment prospects have been profoundly disadvantaged by their ill health. Many are in low income brackets and struggle to make ends meet while coping with a degenerative condition. On top of that, they have to contend with making extra payments for which, according to the British Medical Association's own criteria, they simply should not be liable.

Fourthly, this anomaly has been recognised for some time by people across the House. It is not a partisan issue. Indeed, my attempt to put it right has received support from Members across parties. Before they came to power in 1997, those who are now in government specifically pledged to deal with this injustice, if enabled by office to do so. Hon. Members will no doubt remember that, in 1994, the Labour party—then in opposition—drew up a paper making exactly the case that I am repeating today. Two years ago, my former colleague, Archie Norman, then the Member for Tunbridge Wells, raised the matter, as I have done, through a private Member's Bill. Sadly, parliamentary time constraints meant that it fell at the first hurdle. I first revived the issue at Prime Minister's questions last July, when I was assured that the Government were reviewing the matter within existing NHS budget constraints. It is no surprise, therefore, that when I was drawn in the ballot for private Members' Bills, I decided to use the opportunity to raise the matter again.

My fifth point concerns the surprisingly small cost of including cystic fibrosis on the exempt list. Of the 7,500 people in the United Kingdom with cystic fibrosis, about half are aged 16 or over. Roughly a third of those are in higher education, while another third are too ill to work and are in receipt of benefits. That leaves just around a third of the adult sufferers—about 1,250 people—paying prescription charges. Most pay by annual season ticket, which involves the prepayment of £95.30 for a year. This means that the total cost of including cystic fibrosis patients on the exempt list would be less than £120,000 a year. That could certainly be accomplished within the range of the review that the Government are conducting, which assumes that existing NHS budgets would not be exceeded.

I can tell, however, that questions will be fermenting in the minds of Ministers and perhaps even shadow Ministers: "Why this condition alone? Are not others equally worthy of such an exemption?" The answer is that, unlike some other conditions, cystic fibrosis meets exactly the exemption criteria laid out by the British Medical Association in 1968. It is readily identifiable, and virtually all cases call automatically for prolonged continuous medication.

Kerry McCarthy (Bristol, East) (Lab): I congratulate the hon. Gentleman on taking the opportunity to raise this issue in the House. I have a young niece with cystic fibrosis, so I am very aware of the hardships, financial and otherwise, accompanying the condition. Is he aware that, according to the Cystic Fibrosis Trust, a child born today with cystic fibrosis can expect to live into their late 40s, as opposed to the average age of 31 that he mentioned? That emphasises his point about the condition requiring treatment over a long time.

Mr. Hayes: That is a good point, and I am grateful to the hon. Lady for mentioning the Cystic Fibrosis Trust, which, along with the British Lung Foundation, has greatly assisted me in bringing these matters to the House's attention. The point to which she draws attention is a double-edged sword, because as people live longer, the demand on the Exchequer might be deemed to be greater. It is very good news for sufferers, however, and as medical advance is dynamic rather than static by definition, the kind of treatment that we can provide might become cheaper and more readily available, and might even lead to a cure. Therefore,

when we consider the changing circumstances, we should not automatically assume ever greater costs. Nevertheless, the hon. Lady makes a useful additional remark, which I hope will aid my case.

As I said, there is more than one reason why cystic fibrosis should attract our concern and assistance. It is not only easy to identify but particularly easy to compartmentalise, whereas some of the other conditions vying for a place on the exempt list—and I do not for a moment make light of them—are harder to put into a compartment. Congenital heart disease, for example, is a complex condition covering a range of medical problems, and would be hard to identify so precisely. An undue burden would be placed on those with authority over such matters, as they would be uncertain about the scope of the cost of dealing with such a condition. As the Minister—who has much greater expertise than I have—knows, a number of other conditions are, similarly, much harder to identify clearly and precisely than cystic fibrosis.

The other reason the condition demands such attention is that exempting it from prescription charges is affordable within existing budgets. The estimated sum of less than £200,000 is surely achievable within an NHS annual drugs budget of nearly £7 billion. As I have said, the Government's review currently assumes no additional expenditure, which, incidentally, is an assumption reflected in the Bill.

Members might wonder why I have taken this matter to my heart. In part, I have done so because a close friend died a couple of years ago from the repercussions of acute fibrosis, and her experience of many years of illness encouraged me to take an interest in the issue, to learn more about it, and to seize the opportunity afforded to those privileged enough to be Members of Parliament to advance the cause.

With your infinite wisdom and long experience, Mr. Deputy Speaker, you know that the House sometimes makes mistakes. More often, however, it comes to the right conclusion in the end, as we were reminded this week when we debated the bicentenary of William Wilberforce's campaign to abolish the slave trade. Against the odds, Wilberforce fought to make a difference and for social justice. He fought a long campaign on a great issue. My campaign is small, straightforward and humble. To the people affected, however, it would make an enormous difference. Another great Tory, Benjamin Disraeli, said that justice is truth in action. The truth is that Governments sometimes make mistakes too, but they also sometimes take action to make things right. That has much less to do with party than with the nature of fallen men and women's innate frailty and habitual endeavour to improve.

Today, let us put this matter right by recognising the simple truth of the case and so take action on behalf of a group of long-suffering, vulnerable and deserving people. I hope that the Government will back the Bill, but if for whatever reason the Minister cannot manage to do so today, I hope that that will not be the end of the matter. I hope that in the course of their review the Government will take further advice and receive representations. If the Bill does not sail through Parliament as I expect it to, I shall be happy to make my own small contribution to any further consideration in the coming days, weeks and months.

I am grateful to you, Mr. Deputy Speaker, and to the House for its indulgence in allowing me to make my case on behalf of sufferers from cystic fibrosis.

2.20 pm

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I will be brief, as time is short.

I congratulate the hon. Member for South Holland and The Deepings (Mr. Hayes) not just on raising this important issue but on an eloquent and passionate speech that said all that needs to be said on behalf of people suffering from cystic fibrosis. The debate has also highlighted the way in which we spend health service funds.

As the hon. Gentleman said, the original exemptions list was drawn up in 1968. When it was last reviewed in 1998, cystic fibrosis was not added to it. It is not entirely clear to me why that is; the hon. Gentleman might wish to intervene to explain. It might be partly because of progress in medical research, as he suggested. As he said, when the list was first drawn up most sufferers did not survive beyond the age of 16, but now they are living longer. My neighbour's daughter died of cystic fibrosis at the age of about 30.

Mr. Hayes: I am grateful to the hon. Lady, of whom I am an immense admirer. That will blight her career if nothing else does!

I have discussed the review informally with Ministers. The truth is that throughout consideration of the list, different conditions have been vying for a place on it. Because of the dynamic nature of those conditions and their treatment, it has always been very difficult for Ministers of any political party to make a judgment about what should and should not be on the list. I do not deny that the issue is complex, and I do not suggest that this is a black-and-white case, but I think that cystic fibrosis stands out as a condition that is definable and whose treatment is affordable.

Meg Hillier: I thank the hon. Gentleman for his intervention, but I think that the lack of consensus is a problem. I support much of what he said, and I would naturally support the idea of free prescriptions for cystic fibrosis sufferers; however, I also represent people with many other conditions. I fear that if we pass a private Member's Bill dealing with one condition, we will see a rash of private Members' Bills dealing with many other conditions, and there will be no coherence in the system. However difficult it may be, I believe that we should have the capacity, in Government and in Parliament, to achieve a broad consensus that produces a better result across the board rather than just for one group.

I support much of what the hon. Gentleman has said and I wish the Bill well, but I wonder whether it is the best vehicle for achieving what he wants. I echo his comments to the Minister about the review that the Government are undertaking. I agree that it should take a proper, robust look at this issue, but I do not think that that should involve endless delay. We have waited long enough for the issue to be dealt with one way or another. I also think that the review should look closely at the parameters of any exemption, so that exemptions are about the condition—cystic fibrosis, or

[Meg Hillier]

any other condition—and not about medical or drug needs that might arise for other reasons. Otherwise, the system could be open to abuse.

May I ask the Minister what consideration the Government have given recently to exempting cystic fibrosis, whether any consideration has been given to any other long-terms conditions, and what representations she has had from other groups? If she is not willing to exempt cystic fibrosis, what action might the Department of Health take to deal with the anomalies in general? Perhaps she could also comment on the cost element that the hon. Gentleman raised.

Time is short, so I will end my speech here. I congratulate the hon. Gentleman again on raising this important subject.

2.24 pm

The Minister of State, Department of Health (Ms Rosie Winterton): I congratulate the hon. Member for South Holland and The Deepings (Mr. Hayes) on his success in the private Members' ballot and on drawing the issue under discussion to the attention of the House. I also thank my hon. Friends the Members for Bristol, East (Kerry McCarthy) and for Hackney, South and Shoreditch (Meg Hillier) for their contributions.

The hon. Gentleman made some important points, and all the contributions have reflected the difficulties involved in this issue. The hon. Gentleman is right that cystic fibrosis is the most common inheritable disorder in the country; it affects about 7,500 children and adults. However, it is also true that there have been considerable improvements in the care of, and services for, people with cystic fibrosis. It is marvellous that 75 per cent. of sufferers now survive into adulthood. Two decades ago, only 12 per cent. of affected children survived into adolescence. That increased survival rate is the result of improvements in treatment, better care and the work of certain organisations—I join all Members in paying tribute to the Cystic Fibrosis Trust, which has done much to draw attention to its cause.

Kerry McCarthy: Is the Minister aware that the CFT is currently conducting a survey of regional variations in treatment across the country, as it appears that there are some postcode variations in the treatment people receive? Will she support calls for a national service framework for cystic fibrosis treatment?

Ms Winterton: A number of national service frameworks could have an effect on the treatment of cystic fibrosis, but as part of that treatment we wish to help people to manage their conditions. That is an important part of the work that we are currently doing, especially in terms of ensuring that people take medication, and that they understand what can worsen the condition and how to alleviate some of the symptoms.

I wish briefly to talk about the 1998 review of prescription charges as that will highlight some of the difficulties that we face in the review that we are currently carrying out.

Mr. Hayes: When does the Minister anticipate that the current review will be concluded?

Ms Winterton: We anticipate that it will be concluded in the summer of this year, and I should emphasise that we would welcome any comments from organisations or MPs on possible options for changing the current prescription charge arrangements. Once we have submitted the review to Parliament, we will look at what steps need to be taken next.

The review will address in particular whether we should revise the list of medical exemptions to prescription charges. The hon. Gentleman and my hon. Friends rightly pointed out that MPs—and Ministers, of course—receive many representations from people on this matter. Some of them are about congenital heart disease, which the hon. Gentleman mentioned. There is also now an issue in that people are living longer and longer with diseases—such as cancer—and that they have to continue taking drugs throughout their lives. Cancer has become a long-term condition for some people. We want to receive representations on such matters. That is why it is important to ensure that we consider these matters in the light of the review, as opposed to picking out one particular condition and saying that we would change the policy beforehand, and not consider it alongside all other demands—

It being half-past Two o'clock, the debate stood adjourned.

Debate to be resumed on Friday 19 October.

Remaining Private Members' Bills

TERMINATION OF PREGNANCY BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 19 October.

ACCESS TO INLAND WATERWAYS BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 18 May.

PEDLARS (STREET TRADING REGULATION) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 27 April.

CRIMINAL LAW (AMENDMENT) (PROTECTION OF PROPERTY) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 20 April.

INFRASTRUCTURE AUDIT (HOUSING DEVELOPMENT) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 20 April.

Community Cohesion

Motion made, and Question proposed, That this House do now adjourn.—*[Claire Ward.]*

2.31 pm

Mr. George Galloway (Bethnal Green and Bow) (Respect): I begin with this evening's *Evening Standard* headline, "East Enders 'need English to win Olympic jobs'", by its Olympics correspondent. The article begins:

"A call was made today for an English language academy to be set up in the East End to help local unemployed workers benefit from the Olympics.

A London Assembly report warns that thousands of jobs may fail to materialise, despite pledges to use the 2012 Games as the catalyst to transform one of the country's poorest areas. A third of Newham residents have no qualifications and the lack of basic English skills is a large problem with the high number of economic migrants and refugees...Today's report says English language training is a 'critical piece of the jigsaw' to ensure that local unemployed workers can access the new posts."

Or we could take the BBC's website this morning, which, under the heading, "Locals 'could miss Olympic jobs'" said:

"East Londoners face 'real risks' of missing out on new jobs created by the Olympics, the London Assembly has warned...108,000 people of workable age in the Olympic boroughs are unemployed...The London Development Agency said ensuring Londoners benefit from the Olympics was a 'priority'."

Again, it highlights poor English among local workers as being critical to the problem.

There has rarely been a more perplexing paradox or bizarre contradiction than the Government's policy of charging for English courses for speakers of other languages from September. Over the past few years, a range of social ills—from the riots that erupted in Bradford, Burnley and Oldham in 2001 to the so-called radicalisation of the Muslim community—has been blamed by Minister after Minister, at least in part, on the failure of groups of citizens to acquire proficiency in English. Indeed, Minister after Minister has beaten a path to east London—so often, that they are unable to answer my parliamentary questions about how often they have been there—to lecture the local people on the concept of Britishness; to lecture them on the need for integration; to lecture them on the dangers of ghettoisation.

I do not hold with that crude argument, but it poses a problem for the Minister. If the Government believe that a lack of ability in English contributes to something as grave as terror plots being hatched in Britain, why on earth are they making it more difficult for people to join English for speakers of other languages classes from September? For that is what introducing charges and ending the principle of universal access will mean. It always means less take-up. It used to be part of Labour's ABCs that means-testing means less take-up, but that is exactly what the Government now propose for students seeking to study English for whom it is not their first language.

Working tax credits—the Minister knows something about them—are a case in point. The Minister intends to use entitlement to working tax credit as a criterion for exemption from the charges. So the Government's

[Mr. George Galloway]

policy is to make access to English classes dependent on a successful application for benefits that itself demands a high level of competence in English. "Catch-22" is the literature that springs to mind.

A few weeks ago, a large number of my constituents and those of other hon. Members, such as the Under-Secretary of State for Trade and Industry, the hon. Member for Poplar and Canning Town (Jim Fitzpatrick), who also has responsibility for London, and people from Newham and elsewhere in the east end lobbied Parliament. It was quite a sight and sound, with many immigrant people, including some of the poorest people in London. Most of them were women, including Muslim, African and east European women, who spelled out heartrending pleas—I shall refer to some of them later—to the Government to think again on this issue.

In my constituency, 70 per cent. or nearly three quarters of the people studying at admirable colleges such as Tower Hamlets college will no longer be able to afford the classes after September and will have to drop out. The college will lose 20 full-time posts, if the charges are imposed, on top of the 35 full-time posts that were lost last year. The Government are imposing a £27 million cut on adult education across London and the axe will fall on those precious, vital courses for people who want to be more British. Some Ministers, such as the Leader of the House, go around demanding that Muslim women take off their veils, but this measure will keep some of those very same women behind a veil of ignorance.

Ministers say that such provision is expensive. It is expensive at £1 billion, but we are not short of billions of pounds. We just voted in principle last week to expend £25 billion up front—£75 billion over the lifetime—on a new nuclear weapons system. We will spend £10 billion on the Olympic games in the east end, where east enders will not be able to get a job, according to the London assembly, because of their poor English skills. It goes without saying, of course, that we are spending billions of pounds on war. We have also just given a large amount of money away to the richest companies and corporations in this country through the cuts in corporation tax introduced by the Chancellor in the last few days.

Such provision is expensive, but ignorance is more expensive. What is the price of the alienation, marginalisation, isolation, anger and frustration produced by the ghettoisation of many people who cannot, despite their best efforts, learn the language of the country in which they now live, in which their children were born and are growing up, and in which they will continue to live? They are not people who are here today, gone tomorrow. What greater ghettoisation could there be than to ghettoise people behind a veil of ignorance?

It is extraordinary that Nazma Begum, my constituent—*[Interruption.]* I hope that the Minister will listen to the words of Nazma Begum at least, although she has not listened to a word that I have said so far. Nazma Begum says:

"Dear Mr. Galloway,

I am writing about the money for ESOL classes.

In a multicultural society we need a common language so that we can communicate with each other effectively. Communication is important to build a good society. English is important for a mother because education begins at home. People can't afford to miss the opportunity of learning the English language. A lot of women are unemployed in this borough.

Without English it would be impossible to find a job.

Please help us save ESOL.

Yours sincerely,

Nazma Begum."

Jinette Nsanzugwimo, an African woman, wrote:

"I am writing about the plans to pay for English classes. I am unhappy about this because I don't have the money to pay.

I am not working, because I have small children, and I need to learn more English. I need help from you. I am on benefits now, but if my partner gets a job we will have to pay and I will have to leave.

Please help us save ESOL."

I shall read just one more, from Nargis Bahar who says:

"This letter is to tell you how I feel about the plans to end free ESOL. I feel English language is more important because I cannot help my children with their home work. I am different with my children. I cannot explain everything. I feel a gap with my children and me.

Please do what you can to fight the government's plans."

It is bizarre, Mr. Deputy Speaker. The Government correctly seek community cohesion in the country, to bring us together, and correctly identify that the lack of a common language for people living in the country is a problem that can lead to many things. We hear often that the security services and the police, for example, are unable properly to relate to some in the communities where problems might be germinating. One of the reasons is the wall, the ghetto, the veil of ignorance of the English language, especially among parents and especially among women. In those circumstances we should be increasing the budget to make sure that everyone living in our country has the opportunity to learn English, but instead we are cutting it, and that just does not make sense.

The cut represents about £1 million from the budget of large colleges all over the country. Every large college will lose virtually £1 million, with job losses among the admirable teachers—yes—but even more important than that, consigning significant numbers of people to having to drop out of the English classes that they greatly value and love.

For goodness' sake, with the problems in places such as Oldham, Bradford and east London, where language gave us the reason for raising the issue of veils, for example, with separateness, with not wanting sections of our community to accentuate their separateness, what could do more to break down separateness and bring us all together than ensuring that the country invested in classes for people to learn English? It is frankly bizarre, it is grotesque and unbelievable that the Government, who have so often in east London and elsewhere waved their Union jacks and beaten the drum of Britishness, should be consigning a section of the British population to ignorance in this way—£1 billion for 500,000 people, not all Muslims, not all Africans, not all black.

Everybody knows about the way our community is developing: immigrants from eastern Europe, central Europe, Africa, Asia, the middle east—some are refugees, but others are migrants who have been given permission to stay here and become citizens, and are aching for the

opportunity to learn our language, which is our greatest treasure. It is the language of Shakespeare and our greatest national asset. We ought to be shouting it from the rooftops. We ought to be going round looking for people so that we can drag them into colleges and give them the benefit of learning this wonderful language. Instead, this penny-pinching cut will force ghettoisation and marginalisation on the very people we claim we want to integrate into our society.

My last point relates to the introduction of means-testing and what used to be the ABC of Labourism and of social democracy. I know that the Minister is going to say that some people will qualify if they apply and if they can fill in the forms correctly, and that, if they apply for working tax credit and can get through the eye of that needle, they will somehow be able to apply for relief from the charges. I promise her—she must know this in her heart—that substantial numbers of poor, immigrant women will not be able to get through the eye of that needle. Some 70 per cent. of my constituents have said that they will have to give up their courses in September. That is a cruel and unnecessary act on the part of the Government and, even at this eleventh hour, I beg the Minister to see sense and think again.

2.46 pm

The Minister for Housing and Planning (Yvette Cooper): I congratulate the hon. Member for Bethnal Green and Bow (Mr. Galloway) on securing this debate. I assure him that I have listened carefully to the points that he made. I do not agree with the way in which he characterised Government policy in this area, but I will attempt to address many of the points that he made. I should make it clear that we believe that the use of English can only have a positive effect on community cohesion. It is particularly important to underpin not only communities and community relations but opportunities, and in particular the opportunity to work.

A key element of our strategy to increase race equality and community cohesion is the development of strong and positive relationships between people from different backgrounds in the workplace, in schools and within neighbourhoods. In that context, the ability to understand and converse in a common language is obviously hugely important for all members of society. An inability to communicate in a common language can lead to lost opportunities, division, misunderstanding and isolation.

Knowledge of English increases both employment prospects and the ease with which people can carry out their day-to-day life in this country. It has an impact on access to public services, but also, critically, on the chances of being able to get a job and to secure income for the future. Research commissioned by the Home Office shows that a person's chances of getting a job are enhanced by over 20 per cent. if they have a reasonable command of English—the standard we now require for citizenship. Among unemployed ethnic minorities, about 15 per cent. believe that a lack of language skills is a barrier to finding employment. Clearly, we take the issue seriously.

The Government actively promote language proficiency. Since 2001, we have invested over £1 billion in English for speakers of other languages. Over 1.8 million ESOL learning opportunities have been taken up and over 160,000 learners have achieved a first Skills for Life ESOL qualification. Over the period since 2001, funding and enrolments for ESOL provision have tripled and demand for ESOL provision has substantially increased. That rate of growth means that the Department for Education and Skills has increased the provision and investment in English for speakers of other languages. It has also looked at reprioritising the funding towards those who are in the most vulnerable and disadvantaged groups. That includes those who are out of work through a lack of skills, and settled immigrant communities who are facing challenges when it comes to integration.

The Department for Work and Pensions recently set out support plans for people in this country who have struggled to get a job because of poor English. Individuals who are eligible for jobseeker's allowance or who are in receipt of income-related benefits will continue to access free ESOL courses through standard Learning and Skills Council provision. From April, Jobcentre Plus advisers will work with jobseekers to agree steps to overcome the language difficulties that prevent them from getting a job. In addition, there are 15,000 places for Jobcentre Plus customers on new targeted provision from the LSC.

The hon. Gentleman claimed that we were cutting funding for English language training and did not take it sufficiently seriously, particularly as regards employment opportunities, but also in respect of wider opportunities relating to integration and access to services. The Government have taken the importance of English seriously. The fact that we have increased—in fact, trebled—funding in the relatively short period since 2001 indicates the importance that we attach to the English language. He will be aware that the Commission on Integration and Cohesion has made consideration of the role of the English language a key part of its work. As it has made clear, it intends to bring forward final recommendations in the summer, after it has worked up proposals in more detail. We will want to study its recommendations carefully before making any decisions, and we will respond formally to the commission, too.

We have to recognise that increases in demand for ESOL provision have resulted in pressures on waiting lists for courses in some areas, and in overall pressure on adult learning programmes that cover adult literacy and numeracy skills and other adult employability-level qualifications. That is why the Department for Education and Skills chose to review ESOL spending and announced changes, which are to take effect from August 2007.

Mr. Galloway *rose—*

Yvette Cooper: I will give way, briefly.

Mr. Galloway: I am extremely grateful, given the shortage of time. I welcome the promise to weigh carefully the commission's recommendations over the summer, but will the Minister accept two brief points? First, jobcentre workers have stated, through their union and their professional association, that they are not the best people to teach English to the people who

[Mr. Galloway]

want to learn it. The further education colleges are the professionals in that regard. Secondly, I appeal to her as a feminist woman to accept that many women, such as the wives of restaurant workers in the east end of London, who are not in receipt of benefits and whose children are older, simply do not fit the criteria for support that she outlined. It is those women who will have to give up the classes. The classes are not a course, but an investment. It is in our interests, not just in theirs, that such people should learn English.

Yvette Cooper: I want to come on to the subject of spouses who may not have the necessary evidence when it comes to funding issues, because the DFES looked into that subject. However, it is important to put the issue against a backdrop of continued and increased investment in English for speakers of other languages, and, as I said, we should consider the issue more widely as part of the Commission on Integration and Cohesion's work.

On the jobcentre point, Jobcentre Plus simply operates a referral system that directs people towards professional provision. Obviously, we do not expect jobcentres to run courses; clearly, the courses need to be run by the professionals who have expertise in doing that.

May I now deal with the detailed proposals from the Department for Education and Skills, and its approach? It conducted an extensive consultation, and it has received representations from many Members of Parliament—certainly many London MPs—which it considered in great detail together with the wider representations that were made. It has conducted, too, a race equality impact assessment, including consultation with stakeholders.

Three of the key themes that emerged from the consultations to which it was clear Ministers needed to respond were: first, the need to do more to assist asylum seekers who are in the UK legally, and whose claims fail to be resolved in the target period through no fault of their own, or who remain in the UK because of circumstances beyond their control; secondly, the need to look at more support for spouses who do not have access to funding or to family benefit documentation to access the full fee remission; and thirdly, the need to consider workers on very low wages who are not in receipt of working tax credit or other means-tested benefits.

In response to that assessment, the DFES has looked further at the issue. It has made it clear from the beginning that the Government will continue to support learners who are asked to make a contribution by paying 62.5 per cent. of the course fee. Even people who are asked to make a contribution will still find that most of the course fees are supported by the Government. In addition, my hon. Friend the Minister for Higher Education and Lifelong Learning has announced that he is minded to reinstate eligibility for asylum seekers who are in the UK legally and whose claims are not resolved within six months.

In response to the points made by the hon. Member for Bethnal Green and Bow, we are looking at prioritising funding at the local level through the Learning and Skills Council for support for spouses and individuals who may not have access to their household benefit documentation, for example, or who may not have access to their funds, and we agree with the LSC about the need for an approach to evidencing low pay for fee remission purposes to make more possible the flexible use of evidence, perhaps including wider benefits and other evidence, so that the process is easier for workers on very low wages who, for whatever reason, are not in receipt of a working tax credit or other support that might otherwise automatically make them eligible for support for English for speakers of other languages.

We recognise that there are concerns about the importance of English, and we have made it clear how important the issue is in our view. We must recognise, too, that there is growing demand for those services, so it is right that we should ensure that those who are most vulnerable are not denied access to important opportunities to learn the English language and are not simply left on waiting lists because of problems with provision, without being given a fair chance. That is why the approach that the DFES has taken is to try to look at fairness in provision. It does not propose to cut the funding for English for speakers of other languages. Clearly, it is always a matter for local learning and skills councils to review the appropriate priorities in their area, but the Government have made clear the importance of the issue. Within that extremely expanded budget since 2001, Departments must be able to set priorities and make sure that the most vulnerable people are given access to the courses that they need.

Mr. Galloway *rose—*

Yvette Cooper: I will give way very briefly. The hon. Gentleman will know that I have about two minutes left.

Mr. Galloway: I am extremely grateful. English is my first language, but the Minister lost me. She said that the Government were not cutting the funding—but they are cutting £27 million from London further education colleges, which have to make those cuts. I told the House that 20 staff are about to be sacked in Tower Hamlets college, joining 35 who were sacked last year because of cuts. How can she claim that there are no cuts—unless, as I said, despite being an English speaker, I misunderstood her?

Yvette Cooper: As I said very clearly, the Government's intention is not to cut the overall funding for English for speakers of other languages. However, it is always a matter for local learning and skills councils to decide what the priorities are in their areas. The hon. Gentleman will know that, as I said previously, London Members have had discussions with my hon. Friend the Minister for Higher Education and Lifelong Learning. I am happy to ensure that the hon. Gentleman's points are passed on to my hon. Friend, who has been dealing with these matters.

The Department for Communities and Local Government is keen to ensure that we work with the Department for Education and Skills on issues related to community cohesion and English. If the hon. Gentleman had been clear at the outset that he intended to raise specific issues with reference to English language training, we could have ensured that

a Minister from the Department for Education and Skills was available to respond to the detail of his comments. I am sorry if that was an error or a misunderstanding on our part.

Our Department has been working closely with the DFES to ensure that we see the teaching of English and the use of English as important not only for employment opportunities, but for cohesion. We will continue to do so, and we will look carefully at the Commission on Integration and Cohesion's—

The motion having been made after half-past Two o'clock, and the debate having continued for half an hour, MR. DEPUTY SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned at one minute past Three o'clock.

House of Commons

Monday 26 March 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

DEFENCE

The Secretary of State was asked—

Manning Levels

1. **Tony Baldry** (Banbury) (Con): What assessment he has made of the references in the report of the Armed Forces Pay Review Body to the adequacy of manning levels in respect of operational commitments. [129295]

The Secretary of State for Defence (Des Browne): Mr. Speaker, with the leave of the House, let me begin by saying that I know that the whole House will join me in sending our thoughts to the 15 members of HMS Cornwall currently detained by Iran. Our thoughts go out to their friends in theatre and to their families back here in the UK. I do not intend to comment further on the issue, other than to say that we are doing everything possible to secure their release. At an appropriate time in the near future, the Foreign and Commonwealth Office will inform the House of the diplomatic efforts that are being pursued.

We welcome the 2007 independent report by the Armed Forces Pay Review Body and acknowledge the issue that it raises about manning levels. On 1 March, I announced that the Government had accepted the report's recommendations and would implement them in full without delay. As a result, all service personnel will receive at least a 3.3 per cent. pay increase, with the 13,000 lowest paid receiving 9.2 per cent. In total, about £350 million more a year will go into pay and allowances. I also announced that we are committing £17 million to financial retention initiatives in areas where we face particular manning challenges, including the infantry and the marines—an approach endorsed by the AFPRB and the National Audit Office. We are doing all that we can to sustain manning levels for our operational commitments, and I and the chiefs of staff continue to judge that current commitments are manageable.

Tony Baldry: I thank the Secretary of State for that answer. I am sure that the thoughts and prayers of every Member will be with those illegally detained by the Iranian Government, and with their friends and families.

The Secretary of State will know that the AFPRB's report described manning levels in the armed forces as critical and fragile. Recruitment and retention in the armed forces rely on trust, but how can people trust what the Government say about forces' funding? Last week in the Budget, the Chancellor sought to give the impression that there is an extra £400 million for forces' funding, but it turns out to be nothing of the sort: it is operational costs, which will be paid out of the Treasury reserve next year in the usual way. So how can men and women in the armed forces trust what the Government say, when even on something as fundamental as forces' funding the Chancellor of the Exchequer is playing smoke and mirrors?

Des Browne: There can be no criticism of the Treasury's support for the armed forces in the form of resources not just for pay and operational allowances—we have been able to announce the operational bonus in recent months—but for other areas. It would be much easier to conduct this debate about funding, including what comes from the reserve and what comes from the core Ministry of Defence budget, if other hon. Members—I excuse the hon. Gentleman from this—did not seek to give the impression that operational costs come from the MOD's core budget. It is well known that in every Budget and pre-Budget report, the Chancellor refers to the access to the reserve for supporting operations.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I join the Secretary of State in his comments; our thoughts go out to the families of the 15 members of HMS Cornwall, which is of course a Plymouth-based ship.

The 9.2 per cent. pay increase for the lowest paid personnel is welcome, and is not the real message from the pay review board that one can do a great deal about retention and recruitment by targeting money? I also thank my right hon. Friend for the money that was spent on rewarding medical service personnel.

Des Browne: I am very grateful to the AFPRB and to the National Audit Office for pointing out in their respective reports the way in which targeted incentives or financial help can assist in meeting the challenge of recruitment and retention. This year, we intended that the armed forces' settlement would help particularly the least well off—the worst paid among our troops. That was exactly what the AFPRB recommended, and I was very pleased to be able to accept that recommendation.

Mr. James Arbuthnot (North-East Hampshire) (Con): Will the Secretary of State accept my congratulations on the pay settlement? Is he able to tell us what the consequences of the Budget tax changes will be, and how they will affect the lowest paid in the armed forces?

Des Browne: I accept with alacrity the right hon. Gentleman's congratulations on the armed forces pay review settlement. The Budget's impact is different for different people; for example, single-earner couples with children on a private's salary will gain from the package by more than £300 a year, and I could give more examples. He asked specifically about the lowest paid. He will know that their salary will go up to £15,677, ignoring the operational bonus. The strict effect of the Budget is that those who are single and in receipt of that amount of money will be worse off by the equivalent of about £1 per week, but one has to take into account the fact that almost all of them are likely to attract the operational bonus, so that must be factored in, too.

Willie Rennie (Dunfermline and West Fife) (LD): Harmony guidelines have been consistently broken, planning assumptions breached, readiness targets not met and essential training requirements not fulfilled. Even the Chief of the Defence Staff says that the armed forces are very stretched, so just what does it take for the Defence Secretary to admit that we are asking too much of our armed forces?

Des Browne: The hon. Gentleman sought to get the Chief of the Defence Staff to agree at the Defence Committee evidence session that we were asking too much of the armed forces, but he would not agree. It takes exactly the same for me, as for the Chief of the Defence Staff, to admit to that, which is not correct. We are not asking too much of our armed forces; we are operating at levels that are higher than the assumptions that informed our operational planning. If that is not addressed, we know what the long-term consequences will be; but the hon. Gentleman was told by the Chief of the Defence Staff during the evidence session that we are already taking steps to address those issues. As the Chief of the Defence Staff said, the screw is being somewhat loosened by the decisions that have already been made in relation to the tightened circumstances of the armed forces.

Dr. Liam Fox (Woodspring) (Con): The thoughts and prayers of the whole House will be with the families of those taken illegally by the Iranians in the past few days. Because we are aware of the diplomatic sensitivity, we shall not press the Government on the issue today, but we obviously want Parliament to have a chance to discuss it as soon as possible. I am sure that the House would also like to send condolences to the families of the submariners of HMS Tireless who were killed on active service—another example that shows how much they risk in our name.

On the question of overstretch in the armed forces, the basic problem is that the Government produced the strategic defence review, defence planning assumptions came from that and a budget was designed to suit it. The Government then exceeded those defence planning assumptions in the past five years. At the same time, they are cutting the size of the Navy, the Army and the RAF, yet they are increasing expectations and activity levels. When will it dawn on them that with defence spending of only 2.2 per cent. of GDP, the lowest since 1930, they cannot conduct wars in Iraq and Afghanistan with peacetime resources, because the people who will ultimately suffer are those in our armed forces, with the inevitable consequences for recruitment and retention that we are now beginning to see.

Des Browne: I assure the hon. Gentleman that a statement will be made to the House as soon as appropriate, which will be in the near future. I join him in his condolences to the families and comrades of those who lost their lives on HMS Tireless and, indeed to the submariner who was injured in that incident.

The hon. Gentleman and I have exchanged views a number of times at the Dispatch Box about how properly to interpret the investment that we are making in our armed forces year on year. I see now that he has moved on from the criticism he used to level at us, and now says that we are cutting the amount of money that we spend on the armed forces as a percentage of GDP. The fact is that we spend £32 billion a year on the defence budget. That, of course, as we have already discussed at Question Times, is supplemented by access to the special reserve in relation to operations. The hon. Gentleman has had plenty of time to indicate whether, if his party comes into government, he will increase that amount of money, or not increase—

Mr. Speaker: Order. That is not a matter for Question Time.

RAF Innsworth

2. **Mr. Laurence Robertson** (Tewkesbury) (Con): What consideration he is giving to the ongoing use of the RAF Innsworth site; and if he will make a statement. [129296]

The Minister of State, Ministry of Defence (Mr. Adam Ingram): There is no further Royal Air Force requirement for the Innsworth site beyond 2008. As is normal practice, we are now assessing whether there is any other military use for the site. It is too early to make any firm commitments, but one option being considered is that it should house British forces returning from Germany in the 2008-12 time frame.

Mr. Robertson: I thank the Minister for the response and the letter that I received from the Under-Secretary of State for Defence on 13 March regarding that possible transfer. Innsworth is quite a deprived area and the armed forces provide the life blood of it, so it came as a body blow to the area when the announcement was made to close the site as an RAF site. I urge the Minister to give serious consideration to moving another operation to the area, to make that decision as soon as possible, and to make the transfer, should it be to Innsworth, as soon as possible, because we do not want too long a gap between the two.

Mr. Ingram: I share the concerns raised by the hon. Gentleman about the impact on local communities when such a closure takes place, but I am sure that he will appreciate that what we are seeking to do by co-locating the two main RAF headquarters on one site makes sense in defence terms, for a whole lot of good value-for-money reasons, as well as people reasons. In terms of the future use, my view is that we should be looking, as progressively as we can, to move forward the timetables. I would not like to see a major planning blight descending on that site for any length of time, if at all. It is an important site. That is why we have designated it as a potential—probable—site for other military use. If that does not happen, we should make our decisions quickly so that alternatives uses can be found.

Ballistic Missiles

3. **Bill Wiggin** (Leominster) (Con): What preliminary proposals for ballistic missile defence installations in the United Kingdom have been discussed with the United States. [129297]

The Secretary of State for Defence (Des Browne): The UK makes a valuable contribution to the US ballistic missile defence system through RAF Fylingdales and our well established technical co-operation programmes. We regularly discuss with the United States our ongoing support and, as I and my right hon. Friend the Prime Minister have said on many occasions, we will inform the House of any change to the current position.

Bill Wiggin: Will the Secretary of State update the House on the position of NATO's missile defence programmes?

Des Browne: The position in relation to NATO is that there was a process of assessment as to whether the ballistic missile defence would make a contribution to NATO defence. That process reported, indicating that such a contribution could be made, following the completion of the feasibility study. NATO continues to examine the options for and the implications of territorial missile defence, but it has no plans, nor has it set a timetable for any specific decision.

Mr. David Crausby (Bolton, North-East) (Lab): What part will RAF Fylingdales and the US base at Menwith Hill play in any negotiations with the US on missile defence? Will there be a full and public discussion of any developments at those sites?

Des Browne: When the decision was made to incorporate RAF Fylingdales into the US missile defence system, there was a full debate in the House in relation to the role that it would play. That role—*[Interruption.]* I am not going to go into the detail of that. There was a full debate. An important contribution is made, in radar terms, to the system. No decisions have been taken in relation to any other facility or site. The discussions are ongoing and, as I told the House when I answered questions on the matter last month, it would be irresponsible of the Government not to explore, both through the United States and our NATO allies, the implications that any system of this nature might offer for the security of the UK. That is the stage that we are at. That is what we are currently doing. When there is anything further to report, we will of course report to the House.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): I know that the Secretary of State is aware that the Polish newspaper, *Trybuna*, on 7 October last year published an article that stated:

"the United Kingdom has revised its stance and—there are many indications of this—it will make the Orkneys accessible for building the second base of universal application."

The Secretary of State was good enough to tell me in a telephone conversation last October that that was not the case. Will he confirm that denial today and will he also confirm that neither Orkney, nor for that matter Shetland, is being considered by the United Kingdom Government in relation to an installation of this nature?

Des Browne: I know of no change in the information that I gave the hon. Gentleman when he last spoke to me in relation to this matter. As I have told the House, no sites are being considered in our very preliminary discussions in relation to the siting of any missile defence.

Mr. Bernard Jenkin (North Essex) (Con): But the Government have taken a decision in principle to support missile defence as something that the Americans may wish to deploy. We know that from the memoirs of Sir Christopher Meyer, who wrote of the toothpaste summit when the Prime Minister first met President Bush in Washington, back in President Bush's first year of office. We have had a tremendous debate about nuclear weapons in this country. When are we going to have a proper debate in the House about the principle of missile defence? That issue is dividing NATO and destabilising relations with Russia.

Des Browne: The hon. Gentleman knows that the United Kingdom already makes a contribution to the US missile defence system through RAF Fylingdales and that there is other co-operation through technical programmes. All that is entirely consistent with the issue of principle. The House also knows that the Government's position—I think that most hon. Members share this view—is that it would be irresponsible not to explore with the US and its NATO allies the possible implications of the system for the security of the UK—*[Interruption.]* I can tell the hon. Gentleman that when there is something to report to the House, a report will be made. However, no decisions have been taken at this stage, and there are no developments that require the matter to be reported to, and debated in, the House.

Mr. Gerald Howarth (Aldershot) (Con): Given the ever-increasing prospect of rogue states, including perhaps Iran, acquiring a ballistic missile capability, does not the Secretary of State understand that it is his duty to engage in public debate, not to hide behind spurious claims that he needs to protect international relations? As far as the Fylingdales upgrade is concerned, may I remind him that there was so little debate that the Defence Committee issued a report in January 2003 that said:

"We strongly regret ... the way in which the issue has been handled by the Government. We believe that it was a mistake on the part of the MoD to fail to respond to calls for a public debate of this issue for much of last year"?

Why cannot the Secretary of State share with us the assessment that he has made of the risk, and of the benefits or drawbacks, that might result from the UK's participation in positioning ground-based interceptors on our soil? Alternatively, as was the case with the Fylingdales experience, are we once again to be bounced into a decision without the House or the public being engaged?

Des Browne: I know of the support of the hon. Gentleman and his party for engagement in ballistic missile defence. As he says, there are developments throughout the world that suggest that ballistic missile defence will make a significant contribution to the defence of the United Kingdom. This is a US system, and, currently, the US has not asked to examine any UK sites—for example, regarding any element of its missile defence system. When reporting to the House the current state of our relations with the United States on

this issue. I have given hon. Members an undertaking that when the situation moves beyond that, I will report to the House.

Red Arrows

4. **Mr. Tobias Ellwood** (Bournemouth, East) (Con): What changes are proposed to be made to the Red Arrows' budget over the next three years. [129298]

The Minister of State, Ministry of Defence (Mr. Adam Ingram): There are no plans to change the funding for the Red Arrows.

Mr. Ellwood: I am delighted to hear that answer. However, there is concern about the future of RAF Scampton, the base at which the Red Arrows are located. There have been rumours in the press that the Government's penny-pinching on the defence budget means that the colours of smoke used in the displays are under threat. Will the Minister give a commitment that no aspect of the Red Arrows will change and that they will remain at the forefront of display teams in the UK?

Mr. Ingram: Well, I have not heard about the colours of smoke, but I will certainly look into that—

Dr. Julian Lewis (New Forest, East) (Con): Smoke and mirrors!

Mr. Ingram: I hear what the hon. Gentleman says, but I will certainly examine the matter because we take great pride in what the Red Arrows do, not only in this country, but internationally.

Mr. Ellwood: What about RAF Scampton?

Mr. Ingram: I will come to RAF Scampton in a moment. I am trying to pay tribute to the Red Arrows, which I thought that the hon. Gentleman would want me to do. The Red Arrows make a major contribution in many ways. They fly the flag for this country and help recruitment to the RAF.

RAF Scampton, like several RAF airfields, is under review because we need to find the optimal basing for all our RAF assets. We have already taken some decisions on the Nimrod MRA4 and on future basing for the joint combat aircraft and Typhoon. We will continue to examine what the best lay-down will be and announcements will be made in due course.

Mr. Lindsay Hoyle (Chorley) (Lab): I thank my right hon. Friend for his straightforward answer. However, may I press him a little further and suggest that he should increase the budget of the Red Arrows? As we know, all young people, such as Chorley air cadets, aspire to join the RAF and especially want to join the Red Arrows. Will he ensure that we will have the fine aircraft and the fine personnel that keep them flying, and that there is a bonus for BAE workers in Lancashire, which is why I am pressing him to increase the funding?

Mr. Ingram: I can tell my hon. Friend that in the next three financial years the funding will be £5.6 million, £5.7 million and £5.9 million. He can take some credit for putting pressure on us to ensure that increase in the budget. Of course, there are other associated costs, too. The Red Arrows are not under threat; it does not matter what newspapers say or what criticisms people concoct. They are not under threat—end of story.

Patrick Mercer (Newark) (Con): The citizens of Nottinghamshire and Lincolnshire take huge pride in what the Red Arrows do, and I am glad to hear from the Minister that their budget will not be cut. However, we should not consider them to be purely a flag-flying operation, as they clearly provide crucial battle flying skills for the RAF. Will the Minister please assure me that crew will continue to be trained regularly, and that the expense will be borne, so that the skills that they acquire can be spread throughout the Royal Air Force?

Mr. Ingram: I do not think that we can keep the Red Arrows flying without meeting that commitment, because it takes the highest skill to fly those aircraft, no matter what colour the smoke coming out of the back. I am sure that the fact that we are retaining the Red Arrows means that the element of the requirement that the hon. Gentleman mentions will be retained.

David Taylor (North-West Leicestershire) (Lab/Co-op): As an east midlands MP I am pleased that the Red Arrows are based at RAF Scampton in Lincolnshire. I am sure that the Minister will agree that the Red Arrows are a public display of the pride, talent and professionalism of our armed forces. Will he confirm that the figures that he has just announced to the House, which represent barely half a day's worth of the annual defence budget of £32 billion, will be protected in the medium and long term?

Mr. Ingram: The original question was about the commitment over the next three years, and I have given that firm commitment. It would be very easy for me to say, after all the plaudits that I have given, that I do not see any chance of the situation altering, and I do not, but I cannot make commitments for what my hon. Friend calls the medium and long term, and that would apply to any part of defence expenditure. I have given a firm commitment: there is no threat to the Red Arrows and the budget is increasing over the next three years.

Bullying (Armed Forces)

5. **Lorely Burt** (Solihull) (LD): What steps he is taking to combat harassment, discrimination and bullying in the armed forces relating to gender, race and ethnicity; and if he will make a statement. [129299]

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): In 2006 the Ministry of Defence published an overarching equality and diversity scheme that sets out our approach to equality and diversity. Measures that we intend to undertake are set out in our annual action plan, published in conjunction with the scheme. The armed forces have entered into formal agreements with the Commission for Racial Equality to promote racial equality and take action to prevent racial harassment and discrimination, and with the Equal Opportunities Commission to prevent and deal with sexual harassment.

Lorely Burt: In the light of recent comments that again highlighted the continuing existence of racism in the armed forces, will the Secretary of State guarantee that he will address any forms of latent or overt racism in the armed forces by developing measures to tackle the problem head-on—for example by developing an independent military complaints body to give voice to those who have experienced any form of discrimination and bullying?

Derek Twigg: On the point about an independent military complaints authority, we set up an independent complaints system as part of a Bill that recently went through Parliament. There is no place at all for discrimination or harassment in the armed forces, and I can tell the hon. Lady that from the very highest levels downward, there is clear commitment to making sure that they do not take place and to dealing with them when they do. For instance, we ensure that progress reports are made to the Equal Opportunities Commission, and we have a new complaints procedure in place. Of course, training and education are key, and above all else, it is leadership that delivers that. That is why I am confident that the armed forces are clearly moving forward on the issue. Any discrimination or harassment is just not acceptable.

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): Last Thursday and Friday, I visited Her Majesty's naval base Clyde at Faslane, and I was impressed by the quality of the new single living accommodation for new recruits to the Navy. There was slight concern that because the new accommodation is en suite, there is a danger that the young ratings will just go to their rooms of an evening, so bullying and harassment may go undetected. Does my hon. Friend agree that commanding officers will have to take on board and recognise that? Although the new accommodation is much better for the ratings, commanding officers have to recognise that such a problem could occur.

Derek Twigg: Like my hon. Friend, I have visited a number of single living accommodation units in recent months, and I was very impressed by their quality and standard. I have also talked through the issue with commanding officers. For instance, I have discussed with regimental sergeant majors how we can ensure that protection, advice and training are given to look after our young recruits. She may have noticed that the adult learning inspectorate recently concluded that substantial improvements had been made everywhere, and that there were some marked achievements. It described our achievements as

"something of a triumph of focused effort to resolve serious problems."

A tremendous amount of effort and time have gone into ensuring that we deal with bullying and look after our new recruits. The living accommodation in the new facilities that we have put in place is one way of doing so.

Mike Penning (Hemel Hempstead) (Con): This evening, "Panorama" will show a programme about a huge increase in soldiers going absent without leave from active service. If that is the case, does it have something to do with bullying, or are our servicemen being stretched too far and not receiving the medical back-up that they need?

Derek Twigg: I totally rebut any such allegations. In fact, there has been a decrease in the past few years in the number of people going absent without leave. The latest figures are lower than they were seven years ago, and there is strong support for people who have developed mental health problems in the armed forces, on the bases and elsewhere. Some of the evidence shows that a key reason for members of the armed forces going absent without leave is relationship issues. In my surgery on Saturday, I met someone who had been in that position and wants to rejoin the Army—that was exactly the position in which they found themselves. That is how many of the issues arise. The support is there, and there is a welfare line that people can contact, so I reject and rebut the allegations completely.

Mr. Kevan Jones (North Durham) (Lab): The hon. Member for Solihull (Lorely Burt) is clearly not aware of the excellent provision for a service complaints commissioner in the Armed Forces Act 2006. Will my hon. Friend the Minister tell me when that office will be set up? I have tabled written questions on the issue, but because of the snail's pace at which the Department answers questions, I have yet to receive a reply.

Derek Twigg: I, too, support the development of that process, and may I assure my hon. Friend that progress is being made, and we will certainly be in a position to make a further announcement?

Mr. Nicholas Soames (Mid-Sussex) (Con): Does the hon. Gentleman acknowledge that while of course there is no place for bullying and discrimination, it is nevertheless a fact that those young men and women, who are covering themselves in immense distinction under circumstances of great difficulty in Iraq and Afghanistan, can do so because they go through a very tough and robust training programme, which is designed to prepare them for what they are likely to meet if they have to go on active service? Will he therefore be very careful, and not be seduced in any way by the siren voice of the hon. Member for Solihull (Lorely Burt), whose talk is of a kind unknown to the armed forces, which want to get on with it and do the job that they know they need to do, and be trained to do it.

Derek Twigg: The hon. Gentleman makes a very important point. Clearly, we have to have robust and challenging training, because of the nature of operations and service that our armed forces have to undertake. Again, I have visited a number of training establishments in the six months I have been in this job. I have been impressed both by the robustness and the challenges of the training for recruits, and by welfare support and support generally, given the issues that recruits may encounter. I completely accept the point made by the hon. Gentleman—we need robust and challenging training, but we must put procedures in place to make sure any complaints can be dealt with and that people are comfortable, if they suffer any difficulties, with the system for making a complaint.

South Africa

6. **Mary Creagh** (Wakefield) (Lab): What support his Department has allocated to peace support training in South Africa in 2007-08. [129300]

The Minister of State, Ministry of Defence (Mr. Adam Ingram): Building peace support capacity will remain a high priority for the MOD in support of the UK's overall approach to conflict prevention across sub-Saharan Africa during 2007 and 2008. In South Africa, the nine-man British peace support team, which is 50 per cent. funded by the South Africa national defence force, will continue to provide training and advisory support in the areas of military education, peacekeeping, doctrine development, training and sustainment. In addition, the team co-ordinates UK-funded attendance of South African personnel on related courses in the UK and across Africa. We have allocated £1.3 million to support this effort in 2007-08.

Mary Creagh: I congratulate the armed forces on the vital work that they are doing in that area. Does my right hon. Friend agree that military capacity must be aligned to political will in South Africa? As Zimbabwe spirals ever closer to anarchy, does he agree that South Africa must provide regional leadership for intervention and conflict prevention in that country?

Mr. Ingram: My hon. Friend asks about a very important aspect. With international allies, we have been trying to get regional groupings together, with the support of the African nations. In the west of Africa there is a well functioning organisation in place, ECOWAS—the Economic Community of West African States. SADC—the Southern African Development Community—in the south is somewhat limited because of Zimbabwe's presence within it. There is a similar initiative in the east of Africa. My hon. Friend is right. It is about building not just the military capacity of the African nations, but their capacity to govern outwith their own area. As ever, there is the strapline of African solutions to African problems. We will continue to help wherever we can to meet those problems as they arise, as part of international coalitions in friendship with those African nations.

Veterans Day

7. **Mr. Jim McGovern** (Dundee, West) (Lab): What support his Department is providing for this year's veterans day celebrations. [129301]

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): The Department has increased the support available to regional veterans day events for 2007. Organisers can bid for up to £10,000 for their individual regional events. Officials have also provided advice to all 65 bids so far received on conveying effectively the key messages and on the presentation of veterans badges by leading members of the community as a central feature of the day.

Mr. McGovern: I thank the Government for their establishment of and continued support for veterans day. The Minister is aware that last year the main celebration in Scotland took place in Dundee in my constituency and was a resounding success, thanks mainly to Government funding and the hard work of the local combined ex-service association ably led by Bruce Kelly and Victor Herd. This year, however, there seems to be a problem with funding. Will the Minister agree to meet me so that we can ensure that the success of Dundee's day last year will be repeated this year?

Derek Twigg: I will be happy to meet my hon. Friend. As he probably knows, we have increased the amount of funding available this year. Whereas last year we centred it on major cities, this year we are trying to involve many more towns and cities and therefore spreading the funding around. We have had an enormous number of bids. I am pleased to say that Birmingham has been agreed for a national event and of course there will be events in Greenwich in London as well. This is a great opportunity for us to celebrate and get across the importance of veterans, their contribution to our society and the services that are available for them.

Robert Key (Salisbury) (Con): Will the Minister bear it in mind that veterans are increasingly young and that on the whole, when we celebrate Armistice day, we are celebrating an historic event, but when we celebrate veterans day, we are celebrating contemporary people who have served recently in the forces? We need to shift the focus of public understanding to the contribution made by the current generation to the armed services, which is in danger of being lost.

Derek Twigg: I entirely accept what the hon. Gentleman says. Veterans are of all ages. One whom I met a few weeks ago was 22, and a Normandy veteran was 86 or 87. At a veterans event that I attended recently in my constituency, I was struck by the ages of veterans. I met a number of young veterans and discussed the issues affecting them. It is right to get across the diversity of age and the important role that veterans of all ages and backgrounds have played in protecting the peace and representing this country as a force for good.

Mr. Ian Davidson (Glasgow, South-West) (Lab/Co-op): Is the Minister aware that the Secretary of State for Defence himself recently came to present badges to veterans in my constituency? The event was a great success, even though we did not get the amount of money that Dundee did. We managed to raise the money ourselves. Will the Secretary of State visit my constituency again, and will he recognise that veterans in my constituency are very proud of the fact that they served with others from other parts of the United Kingdom, and that an artificial division between those who served from Scotland and those who served from other parts of the United Kingdom, as some would wish, would be absurd and obscene?

Derek Twigg: I agree with my hon. Friend that that would be absurd.

The veterans badge has been a widespread success. More than 400,000 badges have been issued, and there are more applications to come in. We are gradually increasing the time frame for applications. I recently announced that 1984 will be the next stage when people can apply for veterans badges, which will take the Falklands campaign into account. Feedback from

veterans indicates that they value the badge, and I would be more than happy to come to my hon. Friend's constituency to present some badges.

Sir Patrick Cormack (South Staffordshire) (Con): I wish the Minister well with this year's veterans day. If we are to have the maximum public participation and recognition, should not we all be able to take part and should it not be a public holiday?

Derek Twigg: I will not go down the road of a public holiday at this point. It is important that we all take part. A number of hon. Members have said that they are involved in events that will take place in the week of veterans day. It is crucial that Members of Parliament give their support—many have already done so—which is increasing all the time. Any support or encouragement that Members of Parliament can give to their local events will be most welcome.

Paul Flynn (Newport, West) (Lab): The best way to support the splendid innovation of veterans day is to back the campaign by the loved ones of 98 of the soldiers who have fallen in Iraq to have the work "Queen and Country" by the official war artist, Steve McQueen, which includes photographs of those 98 fallen soldiers, produced in the form of a postage stamp by the Post Office as an act of commemoration.

Derek Twigg: I repeat my earlier comments about the importance of veterans day and of the various events and initiatives to raise the profile of veterans. I am happy to speak to my hon. Friend to discuss that issue, of which I have no knowledge at this time.

Sir Nicholas Winterton (Macclesfield) (Con): I commend the Ministry of Defence on its work on veterans day. The Minister mentioned the Falkland Islands in an earlier answer to a supplementary question: is he placing any emphasis on the fact that this year is the 25th anniversary of the defeat of the Argentineans and their expulsion from the Falkland Islands? Is he allocating any particular resources to recognising the contributions that our veterans of the Army, Navy and Air Force played in that epic event in our history?

Derek Twigg: The hon. Gentleman has been supportive in maintaining the profile of the Falklands campaign. We pay tribute to all the veterans who took part in that campaign, some of whom are still serving today. Last week, I met some of them in Portsmouth—they did a tremendous thing for this country. We are focusing on the Falklands this year, and commemorations and funding have been agreed. I am going out to the Falklands later this year with the veterans to visit the area and meet people. That is an important part of the focus of this year's veterans day, and I am sure that the hon. Gentleman will play his part.

Armed Forces Pay

8. **David Wright** (Telford) (Lab): What changes there were in rates of pay for the UK armed forces in each of the last 10 years; and if he will make a statement. [129302]

The Secretary of State for Defence (Des Browne): As my hon. Friend will be aware, pay rates for the armed forces are recommended annually by the independent Armed Forces Pay Review Body. Since 1998, the average increase has been 3.3 per cent.

David Wright: A number of units within our armed forces seem to be regularly rotated into front-line action, and rightly so—one thinks of the Royal Marines and the Parachute Regiment. In an earlier answer, my right hon. Friend said that he will focus on better pay and conditions in those particular units to ensure that recruitment stays high. I welcome his commitment to support a 9.2 per cent. increase for the lowest paid members of our armed forces, but what more can we do to ensure that those elements of our forces that regularly rotate on to the front line are rewarded properly?

Des Browne: My hon. Friend will know that there is a tax-free operational allowance, which is £2,240 for six months—in my view, and, I think, in the view of the armed forces, it goes some way to recognising the contribution made on operations. As well as those who get a 9.2 per cent. pay rise, the next band up gets a 6.2 per cent. pay rise as a result of the acceptance of the recommendations of the Armed Forces Pay Review Body. The Armed Forces Pay Review Body report reflects the fact that there are a number of specific incentives, one of which concerns the retention of marines, to address pinch points that result in retention problems in the armed forces. In the past, such approaches have improved our ability to hold on to those who have the skills that we need, whether or not they were deployed in operational theatres, and that is what we will continue to do.

Mr. Mark Harper (Forest of Dean) (Con): I am sure that the Secretary of State will take a close personal interest in the fact that next month the Army will have its first pay run under the new joint personnel administration—JPA. He will remember that when the system was rolled out in the RAF and the Navy there were errors in the pay of 6,500 members of the RAF and 10,000 Navy personnel. Will he assure the House that he has taken steps to ensure that such errors will not be repeated in the Army's pay run next month?

Des Browne: I was aware of the teething problems with the roll-out of JPA to the RAF and Royal Navy. The hon. Gentleman will know that when the system was rolled out to the Royal Navy in October 2006 we were able, as a result of the RAF experience, to anticipate some problems and to respond to others timeously for those affected. I am advised that the programme is on track to go live in the Army from March 2007. He may rest assured that it has put in place a number of contingency plans to deal with any possibilities that may arise.

Mr. Jim Devine (Livingston) (Lab): As my right hon. Friend is aware, more than 20,000 people who are employed by the Ministry of Defence live in Scotland; given an average salary of £20,000, that means that nearly £500 million is being pump-primed into the Scottish economy. Is my figure correct? Would he like to speculate on the security of that investment in Scotland in the short, medium and long-term?

Des Browne: As far as I can see, the Scottish people intend to stay part of the United Kingdom, so my hon. Friend may be reassured that the contribution that is being made and the economic consequences of that contribution to the Scottish economy will continue. Of course, the people of Scotland must take into account—this is why they are so intent on staying in the United Kingdom—the fact that taking Scotland out of the United Kingdom, particularly if it were ruled by those who propose to do so, would mean coming out of NATO. In such circumstances, there would be no need for those who currently serve the British armed forces to serve the armed forces of an independent Scotland.

UK/EU Navies

9. **Mr. Andrew Robathan** (Blaby) (Con): What recent assessment he has made of the performance and requirements of the navies of (a) the United Kingdom and (b) other EU member states. [129303]

The Minister of State, Ministry of Defence (Mr. Adam Ingram): We regularly assess the performance and requirements of the Royal Navy through routine departmental planning processes. The performance and requirements of navies belonging to EU member states are matters for the countries concerned.

Mr. Robathan: At this time, we should remember with pride the role of the Royal Navy in suppressing the transatlantic slave trade in the 19th century, as well as 400-odd years of excellent service to this country. Instead, under this Government, the Navy has been cut, cut and cut again, to the extent that the First Sea Lord has said that this country's naval capability risks being turned into that of Belgium. He has called in particular for two carriers, which the Government have promised. The main gate decision should have been taken in April 2004; three years later, we must ask when, if ever, the order for the carriers will be placed.

Mr. Ingram: The hon. Gentleman began by discussing the slave trade, and I echo his sentiments on that. We are talking about not only the passing of an Act of Parliament in terms of the abolition of slavery, but the bravery of the Royal Navy—in the main—on the high seas; it tried to stop that ongoing trade after the passing of the relevant Act in this House all those years ago, and many lives were lost in its doing so. The bravery of the Royal Navy should be marked, alongside all the other events that are taking place in respect of the abolition of the slave trade.

The hon. Gentleman asked a range of questions, but his main question was about the carriers. We are still committed to carriers, and an announcement will be made when we are ready to make it.

Keith Vaz (Leicester, East) (Lab): The Minister will know that there were two birthday celebrations last week: the European Union was 50 years old and, last Thursday, our right hon. Friend the Defence Secretary was 55. At the celebrations in Berlin, there was a discussion about further co-operation between our EU partners. Following on from St. Malo in 1998 and Le Touquet in 2003, is the Minister satisfied that, as regards the Navy, we have the capabilities required to work more closely with our colleagues so that we can have a more collective approach to our armed services?

Mr. Ingram: I recognise one of the birthdays. Let me deal with the EU aspect. In building up our capabilities with NATO and EU, not only as regards the Royal Navy but across our armed forces, we are meeting the various challenges that have been set, including the headline goals that were laid down for 2010. That is part of the process of ensuring that we have the capabilities required not only to meet the foreseeable demands as best we can anticipate but to be ready for, and able to address, the unforeseen. There are many examples of joint training taking place to build up that interoperability between nations. It is important that we work with our allies in the EU and in NATO and that we stop those who are advocating part of this proud nation coming out of NATO, which would diminish our capacity to defend these shores and work against good European tradition.

Ann Winterton (Congleton) (Con): Is not one of the requirements of the United Kingdom Navy to obey the rules of engagement set by the Ministry of Defence? Did not the current rules of engagement that allow no conflict in Iraqi waters with Iranian forces lead directly to 15 of our service personnel being abducted by the Iranians?

Mr. Ingram: Rather than speculate about events, let us stand back and understand the sensitivity of the situation. There is too much speculation about what happened and what did not happen. Those carrying out that mission clearly have to respond to the level of threat that is posed to them. We will have to investigate that when they are safely returned to these shores and we get their version of events rather than the speculation that is being puraded around in the media and elsewhere.

Chris Bryant (Rhondda) (Lab): Clearly, the most important requirement for the Royal Navy is personnel. One of its great sources of new recruits is the sea cadet units around the country, including HMS Minerva in Llwynypia in Rhondda. However, those units get no direct guaranteed funding from the Ministry of Defence. Is it not time that we put them on a proper footing?

Mr. Ingram: If my hon. Friend looks into this, he will find that that is because of the way in which the sea cadets have been set up as a charitable organisation. I do not have all the information to hand as to the precise structure, but I will ensure that the Under-Secretary, my hon. Friend the Member for Halton (Derek Twigg), who has responsibility for this, responds to him in detail.

Dr. Julian Lewis (New Forest, East) (Con): Most of the 29 ships that have joined the fleet since this Government came to office were ordered under the previous, Conservative Government. Is it not a fact that in the past five years the only warship order has been for a single, solitary offshore patrol vessel? When the order for the carriers eventually, and belatedly, comes through, will the Minister guarantee that it will

not be used as cover for the cancellation of the seventh and eighth Type 45 destroyers, which the Navy says it needs to ensure that the carrier taskforces are properly protected?

Mr. Ingram: As has been said many times from the Dispatch Box by previous Administrations as well as this one, there is a continuum in the defence of this country. It does not surprise me that ships that have been commissioned in the past 10 years were ordered in previous periods. The important aspect is that those orders were carried out because it was acknowledged that it is important to maintain the strength of the Royal Navy. On top of that, there is a projected £14 billion capital programme for the Royal Navy in the next decade. That includes carriers, Type 45s and other vessels for the Royal Navy. At the end of that, it will be a formidable Navy.

The Royal Navy is at the point of change—change for the better.

Injured Troops

Alison Seabeck (Plymouth, Devonport) (Lab): [redacted]progress has been made in improving health care pr[redacted]d to troops injured on operations on their ret[redacted] the UK. [129306]

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): Selly Oak hospital, part of the University Hospital Birmingham NHS Foundation Trust, is the primary reception hospital for operational casualties. It is a centre of excellence for treating the injuries sustained by our troops. A military-managed ward reached initial operating capability in December 2006. There are 22 military nurses, including military nursing managers, who work at all levels on the ward. That allows the presence of military nursing staff on duty on every shift. We have also increased the overall number of military psychiatric support nurses and have military welfare staff and liaison officers at the hospital.

Personnel who require rehabilitation following hospital treatment may receive it at the Defence Medical Rehabilitation Centre at Headley Court. That world-class facility provides high-quality, appropriate prosthetics and adaptations, manufactured on site and individually tailored as necessary to the specific patient.

Alison Seabeck: My hon. Friend knows that a large contingent of personnel from Plymouth is currently serving in Iraq and Afghanistan. I cannot emphasise enough the importance to the families of understanding that there is a decent health care service in place for those who are injured, and equally for those who return from stressful tours of duty. Will my hon. Friend assure me that, despite the recent incident in Cyprus, the Ministry will continue to support decompression programmes—one of which I saw on HMS Temeraire—to assist, for example, Iraq veterans back into regular Army service?

Derek Twigg: It is clear that we provide top quality, world-class medical support and treatment for our injured service personnel. I have talked to many injured service personnel and their families in recent months. A recent survey at Selly Oak of those who had been discharged showed everybody saying that their care and treatment had been excellent, very good or good. It is clearly an important facility, which we are continuing to develop. We are taking an initiative on reservists and mental health. Mental health support exists pre and post-deployment.

Decompression is important, and commanding officers decide how it is handled and delivered. It clearly has an important role to play in allowing service personnel who return from operations in Afghanistan and Iraq to come to terms with their experiences, discuss any difficult problems that they may need to take forward and, of course, relax. That is all part of the process before returning home to their loved ones.

Nick Harvey (North Devon) (LD): Given the success of Defence Medical Services in keeping alive injured troops who, in earlier times, would have died, is the Under-Secretary satisfied with the aftercare available, especially for those injured out of the services? Is he content with the long waiting list for former servicemen to access psychiatric services? Given increasing awareness of the services available and the problems that former servicemen experience, will he expand the defence psychiatric service to make it the equal of those in America, Australia and the Netherlands?

Derek Twigg: As the hon. Gentleman knows, Defence Medical Services is responsible for such services, pre and post-deployment. As he rightly said, once personnel leave the armed forces, they become the responsibility of the NHS. In October, we announced the reservist mental health care plan, whereby reservists who visit their GPs are referred to the defence medical mental health unit at Chilwell. We are currently working with the Department of Health and Combat Stress to improve further the mental health support for our veterans.

We hope to get several pilot schemes up and running in the not-too-distant future to consider how we improve both the understanding of mental health problems that result from being on operations or in the armed forces and education and support for that throughout the health service. I shall report further to the House as that develops.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): Will my hon. Friend note that it is very important that servicemen be treated within units where they are totally comfortable and surrounded by those who they most want to be with? Will he resist any attempt to divide the specialist units from the main national health service providers because it is essential that they be given a wide range of treatments and are not left in conditions that are inadequate in comparison with other NHS patients?

Derek Twigg: My hon. Friend makes a very important point, but the decision to move away from military hospitals was taken some time ago and it was based on expert clinical and medical advice. It is important to ensure that practitioners, clinicians and military medical staff are able to develop their

experience, see a range of cases and be given a range of skills to use out on the front line in Afghanistan and Iraq and back home when injured soldiers return. The best way for that to happen is in the context of a large NHS trust where those skills can be developed and honed. The experience they gain there can be used for the benefit of injured armed forces personnel.

Dr. Liam Fox (Woodspring) (Con): General Sir Richard Dannatt said that we may see a dedicated military ward at Selly Oak within three years, but at Prime Minister's Questions, the Prime Minister did not seem to believe in the concept at all and we now know from contractors at Selly Oak that it will be at least five years before such a unit is up and running. What is the truth in all that shambles? People in this country think that our troops deserve better than the confusion and contradiction that they are getting and want to see an exclusive military unit inside the NHS as soon as possible.

Derek Twigg: We are now seeing the best medical treatment ever for our armed forces personnel, thanks to the quality and expertise at places like Selly Oak as well as in the field hospitals in operations out in Iraq and Afghanistan. Let me make it clear that we are moving towards a military managed ward with initial operating capability and by the early summer we will have full capability. Alterations and works are taking place at Selly Oak hospital to do that. As to General Dannatt's comments, he raised the issue of having a fully military ward—in other words, a ward with no civilian patients—but it is a problem when there are empty beds and civilian patients need them. It is important to think about how to deal with that problem. With the developments coming up over the next few years, including the development of new units at the hospital at Selly Oak, we will be looking further into how to introduce a military ward into the new facility. We are working with people at Selly Oak and elsewhere to do that, as General Dannatt understands.

Business of the House

3.32 pm

The Leader of the House of Commons (Mr. Jack Straw): With permission, Mr. Speaker, I should like to make a statement altering the business of the House for tomorrow in the interests of restoring devolved government in Northern Ireland:

TUESDAY 27 MARCH—Consideration of a business of the House motion. Followed by proceedings on the Northern Ireland (St. Andrews Agreement) (No.2) Bill followed by conclusion of the Budget Statement. Followed by, if necessary, consideration of Lords Amendments to the Northern Ireland (St. Andrews Agreement) (No.2) Bill.

The House will not adjourn until Royal Assent has been signified.

The business for Wednesday and Thursday remains unchanged and as previously announced.

WEDNESDAY 28 MARCH—Motions relating to communications allowance, notices of questions during September, Select Committees (Reports) and parliamentary contributory pension fund. Followed by motion to approve a statutory instrument on casinos.

THURSDAY 29 MARCH—Motion on the Easter recess Adjournment.

The House will recall that the St. Andrews agreement set out a timetable for devolution; and the Northern Ireland (St. Andrews Agreement) Act 2006 set in statute the date for the restoration of devolution as 26 March—in other words, today. My right hon. Friends the Prime Minister and the Secretary of State for Northern Ireland have repeatedly made it clear that, nine years after the Good Friday agreement and following countless rounds of talks and negotiations, the point has been reached where substance has to take over from process. Both my right hon. Friends have stated in categorical terms—and I have underlined in the House—that if the path to devolution today as laid out by the British and Irish Governments were not followed, the parties would have to reach agreement on a way forward themselves.

Our way, which in November Parliament endorsed without dissent in the 2006 Act, has been clear: that if devolution did not happen today, dissolution would happen tomorrow. That is why I made it clear, both last Thursday and the Thursday before, that the Government planned no emergency legislation as the Democratic Unionist party had requested—a position reaffirmed to its leadership team in a meeting last Wednesday by the Prime Minister.

In the long and difficult history of Northern Ireland, our approach to date has been based on a reality—that up to now there has never been a consensus or a way forward agreed between the parties. All the achievements since the 1998 Good Friday agreement, however momentous, have depended on the two Governments calling it as they thought best. Until today, that approach has been the only one available because the parties themselves have been unwilling to do so their own way.

However, my right hon. Friend the Secretary of State for Northern Ireland was informed earlier today that an agreed way forward to devolution has now been found. The leaders of the Democratic Unionist party and Sinn Fein—the right hon. Member for North Antrim (Rev. Ian Paisley) and the Member for Belfast, West (Mr. Adams)—met for very the first time this morning at Stormont, and have agreed to participate in a power-sharing agreement on 8 May. Right hon. and hon. Members will recognise the extraordinary significance of that. Many in the House and beyond would never have expected such a development in their lifetimes. The fact that it has been achieved is a tribute not only to the work of my right hon. Friends the Prime Minister and the Secretary of State but to their predecessors in both Labour and Conservative Administrations who, throughout the past 35 years, worked tirelessly to bring about a settlement that would allow devolution to be restored and to end direct rule in Northern Ireland. Most importantly, it is a tribute to the commitment of all the political parties in Northern Ireland.

This morning, following their meeting, the leaders of the DUP and Sinn Fein together asked Her Majesty's Government to introduce emergency legislation immediately to give effect to their agreement. To achieve that within the framework put in place last November by Parliament in the Northern Ireland (St. Andrews Agreement) Act 2006, it is essential that the necessary changes to that Act be made by midnight tomorrow. I am therefore proposing to the House a change to the Order Paper tomorrow to allow a very short technical Bill to be considered to put the necessary changes in place. My noble Friend the Chief Whip in the Lords will make a similar request in the other place.

I appreciate that this is an exceptional situation—but these are exceptional circumstances. If the representatives of Unionism, republicanism and nationalism can reach agreement on what the whole House will hope will be a final political settlement in Northern Ireland through a shared future, it is right that this House should do all that it can to facilitate that in the interests of the people of Northern Ireland. A Bill will therefore be put before the House tomorrow with the aim of Royal Assent before midnight. As my right hon. Friend the Secretary of State for Northern Ireland will cover all the key points during consideration of the Bill, I am sure that the whole House will understand that tomorrow's oral statement, of which I gave notice last Thursday, will now not take place.

Mrs. Theresa May (Maidenhead) (Con): As the Leader of the House has said, this is a significant day for Northern Ireland, and we welcome the fact that agreement has been achieved, and that devolution will now be restored in Northern Ireland. As the Leader of the House has done, I pay tribute to all those, across Governments and parties, who have worked to that end. We, too, want the legislation passed through Parliament, and we will co-operate to ensure that it gets through in the required time.

Important though the new emergency legislation is for Northern Ireland, the Leader of the House's statement has implications for the rest of our business this week. The introduction of a new Bill tomorrow will have particular implications for our debate on the Budget. What is proposed will cut short that debate, especially were the Government to meet the

[Mrs. Theresa May]

expectation of many right hon. and hon. Members for a statement on the capture of armed forces by Iran.

Why does the Leader of the House intend to cut debate on the Budget short? Surely we should ensure that the time for that debate is protected, and he has options to do that. He could, of course, extend the time for debate tomorrow. Preferably, Parliament's sitting this week could be extended: we could sit on Friday, or on Monday of next week. Agreement in Northern Ireland, and agreement on a restoration of devolution in Northern Ireland, is a significant step, but should not be an excuse for the Government to ride roughshod over Parliament and shorten debate on the Budget. We welcome the agreement, and we will co-operate in getting the legislation through, but I urge the Leader of the House to look again at the order of business for this week.

Mr. Straw: I thank the right hon. Lady for her welcome, on behalf of the Opposition, for the principle of what we propose tomorrow. As I said in my opening statement, we pay tribute to the Conservative Administrations and Opposition for the constructive part that they have played in achieving what is a historic moment. I reassure the right hon. Lady and the Opposition, who I know are anxious to debate every last detail of the Budget, as, indeed, are we, that we are ready to extend tomorrow's parliamentary day by a significant amount. The timing can be agreed between the usual channels in the usual constructive way. I hope that that helps the House. We will also consider whether to make a statement on Iran.

Mr. David Heath (Somerton and Frome) (LD): I, too, thank the Leader of the House for his brief statement. What has been achieved in Northern Ireland appears to be both extraordinary and welcome news, and we very much hope that it comes to fruition. It is right to put on record our appreciation to all concerned, in all parties, who have worked so hard to achieve a result.

The Liberal Democrats have been sceptical about deadlines. We were sceptical last time, and we would be even more sceptical were another deadline to be reached and passed without resolution. I believe that the country would expect us to put aside any consideration of the order of business in order to accommodate what might be an historic settlement, but I agree with the right hon. Member for Maidenhead (Mrs. May) that that must not, and need not, be at the expense of giving proper consideration to the Budget. Do I understand from what the Leader of the House said that he will fully protect the time set aside for the Budget debate tomorrow? If not, will he consider having a later sitting on Wednesday so that we can conclude the Budget debate and the Divisions on the Budget resolutions without losing any of the time that has been set aside for the other matters that are due to be debated on that day? It would be extremely helpful if he were to make that clear.

Mr. Straw: I thank the hon. Gentleman for his welcome. As for scepticism about deadlines, I think that the whole House will agree that were it not for the very clear deadline that was set in the St. Andrews agreement Act, it is unlikely that these very constructive events would have taken place. I have already said that we are willing to extend the parliamentary day tomorrow, but I cannot agree that there will be exact, minute-for-minute injury time. We are working on that, but it is a matter for the Whips of the different parties to agree. We recognise that the time for tomorrow's debate on the Budget might need to be extended. As for statements, hon. Members know that statements and urgent questions are bound to eat into the normal public business. That is a straightforward reality.

Sir Patrick Cormack (South Staffordshire) (Con): As it is important that there should be adequate debate on the important Northern Ireland measure, which we all welcome, why does not the Leader of the House follow the precedent that we used at Christmas, when we resumed the Queen's Speech debate after it was interrupted for Northern Ireland legislation? Why not resume the Budget debate on Wednesday and devote tomorrow to this historic event?

Mr. Straw: We have to get the whole thing through tomorrow, which means that we have to debate it early so that the other place can then debate it. It is a very short Bill—[Hon. Members: "Start early."] I am in favour of starting early and finishing late, but others in this place have taken different decisions on that. However, that is another debate.

We have to debate the Bill first in the order of business, after any statements or urgent questions, and it must then go to the other place. Any amendments have to come back to us, and there may be some ping-pong between the Houses, although we hope not. In that situation, it makes sense to continue debating the Budget. This does not really compare with what happened in November, because that Bill was much longer and more complicated.

Mr. Andrew Mackay (Bracknell) (Con): Clearly, these are exciting times. The Leader of the House is absolutely right to bring in the emergency legislation tomorrow—I am sure that it will have the full support of the whole House. However, I commend my hon. Friend the Member for South Staffordshire (Sir Patrick Cormack) for his comments that the Budget debate should be concluded on Wednesday. I say gently to the Leader of the House that there is not very important business on Wednesday; indeed, we might be doing a great favour to the Patronage Secretary by withdrawing the debate on the casino order, which she might well lose.

Mr. Straw: The right hon. Gentleman anticipates my answer: quite important—very important—Government business is tabled for Wednesday, and I think it would be convenient for the whole House if it were dealt with on that day.

Bob Spink (Castle Point) (Con): Will the Leader of the House acknowledge the personal contribution of John Major, who is generally recognised to have started the process that should lead to sustainable peace in Northern Ireland? Will he also reconsider the business tabled for later this week? As one of the usual suspects

when it comes to the Easter Adjournment debate, I can assure him that we should be very happy to sacrifice some or all of that debate to accommodate other business this week, so that the Budget debate is not curtailed.

Mr. Straw: It is nice that the hon. Gentleman should think that the amount of time available for debate on constituency and wider issues on the motion for the Easter Adjournment is in his gift. In any event, I shall bear in mind what he said.

Of course I pay tribute to John Major. I did so in general, but I am happy to do so in particular as well. His was a very significant contribution to what has happened today.

Mr. Julian Brazier (Canterbury) (Con): The Leader of the House's historic announcement of the legislation for tomorrow is obviously welcome on both sides of the House, as is his agreement to make a concession on the time for debate on the Budget, but may I return him to the question from my right hon. Friend the Shadow Leader of the House and ask for an assurance that none of this will compromise time for a statement on what has happened to the 15 service men who have been seized by the Iranians? Many of us will want to ask questions about, for instance, the rules of engagement that made that possible.

Mr. Straw: The granting of time for an urgent question is a matter for you and you alone, Mr. Speaker. As for the issue of a statement, there must be a statement this week, and we are discussing with the usual channels which would be the most appropriate day for it.

Zimbabwe

3.46 pm

The Minister for Trade (Mr. Ian McCartney): With permission, Mr. Speaker, I wish to make a statement on Zimbabwe. I hope that the hon. Member for Cotswold (Mr. Clifton-Brown) and the Liberal Democrats received a copy in good time.

As the Prime Minister told the House last Wednesday, what is happening in Zimbabwe is appalling, disgraceful and utterly tragic for its people. My noble Friend Lord Triesman, Minister responsible for Africa, noted on 12 March that it was a direct consequence of Mugabe's own approach and of his disregard for the suffering of ordinary Zimbabweans. What we are seeing is a wilful waste of Zimbabwe's assets and potential by a ZANU-PF Government who have substituted plunder and corruption for a programme of economic and social advancement for its people.

Hunger and malnutrition are all that millions of Zimbabweans now experience in their daily lives, and Mugabe and his regime are directly responsible. They are directly responsible for Zimbabwe's economy being in free fall: the economy shrank by 40 per cent. in less than a decade, and will shrink by a further 5 per cent. this year. Inflation is already at 3,000 per cent., and the International Monetary Fund says that it will breach 5,000 per cent. by the end of this year. They are directly responsible for circumstances in which a quarter of the resident population is dependent on food aid, and a quarter has already fled the country. They are directly responsible for an unemployment rate of over 80 per cent., the third highest in the world. It is little wonder that there has been an exodus over the Limpopo river. They are directly responsible for Zimbabwe's having the world's highest orphan rate, largely as a consequence of the pandemic rate of AIDS: roughly 20 per cent. of adults are infected. They are directly responsible for circumstances in which Zimbabweans can expect to die younger than anyone else on the planet. A Zimbabwean woman today can expect to live to just 34, while a Zimbabwean man can expect to live to 37. However, instead of taking the necessary measures to reverse each of those evolving tragedies, the regime continues to make people homeless, suppress independent media, harass human rights defenders and arbitrarily arrest those involved in peaceful demonstrations.

The violence and repression used against peaceful protesters gathering to pray for change during the weekend of 10-11 March, during which at least one young person was shot and killed, has continued unabated. Four members of the opposition Movement for Democratic Change have been prevented from leaving Zimbabwe, including one MP, Nelson Chamisa, who was badly beaten when travelling to a meeting in Brussels. I am pleased to note that the MDC's vice-president was able to take his place: we salute his bravery and that of his colleagues.

A significant number of activists are still being arrested and beaten throughout Zimbabwe. Lawyers representing those who have been detained have themselves faced intimidation. Trade union and student union members have also been harassed and

[Mr. Ian McCartney]

arrested. My noble Friend Lord Triesman summoned the Zimbabwean ambassador to register our disgust,

As I did during my address to the Human Rights Council on 13 March, I send my deepest condolences to the families and friends of those killed and injured in the last two weeks of terrible assault, and offer my solidarity to all Zimbabweans on behalf of everyone in the House. Mugabe's men might break the bones of the democracy campaigners, but they cannot break the quiet dignity of these extraordinary human beings. One day, Zimbabwe will return to democracy; Zimbabweans will be free. Mugabe knows that. He knows that he has got it wrong, and that the crisis has resulted in an increase in internal pressure. He feels more vulnerable. The involvement of the military in almost all aspects of Zimbabwe life—from running state businesses and economic programmes to agriculture and food distribution—underlines that.

What does Mugabe do? He blames everyone else, especially us in the United Kingdom. He persistently alleges that the UK is responsible for Zimbabwe's woes—that we are somehow victimising him for his disastrous fast-track land reform policies. That is simply not true. We have always recognised the need for an equitable redistribution of land, but that has to be done in a transparent, legal manner. We signed up to all three of the internationally recognised land reform packages: in 1979, 1998 and 2001. The UK gave a total of £44 million to the first of them. About £3 million was returned unspent in the mid-1990s when the Zimbabwean Government lost interest in proper land reform. We were also willing to support the package put together by the United Nations Development Programme in 2001, but Mugabe's violent land invasions put a halt to that.

Let us look for a moment at Mugabe's claims that the crisis is down to us. It was his Government—not the UK—who displaced and destroyed the homes and livelihoods of 700,000 people during Operation Murambatsvina, which I understand means "drive out the filth". It is the Government of Zimbabwe—not the UK—who previously refused to appeal to the UN for food aid despite widely reported food shortages. It is the Government of Zimbabwe—not the UK—who have crushed a free media. It is the Government of Zimbabwe—not the UK—who deny Zimbabweans their basic rights of freedom of expression and assembly by routinely and violently breaking up peaceful protests. It is the Government of Zimbabwe—not the UK—who have ignored IMF recommendations to reform an imploding economy. It is they who continue to squander the country's limited foreign exchange while ordinary Zimbabweans can scarcely afford food. It is the Government of Zimbabwe—not the UK—who destroyed property rights by removing land from the legal process. It is they—not the UK—who have ruined the Zimbabwean agricultural sector; agricultural productivity has fallen by a staggering 80 per cent. since 1998.

Since 2000, more than 250,000 black commercial farm workers have lost their livelihoods. Including families, that means that there has been a rural displacement of about 1 million people, to match the urban dislocation of 700,000. Of course, while the Government of Zimbabwe continue to blame the international community, the European Union and the UK Government for their troubles, in each case we are taking action to improve life on the ground for ordinary Zimbabweans.

As my right hon. Friend the Foreign Secretary said last week, there is considerable concern throughout the international community about the situation in Zimbabwe. The United Kingdom is greatly concerned about the situation there, but those concerns are shared by the whole of the European Union, by the African Union—sadly, those concerns have not always been expressed as loudly as they might be—by the United Nations and by the rest of the international community.

Ministers and officials are in constant contact with our African counterparts, emphasising the risks to regional stability and the importance of Zimbabwe's African neighbours taking a more direct role in addressing the crisis in Zimbabwe. The Prime Minister last week wrote to President Mbeki and spoke with President Kikwete of Tanzania on this issue. We recognise the difficulties in challenging Mugabe bilaterally, but without the engagement of the Southern African Development Community, with its commitment to promoting good governance and respect for human rights and the rule of law, the situation will deteriorate further. We therefore welcome the visit of the chair of the SADC Organ on Politics, Defence and Security, President Kikwete, to Harare on 15 March. With President Mbeki of South Africa, he has proposed an initiative to encourage internal dialogue between ZANU-PF and the Movement for Democratic Change on policy reform, but quick progress is necessary if that is to have an impact. Mugabe is a master of denial and delay. The Zambian President has recently called Zimbabwe a "sinking Titanic"—an apt description, indeed.

On the European Union, despite the claims of Mugabe about illegal economic sanctions imposed by the EU, let us be clear: the EU has no economic sanctions against Zimbabwe. They exist only in his mind. The EU does not prevent western companies, including British ones, from doing business with Zimbabwe, which in fact has a trade surplus with the UK. The EU does have an arms sales ban, and a travel ban and an assets freeze on leading members of the regime. While those targeted measures have had no impact on the Zimbabwean economy, they show that the EU is serious about human rights. Zimbabwean civil society organisations support those measures because they are focused on the destroyers of Zimbabwean society and not on its suffering people. As my right hon. Friend the Foreign Secretary told the House on Tuesday and the Prime Minister repeated the next day, we will look to add to these targeted measures. We are pushing for, and expect there to be, progress on the addition of extra names to the EU visa ban list, again pressurising the regime without impacting on ordinary Zimbabweans.

On the actions of the UK Government, let the House be clear: we are doing all that we can to relieve the suffering of the Zimbabwean people. The UK is one of the three largest donors to Zimbabwe, and, contrary to the claims of some, that money is making a real difference to the lives of ordinary people in

Zimbabwe. For some, that money is quite literally the difference between life and death, and the House should be proud of that contribution.

In the past five years, the Department for International Development has committed more than £143 million to humanitarian programmes, including food aid, life-saving vaccines, support for orphans and vulnerable children, and agricultural inputs to the poorest farmers. We have also provided £37 million to tackle the HIV/AIDS pandemic. Of the €200 million given by the EU last year, the UK alone disbursed nearly €60 million in bilateral assistance—hardly the actions of a country not interested in the affairs of Zimbabwe; far less one with a bilateral grievance.

As the Foreign Secretary made clear on Tuesday, our aid is channelled through United Nations and NGO agencies to escape the clutches of the regime. I want to stress that our food aid is not a part of the ZANU-PF programme to use food as a means to force support or to punish opposition. It is also clear that not only are innocent Zimbabweans suffering, but the tragedy in Zimbabwe is having a significant impact on the region: both a direct impact with mass migration, and a consequent social impact in terms of HIV, malnutrition, safety and the education of children, to name but a few factors. As Zimbabwe disintegrates, those impacts will increase.

The UK shares the region's desire to see Zimbabwe's recovery—there is no other UK agenda. Our concerns are for the ordinary Zimbabweans and their suffering at the hands of a regime determined to pursue policies that hurt rather than help them. We stand ready to help, with our international partners, but only when there is an environment inside Zimbabwe in which that assistance will be effective.

Until the Zimbabwean regime changes course, we will maintain the international spotlight on them, and increase Mugabe's isolation. In that vein, I welcome France's decision not to invite Mugabe to the February France-Africa summit, which sent a clear signal that this woeful governance will not be tolerated. However, as I and others, including the Prime Minister, have made clear, the Zimbabwean crisis cannot be solved by the UK. Those sentiments were echoed by the opposition leader, Morgan Tsvangirai, who told the BBC on 18 March:

> "I have repeatedly said that the British government cannot be seen to be at the forefront in confronting Robert Mugabe alone. I've always said that that will be misconstrued as a colonial resuscitation of the same situation again. So I always say that Britain, together with the rest of the international community, the African Union, and the rest of the international community have to act together."

So we in this House and elsewhere must be careful that, while expressing our outrage at recent events and at the downward spiral of Zimbabwe, we do not do or say anything that will hand a propaganda tool to Robert Mugabe. We will continue to exert pressure in international forums, including the United Nations —we expect a tough EU statement on the Human Rights Council this week, and a humanitarian briefing on the UN Security Council next week—the African Union and the European Union, and with international partners, until democracy is restored to Zimbabwe. We will continue to do everything that we can to ensure that whoever governs Zimbabwe does so in a way that guarantees a better future for all Zimbabweans: a democratic and accountable Government, and policies that ensure economic stability and development, not humanitarian misery.

My generation was the first to be born not as children of the empire, but as children of the Commonwealth. When I first became involved in political life, the struggle against colonialism, and the struggle of the peoples in southern Africa who were subjugated by racist regimes, were an inspiration to me and to my generation. As time went by, we celebrated as Rhodesia became Zimbabwe and the fighters came out of the bush to create a new democratic future for their people.

That is why it is so hard for me personally to watch what is happening in Zimbabwe today. Uniquely, the people whom we once cheered as liberators are now the oppressors who have taken away the voice of the Zimbabwean people. Brave Zimbabweans are speaking up for their freedom. They are looking to their African neighbours to help. We are playing our part in the international community.

In 1980, Zimbabwe proudly proclaimed its independence. Tragically, 27 years later, its people have still to gain their freedom.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I thank the right hon. Gentleman for the generous amount of time that he allowed the Opposition to have advance sight of his statement. I am sure that the whole House will join him in his condemnation of the Mugabe regime. Like the rest of the international community, we have been shocked by the regime's brutal tactics, the country's chronic food shortages and staggeringly high inflation and unemployment, and the increasing Government repression of all forms of dissent.

All Zimbabweans are suffering as a result of the Government-made, deteriorating economic, political and humanitarian situation, which has now become so desperate that Archbishop Pius Ncube, the Archbishop of Bulawayo, said last week that he was

> "ready to stand in front, even of blazing guns"

to force President Mugabe to step down.

I turn to some specific questions. Does the right hon. Gentleman agree that the international community's response to 27 years of Mugabe misrule, although well intentioned, has been unable to prevent the situation from deteriorating, and that decisive action is now needed? Is not it the case that, although the Government have done the things the Minister outlined today, they could have done more? What we are looking for now is that all his good words in the House today are matched by action.

I welcome the Minister's statement that the UK is pushing for additional EU sanctions. Will they include widening the scope of the assets freeze? We have heard the rumour that the financial sanctions currently affect only 400 bank accounts, covering £210,000. Surely the Government could do more in that respect.

Will people who have residence and visitor's permits in the UK and who are on the list of banned people have their permits and passports withdrawn? Will the Minister assure the House that no member of ZANU-PF, including President Mugabe and anyone on the EU sanctions list, will be invited to the EU-AU

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summit in Portugal later this year? If they were, it would make a mockery of the travel bans.

Will the Minister urge Zimbabwe's neighbours to make a concerted effort to resolve the crisis, and to exploit their many points of influence with the Mugabe regime? Will he now make the case that the consequences of a total collapse in Zimbabwe will fall heavily upon them and their regimes, and will he urge them to put pressure on the Mugabe regime to block the extension of his rule and engage in talks with the Opposition? Can he confirm that the UK is strongly conveying that message, particularly to the Government of South Africa? Is not it vital that the international community present a united front in pursuing a clear strategy that increases the penalties on the Mugabe leadership? Could he have a system of incentives and disincentives clearly linked to sanctions, so that the international community can ratchet up their actions? Can he confirm reports that the UK, along with other nations, is working with moderate members of ZANU-PF to discuss the possibility of agreeing a power-sharing transitional Government? Does he agree that any change in the Government will ultimately come from the actions of the Zimbabwe people themselves? Finally, does he agree that the international community should stand by, ready and planning to work as partners to lift and help Zimbabwe out of the unimaginable poverty in which it finds itself today as soon as genuine partners with whom we can work in Zimbabwe emerge?

Does the Minister agree that, like the iron curtain around the Soviet Union, once the tide starts flowing, it is unstoppable? Is not it high time for the 83-year old Mugabe to retire now?

Mr. McCartney: I thank the hon. Gentleman for his positive statement of support for the Government's strategy. All of us in the House, whatever our political persuasion, want to do everything possible to ensure engagement with South Africa and other front-line states, which is why the steps taken by the Presidents of Tanzania and South Africa in the past few days are important.

The hon. Gentleman is right to say that it is important that Mugabe see that it is not just the west, and Britain in particular, that is trying to get a regime change: it is a matter for the Zimbabwean people and those in the region. When Mugabe goes, he must be replaced with a regime that respects human rights and human dignity, and has the capacity to represent the interests of all Zimbabweans and all civil society.

The hon. Gentleman is right about another matter. Alongside working in that respect, it is important that the international community have a twin-track approach. It is important that Zimbabwe should not implode when its leadership changes. That means working as a united force—the UN, the south African states and the European Union—to ensure that, alongside the transitional change, arrangements are in place, first, to stabilise the country, and, secondly, to ensure that the transition benefits the Zimbabwean people and does not result in further dispersal, dispute and violence. It is important that we do those two things together.

On the targeted measures that the hon. Gentleman raised, I made it absolutely clear that we want to see further targeted measures and we are discussing that with our European Union colleagues and others. It is important that we do so. I will keep the hon. Gentleman and the Liberal Democrat spokesman informed—it is not a secret. As the hon. Gentleman acknowledged, I want to work with every party in the House to ensure that maximum pressure is put on the regime. That means working together and trusting each other to get the best result for the Zimbabwean people. That includes the issues about targeting.

The hon. Gentleman did not raise this point, but in the context of targeted measures, it is important to remember that, as well as a travel ban—I hope that we will add names to the travel ban—there is also an issue about some of the children the regime benefits from. As well as adding other names, it is important to consider seriously whether the children of the worst offenders should be included on the list. I assure the hon. Gentleman that we will consider that.

Let us be quite clear that it is critical that the EU-Africa summit take place, because we want to discuss good governance, regional peace and security, development and integration, education, health and immigration in Africa as a whole. We should not let Zimbabwe or Robert Mugabe capture that important agenda. I said what I said about France for a specific reason, and I want to be absolutely clear about it: I want the summit to take place—not as a platform for Mugabe, but as a platform for Africa to work with the European Union. The summit does not take place till November or December, so we should not make hasty decisions. We should work with our colleagues who will have the presidency at that time—the Portuguese Government—to ensure that the EU-African Union summit takes place. I hope that there will be a place there for Zimbabwe, but a different type of Zimbabwe.

Kate Hoey (Vauxhall) (Lab): Will my right hon. Friend say whether the Secretary of State found out anything more about the Angolan troop situation? Does my right hon. Friend share my regret at the seeming reluctance of the Commonwealth Secretariat to engage in Zimbabwe? Zimbabwe did not leave the Commonwealth; she was abducted by Mugabe, just as South Africa was abducted by Verwoerd. In the case of South Africa, the Commonwealth never accepted the abduction. The then Prime Minister of Canada said:

"We shall leave a candle in the window for South Africa."

Why does my right hon. Friend think that the Commonwealth Secretariat has been unwilling to leave a candle in the window for Zimbabwe?

Mr. McCartney: I checked up on the reports about Angola, because it was important to do so. The Angolan authorities tell us that the reports are completely false, but I know that hon. Members raised the issue legitimately and in the right spirit. We went back to our post in Rwanda and spoke to the Angolan authorities who said—I repeat—that the reports about troops were false.

We are working actively with the Commonwealth Secretariat. It is critical that not just the Commonwealth Secretariat, but our colleagues in the Southern African Development Community and in the African Union,

along with us in the European Union, make progress over the coming days to get the dialogue going about the situation in Zimbabwe so that it can move on to a new leadership, new politics and a new type society. As I tried to outline in my remarks to the hon. Member for Cotswold (Mr. Clifton-Brown), that should be done in a way that does not undermine further the ability of Zimbabweans to see through the crisis and get to a different place.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): I echo the comments of the hon. Member for Cotswold (Mr. Clifton-Brown) in thanking the Minister for an advance copy of the statement. The Minister has made a powerful case against Mugabe this afternoon and the whole House will be grateful to him for doing that. He did not pull his punches in his description of Mugabe's monstrous regime. I invite him to be more robust about the countries of southern Africa. Frankly, people are despairing at South Africa's softly-softly approach, in particular. Notwithstanding what the Minister said about Angola, it is alarmed by the past week's reports of closer security co-operation between the two countries.

Does the Minister agree that despite the sensitivities—we accept that humanitarian briefings in the Security Council are important—Britain has to force the pace on extending sanctions not only in the European Union, but at the Security Council, so that Mugabe and all his regime can be held to account? It has been reported today that to facilitate Mugabe's political demise, he might get some sort of deal letting him off the hook for all his crimes against humanity, which would surely be an appalling prospect for all of us. Will the Minister confirm that neither the United Kingdom nor the European Union would support such a tawdry arrangement?

Mr. McCartney: Let me take the hon. Gentleman's last point first. We are not holding discussions about giving immunity to Mugabe or any other member of the regime. However, our first act must surely be to assist efforts internationally and in the region itself so that we get to a position in which Mugabe is no longer in power. However, that should be achieved by the Zimbabwean people with the support of the international community. That will be an important first step, yet what happens after that, in terms of our contingency planning, ongoing support for the people of Zimbabwe and the problems flowing from the excesses of the regime, is important. I am not dodging the question, but as the hon. Gentleman indicated, we must ensure that South Africa and the other countries in the region—this is critically important—and China and other countries are in a position in which they will come along with ourselves and the European Union on multilateral action to resolve the situation in Zimbabwe once and for all. That is the priority. We must not provide anyone with a loophole or a bolthole so that things become more difficult than they are at the moment.

We will take each step in turn. The first step is to get momentum going with regard to what the hon. Gentleman said. That was why I was robust in negotiations to ensure that the Human Rights Council, which is sitting at the moment, debates Zimbabwe before its session breaks up in June. It will be important for us to pursue the matter in the Security Council early next week—of course, South Africa is its chair at the moment. Over the next few days, it will be critical for us to maintain our pressure on the international community to come together on Zimbabwe.

The hon. Gentleman asks us to be robust. I am robust as any Member, but I am acutely aware that I want to be robust in such a way that it will make a difference. I do not want to be robust and thus give someone an excuse. It is easy to get a clap or a nod of approval in here. As I said in my statement, we should not say or do anything that would give anyone the opportunity not to participate in this international effort to rid Zimbabwe of Mugabe.

Mr. Jim Cunningham (Coventry, South) (Lab): What countries will be represented at the regional conference and what issues will actually be discussed? It has been a long time since we first started thinking about tightening up the sanctions. Why has it taken so long to do that?

Mr. McCartney: The European Union sanctions are a matter for the EU as a whole. We will have to wait to find out what comes out of the debates in the Human Rights Council and the Security Council. However, my hon. Friend can rest assured that from our perspective, as I said in my statement and in reply to the hon. Member for Cotswold, we want to maximise our ability to extend the bans and to examine other measures. We want to take colleagues with us. It is important that the action is multilateral and that it is seen that that action is being taken by the international community, not just by ourselves.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): I served in 1979 to try to bring Zimbabwe back to democracy and I am horrified by the state that we are in now. I must say to the Government that I think that we have dragged our heels unnecessarily over the years. Does the Minister agree that surely the time has come to deal directly with South Africa and the other neighbours and to say to them very simply, as a process of limit diplomacy, that it is time for them to put real pressure on Zimbabwe? If they do not do so, perhaps we should examine again the programmes, such as aid programmes, that are going in their direction and say, "It's a two-way street. Either you act, or we act."

Mr. McCartney: I recognise the right hon. Gentleman's contribution in his previous roles, but I disagree entirely with his last remark. I am all for putting increased pressure on people in the region to take their responsibilities seriously, and that is why, as I said, the Prime Minister has already been in contact with President Mbeki and has already had discussions with the President of Tanzania, and there will be other such discussions to follow. However, what we cannot and will not do is withdraw our important international aid activity, whether it is dealing with HIV/AIDS in South Africa, or with pandemic AIDS and TB. We will not take action against the ordinary citizens of any country in Africa simply to get at Mugabe's regime. That is playing entirely into his

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hands, and that is the kind of suggestion that I tried to allude to earlier. Such suggestions are not only unhelpful, but are nonsense, given what we are trying to do.

Ms Sally Keeble (Northampton, North) (Lab): In view of reports that ZANU-PF might itself move to get rid of Mugabe, will my right hon. Friend set out the principles that the UK Government and others will expect from an incoming Government, particularly in respect of the move to full and free elections in Zimbabwe? Some of us are concerned that people in ZANU-PF who have benefited greatly from the regime might try to ensure regime change to protect their own position, whereas most people, obviously, want a move to a truly democratic Zimbabwe, with a return to peace and security for the millions of Zimbabweans.

Mr. McCartney: I am absolutely certain that there are some people within the regime who would like regime change but who would like to simply carry on with the policies that have led Zimbabwe to a position of international isolation. That country, which was able to feed itself, and which used to be the bread basket of Africa, now cannot even feed its own nation, and has an AIDS pandemic and a life expectancy of 34 years for a woman, and 37 years for a man.

Let me be absolutely clear that any regime change, which has to come from inside and not outside the country, has to result in a Government who recognise the human rights of all their citizens, who recognise opposition and the freedom of the press, who have the capacity to work with the international community to rebuild their shattered economy, and who have the ability to treat with respect and dignity all the people in Zimbabwe who want to make a contribution to the rebuilding of their country. No individual or organisation can simply take over and carry on as before. That is why it is important, as I said to the hon. Member for Cotswold, that alongside that effort, a second effort is made—an effort on the part of the international community to provide contingency plans on what support we can give to ensure that changes in government, and any transition that takes place, are sustainable on the grounds that I have set out.

Angus Robertson (Moray) (SNP): In associating the Scottish National party and Plaid Cymru with the Minister's description of the woeful circumstances in Zimbabwe, may I press him for details of the plan that he has mentioned a number of times? Surely it will take a plan of Marshall plan application to make a real difference to the country when regime change takes place. Does he not think that it is time to tell the people of Zimbabwe about the degree of commitment outside the country to helping them back to the circumstances in which they should live?

Mr. McCartney: I thank the hon. Gentleman for his remarks of support from the nationalist parties, and I accept them in the spirit in which they were made. Contingency planning is at an early stage, and I do not want to give the impression that I have an all-singing, all-dancing plan. What I am trying to allude to is the fact that, as well as bearing in mind the diplomatic issues to do with the regime, it is important that we do not simply wait until there is potential regime change, or indeed until there is a collapse, with all its consequences. We can already see the stresses and pressures on the front-line states around Zimbabwe as a result of migration and issues related to it. It is important that the international community, including the European Union, the United States and other large donors to Zimbabwe, think through what our contribution will be to assisting the transition to a democratic society and, with that, to preventing full-scale humanitarian disaster from occurring. That will be a huge effort.

For example, there are large numbers of elderly people in Zimbabwe, and given the collapse of the care system in Zimbabwe, what do we do to prevent those elderly people from becoming victims of any collapse? What do we do with young children, and what do we do in terms of restructuring, and in terms of those millions of people who have already left the country, and who need to return to be effective there? If they are to do so, a stable, incoming Government are needed. All those issues to do with contingency planning must be considered, as well as the issue of how the international community can best provide support for any new regime that takes over.

Keith Vaz (Leicester, East) (Lab): What discussions has my right hon. Friend had with the Home Secretary about the position of Zimbabwean citizens in this country? Last Friday at my surgery, three Zimbabwean citizens who had received letters from the Home Office asking that they be returned to Zimbabwe came to see me. They believe that they will be killed if they go back. Surely, now is the time, especially in view of my right hon. Friend's statement, at which we should not return people to that dreadful country. Will he meet the Home Secretary to discuss that as a matter of urgency?

Mr. McCartney: There are no forced returns of failed asylum seekers to Zimbabwe currently. Returns are suspended until the Asylum and Immigration Appeals Tribunal has made its judgment on a Court of Appeal case. We will continue to defer returns to Zimbabwe until that case is concluded, but we also continue to expect Zimbabweans who have no right to remain in the UK to leave voluntarily, and we encourage them to take advantage of the generous return and reintegration package. I do not have any details of my right hon. Friend's case, but if he sends them to me, I will deal with it personally in the way in which he has asked me to do.

Alistair Burt (North-East Bedfordshire) (Con): There are some 5,000 pensioners living in Zimbabwe who are world war two veterans and veterans of service with the Crown. Many of them are well over the age of 85, and they are being kept alive by charity. If there is a collapse of government and energy supplies, they will be at risk not within days or weeks but almost within hours. In addition to the measures that the Minister discussed a moment ago about longer-term contingency plans, can he assure the House something will be put in place almost immediately, because a collapse could take place tomorrow or the next day, and people will be vulnerable immediately? Are there plans for immediate support for people who look to Britain for support now, as they gave service to Britain so long ago?

Mr. McCartney: I thank the hon. Gentleman, again, both for his question and for the tenor of it. I alluded in a previous answer to the fact that a key area for us is the elderly, and some of them are exactly the type of individual citizen to whom he referred. Given that assurance, the question of how best we can deal not just with the situation now but one that deteriorates even further is under active consideration. We are providing assistance at this moment in time, particularly in private care homes, where there are extreme difficulties, as the continuation of funding is a problem. The matter is a priority for our high commissioner, who is looking both at what we can do in contingency terms inside the borders of Zimbabwe and at what other actions need to be taken in those situations where people are extremely vulnerable.

Chris Bryant (Rhondda) (Lab): When Chile suffered under the similarly brutal Pinochet dictatorship, we discovered that many British companies had been involved in providing the paraphernalia of repression to that Government—things such as riot police training, tear gas and so on. Is the Minister absolutely certain that no British company or British-domiciled person is in any way providing the paraphernalia of repression to Mugabe's regime, and will he make sure that no other European country takes part in that repression, either?

Mr. McCartney: There is an EU arms embargo, and it is critical both here and throughout the EU that companies respect it. It would be a breach of the embargo not to do so, but if my hon. Friend has any evidence of such action, I will investigate it. However, as far as we are concerned, there is a strong embargo that will remain in place and we may consider extending it.

Sir Nicholas Winterton (Macclesfield) (Con): The right hon. Gentleman has made the most outspoken criticism of the Mugabe regime that I have ever heard from a Minister in the House, and I congratulate him on it. Does he not agree that Mr. Mugabe has lost the support of the civilised world? He has lost the support of the overwhelming majority of African countries and of the majority of his own people—and even the majority in his own party—and is merely supported by a minority in his party. Can we not take a genuine initiative in dealing with African countries to indicate that we will do our best to help, if requested, in the supervision of free and fair elections in Zimbabwe, to help with food aid and all the other necessary things to help to remove the suffering of the people?

Mr. McCartney: For the second time in a week, I thank the hon. Gentleman for his kind remarks. There is nothing in his remarks that I disagree with. That is precisely what we are trying to do, in a multilateral way, where we play a very effective part, in order, first, to achieve democracy, secondly, to rebuild the country, and thirdly, to sustain the aid and support that we are giving and to extend that internationally. Fourthly, I cannot overemphasise the desire from the Prime Minister downwards in this regime to encourage South Africa and other front-line states to come up to the plate now. I am certain that that is happening. The important thing for us is to support it and take it forward, as I suggested in my opening statement and in my remarks since.

David Howarth (Cambridge) (LD): Further to the question from the right hon. Member for Leicester, East (Keith Vaz), may I bring to the Minister's attention the fact that I have a constituent who is still threatened with deportation to Zimbabwe? He is a man who is suffering from serious mental illness. As far as we can tell, there are no mental health facilities at all in Zimbabwe at present. Home Office Ministers have refused even to meet me about the case. If there is such a suspension as the Minister referred to, will he make sure that Home Office Ministers know about it?

Mr. McCartney: I understand the hon. Gentleman's frustration, but as I said to my right hon. Friend the Member for Leicester, East (Keith Vaz), I do not know the circumstances of the case. Irrespective of my ministerial responsibilities, I will raise the specific case with my Home Office counterparts. Hon. Members are entitled to see Ministers, whatever their responsibilities. There is an open-door policy in that respect. I will take back the hon. Gentleman's remarks and ensure that he receives an appropriate response from the Minister concerned.

James Duddridge (Rochford and Southend, East) (Con): Can the Minister confirm that Robert Mugabe's daughter, Bona Mugabe, is currently studying at the London School of Economics, and if so, can he say who is paying?

Mr. McCartney: On the first part of the hon. Gentleman's question, I understand that that is the case. On the second part, I am not certain so I cannot answer. I will write to the hon. Gentleman and place a copy in the Library of the House. In response to the hon. Member for Cotswold I said, without prompting, that we should seriously consider extending the travel ban to children and other members of the family.

Mr. Andrew Mackay (Bracknell) (Con): The Minister should be warmly commended for his robust criticism of the Mugabe regime and for pointing out that all the failings of Zimbabwe, which are causing such harm to its people, rest entirely with Mugabe and not with us or previous colonial rule. Does the right hon. Gentleman consider it significant that the Archbishop of York, who has huge regional experience, has said that South Africa is in denial on these matters?

Mr. McCartney: What the archbishop has done has been very helpful. Over the past few days and weeks—I do not mean just the past 10 days or the past fortnight—he and others have increasingly been speaking up and speaking out, demanding of South Africa and cajoling South Africa to take a more proactive role. That is exactly what has been happening in the past few days. That is why we must maintain and develop a relationship. That is why the Prime Minister has written to President Mbeki and why we have had discussions with the President of Tanzania. Further discussions will take place. It is critical, as the right hon. Gentleman said, to move to a point where those in

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the region take responsibility to assist the process of Mugabe leaving and getting a democratic, accountable Government in place.

John Barrett (Edinburgh, West) (LD): If the Mugabe regime comes to an end or if for any other reason there is free access to deliver humanitarian aid on the scale that it is required in Zimbabwe, what plans are being put in place now to make sure that there can be a rapid increase in the level of that aid?

Mr. McCartney: I thank the hon. Gentleman for that question. On 23 March, we hosted in the Foreign and Commonwealth Office a meeting of 10 countries to discuss contingency planning—the United Kingdom, Germany, Sweden, the Netherlands, the United States, Canada, Australia, Norway, New Zealand and the European Commission. Those are the key donors in the region and also those which have representation in Harare. So we are already thinking about the twin-track approach that I spoke about in my statement.

Sir Patrick Cormack (South Staffordshire) (Con): Will the Minister consider talking to the Foreign Secretary, because one of them should go to South Africa during the forthcoming recess with the Archbishop of York to talk to Nelson Mandela, Desmond Tutu and other prominent South Africans who have spoken out to try to put some pressure on the South African Government, who have the key?

Mr. McCartney: To stop the hon. Gentleman fretting, I should say that I speak to the Foreign Secretary every day on a range of matters. [Hon. Members: "Commiserations!"] Hon. Gentlemen should not be so churlish. There will be a range of diplomatic activity, as there is now, and it will include ministerial involvement. As part of what I have promised the Conservative and Liberal Democrat Front Benchers, I will keep them abreast of continuing events, including ministerial engagement.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): May I ask the Minister whether officials have consulted the International Criminal Court on whether charges can be formulated against Mugabe and his chief lieutenants? Although that might not lead to an actual prosecution, it would be a deterrent. On any view, Mugabe's activities, while not as grave as those of Milosevic, are similar in kind.

Mr. McCartney: That is a similar question to the one asked by the Liberal Democrat Front-Bench spokesman, the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore), although perhaps it is more direct. The ICC is the next stage; the first stage, which we must concentrate on, is the process of engaging with front-line states and people internally in Zimbabwe to get a new regime and a new Government following agreed democratic principles. Any issue that arises after that will be for discussion. This Government are the biggest supporter of the ICC. We have already resisted efforts not to have it operate in Darfur—where there has been clear potential for its activities—and in northern Uganda and other areas. We are big supporters of the ICC, but I would rather not speculate at this stage, when the priority is clearly the international effort working with South Africa, Tanzania and others to ensure a transition from Mugabe to democratic government in Zimbabwe.

Mr. Andrew Robathan (Blaby) (Con): Although I commend the Minister for his robust condemnation of the Mugabe regime, I am not alone in the House in thinking that the statement was one of the most empty that I have heard. I ask for specific action. I have a report that a Chinese-registered ship docked last week in Mozambique at Beira and off-loaded small arms destined for Harare. I have another report that a team of Israelis are going to Harare to advise on demonstration control and that, furthermore, they are sending tear gas from Israel to Harare to support the Government there. Will this Government investigate whether those reports are true, and if so raise the matter at the highest level with the Governments of Mozambique, Israel and—[Hon. Members: "China"]—China? Will they also ensure that such matters are raised at the United Nations and by the European Union, too?

Mr. McCartney: The hon. Gentleman was rather churlish in saying that the statement was empty: helping to keep millions alive with £120 million-worth of aid is not empty rhetoric; helping to fight Zimbabwe's AIDS pandemic is not empty rhetoric; supporting all those working for democratic change is not empty rhetoric; helping to isolate Mugabe on an international basis is not empty rhetoric; pressing the African Union to support efforts to allow the people of Zimbabwe to remove Mugabe is not empty rhetoric; and pursuing the United Nations to increase pressure through the Security Council and the Human Rights Council is not empty rhetoric. The hon. Gentleman can by all means criticise, but he should do so on the basis of logic and not make partisan political points.

Ann Winterton (Congleton) (Con): The Minister will be aware, as is everyone, that Zimbabwe is on the brink of both economic and institutional collapse. Is he aware that this could bring the country to collapse much more quickly and that, given what he said, we are apparently unprepared for what might happen? If at its meeting this week ZANU-PF's central committee refuses to have Mugabe as the sole candidate in the forthcoming elections, and if at its own meeting in Tanzania the Southern African Development Community then votes for change, collapse would come even more quickly. What is the free western world going to do to help the people of Zimbabwe in these circumstances?

Mr. McCartney: I thank the hon. Lady for her question; her points are well made. Such points are why I set out in my statement what we are doing and will continue to do, and the contingency planning that I set out in the meeting that was held in my Department on 23 March. We are well aware of the movement in the situation. Hon. Members may rest assured that all that we can do, ourselves and by working with the international community, will be done.

The infrastructure in Zimbabwe is now significant, and we are putting in significant resources. I do not in any way underestimate the difficulties that would be caused, not just in Zimbabwe but across the region, if the country were to go into free fall. That is why it is critical that we work in unison with the region to get a

transition from Mugabe to a new Government in a way that does not cause total disruption or a complete implosion of society in Zimbabwe, difficult though that is. I assure the hon. Lady that all our efforts and aims are to that effect.

John Bercow (Buckingham) (Con): When visiting Zimbabwe in February 2004 I was privileged and inspired to meet the distinguished human rights lawyer, Beatrice Mtetwa. Given that on only Tuesday of last week Beatrice was again brutally assaulted by police officers when seeking to serve court papers on them, is it not now time that South Africa led a united international community in issuing to Robert Mugabe a very simple message: "Quit now and count your lucky stars if members of the MDC are willing to be bigger in dealing with you than you have ever been in dealing with them"?

Mr. McCartney: The hon. Gentleman takes a great deal of interest in these issues. The lady concerned is an extraordinary person; every day could be her last. Such is the regime's disregard for human rights that it is not just those who want to campaign for rights; the attack is on the defenders of human rights too. That is why we have put substantial financial resources into supporting those human rights defenders—in addition to the other resources. I do not say that in a partisan way; I just want to make it clear that we are helping to resource their activities as well.

In the past few days, South African Minister Pahad made a substantial move forward, saying:

"South Africa urges the Zimbabwean government to ensure that the rule of law including the respect for rights of all Zimbabweans and leaders of various political parties is respected".

They seem few words, but in terms of what has gone on in the past they represent a significant step forward. We hope to build on that, particularly in view of what the Prime Minister has set out in his letter to President Mbeki, and the discussion and debate that we are having with the South African Government at various levels and with the President of Tanzania.

Tony Baldry (Banbury) (Con): Further to the question raised by my right hon. and learned Friend the Member for Sleaford and North Hykeham (Mr. Hogg), the arrest and arraignment before a UN international court of Charles Taylor of Liberia creates the clear precedent that no Head of Government or Head of State is immune to trial by the international community for crimes against humanity.

The Minister may reflect that he might send out the wrong signal. It needs to be made very clear that Mugabe could be arraigned before the International Criminal Court for crimes against humanity. That is not a matter for us; it is a matter for the ICC. The fact that he is a Head of State or a Head of Government no longer gives him immunity, and we must make it clear that where Heads of State or of Government trespass beyond what is acceptable in the 21st century, they will be brought to justice, as, hopefully, will Charles Taylor of Liberia.

Mr. McCartney: I do not think that I could be any clearer about the Government's support for the ICC. Its creation means that for the first time the world community is saying, in international terms, that there is no impunity for some of the activities of the most despotic leaderships of the world. That is why we took action in accepting international responsibility for Taylor when his trial comes and for the end of the trial; why we have been so firm with the Justice Minister and others in Darfur about their responsibility to work with the ICC; and why we have been so firm as regards the situation in northern Uganda. This Government are at the forefront of supporting the ICC. As for sending the wrong signal, the first signal that we need to send concerns the need to get a transition from Mugabe's regime to a democratic regime and to do so not in a way that undermines its people's capacity to have a country that does not implode but that, with international support, goes from strength to strength in very difficult circumstances.

Mr. Henry Bellingham (North-West Norfolk) (Con): There are 4 million Zimbabweans in political exile abroad, 295,000 Zimbabweans were displaced during the farm seizures, and a staggering 700,000 were internally displaced during Operation Murambatsvina. Surely one of the key issues is that of protecting the votes of those Zimbabweans in future elections.

Mr. McCartney: The hon. Gentleman is right. That is why it is critically important that, working with the international community, any change in regime is to a Government whom we recognise as democratic and accountable to the citizens of Zimbabwe, and where there is a fully fledged Opposition working in the context of free, transparent elections. That is all part of the process. In the coming weeks and months, the first priority must be to ensure that we are able to take forward the momentum of South Africa's and Tanzania's engagement to secure a future for the Zimbabwean people that excludes Robert Mugabe.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): If there is a total collapse in Zimbabwe, what specific plans does the Minister have for the 12,000 British citizens who live in that country? When will his Government finally take way Mugabe's honorary knighthood?

Mr. McCartney: The honorary knighthood was given in 1994 by then Prime Minister Major. It is a source of angst and something that we may want to consider at some point. However, it is a third order issue in relation to the issues that we need to resolve. It sounds good, but it is a bolthole, and we must try not to provide Mugabe, or any of his supporters inside or outside the country, with any bolthole, but concentrate our efforts on having a regime that will take on responsibility for the citizens of Zimbabwe in a democratic way.

I cannot make any plainer the contingency planning that we need to do as an international community. This is an evolving situation. However, I gave the House a commitment, and I give it again: I will come back to the House as the situation evolves. In the meantime, I will keep Opposition Front Benchers in constant touch with what I and other Ministers are doing.

Point of Order

4.42 pm

Sir Nicholas Winterton (Macclesfield) (Con): On a point of order, Mr. Deputy Speaker. The integrity of this House is very important, as I am sure you would agree. I understand that over the weekend there was publicity about a certain report by the Standards and Privileges Committee, which may well be published tomorrow, about the use of banqueting facilities in this House. Is it right that a report that has not yet been made to the House should become public knowledge? I ask you to investigate.

Mr. Deputy Speaker (Sir Alan Haselhurst): It will surely be taken as a serious matter, but it must in the first place be for the Committee itself to investigate whether its confidentiality has been breached.

Orders of the Day

Order read for resuming adjourned debate on Question [21 March].

AMENDMENT OF THE LAW

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.—*[Mr. Gordon Brown.]*

Question again proposed.

Budget Resolutions and Economic Situation

4.43 pm

The Secretary of State for Environment, Food and Rural Affairs (David Miliband): I am delighted to open this third day of the Budget debate on the economy and the environment. It provides an opportunity to explore two key themes that will be central to our prosperity in the years ahead: first, the drive to build a low-carbon economy at home; and secondly, the need to maximise our contribution to the development of effective systems for emissions reduction around the world.

The Budget took important steps forward on curbing domestic emissions and contributing to international emissions reduction. It complemented measures in previous Budgets and pre-Budget reports, the Climate Change Bill and European negotiations. It set the stage for further measures in the next few months in the waste strategy, the energy White Paper and international discussions and negotiations, first in the G8 plus 5 in June and subsequently in the United Nations framework.

Vice-President Al Gore said—*[Interruption.]* The hon. Member for Cambridge (David Howarth) says that he spoke to him yesterday. I congratulate him on his choice of dining partners. The vice-president, who is recognised as an authentic voice on climate change, said that United Kingdom citizens should be proud of their record in contributing to the global fight against climate change. The starting point for the debate is, therefore, the UK's record so far and international evidence on the science and politics of climate change.

UK greenhouse gas emissions, including emissions trading in 2005, the latest date for which data are available, were nearly 19 per cent. below their 1990 levels. The figure for carbon dioxide is 11 per cent. Since 1997, greenhouse gas emissions, including reductions achieved through the European Union emissions trading scheme, are down by 11 per cent. For carbon dioxide, the reduction—including through the EU ETS—is 4 per cent. Only the countries of central and eastern Europe, the economies of which have undergone a process of restructuring since 1990, match the UK for the scale of emissions reductions.

Our carbon reduction goals have not been fulfilled through economic austerity. In this country, we have enjoyed 58 successive quarters of economic growth. Our inflation, according to the internationally recognised measuring standard, has been the lowest in the G7 countries in the past 10 years. Since 1997, our interest rates have been half the 11 per cent. average of the previous 20 years. Employment is at a record high, and, all the while, greenhouse gas emissions have fallen. In other words, we have given the lie to the old choice of environment versus economy.

Martin Horwood (Cheltenham) (LD): The Secretary of State is proud of the Government's record, but is not a large part of meeting the targets due to the dash for gas? Is not the trend in CO_2 emissions and greenhouse gas emissions as a whole now upwards?

David Miliband: The latest figures for the household sector show that emissions are declining. I am happy to address the question about the dash for gas. It is true that the switch to gas reduced our CO_2 and greenhouse emissions, in the same way that rising gas prices in the past three years have led to an increase in CO_2 emissions.

Mr. Peter Ainsworth (East Surrey) (Con): Anyone listening to the Secretary of State might be misled into believing that the Government were meeting their environmental targets. Can he name a single target, other than the Kyoto target, which is being fulfilled largely because of the dash for gas, that is being met? What about the renewables target, the energy efficiency target, the biofuels target?

David Miliband: What have the Romans done for us other than created a new civilisation? Other than fulfilling the international standard, which is to reduce our greenhouse gas emissions by 12.5 per cent., I am happy to provide examples. What about our recycling commitments? When we came to office, this country was rightly perceived as a throwaway society, with 4 or 5 per cent. of waste going into recycling. The figure is now 27 per cent., which beats the target that we set. I am sorry that the hon. Gentleman has decided to start the debate in a rather churlish spirit because he and I agree that the UK has a good record by international standards, but that it has to do better. It would better become him if he admitted that.

The old choice was between the environment and the economy. The new choice is between low and high carbon development. Reducing emissions powers our economy forward, with 400,000 people working in environmental industries, compared with 170,000 only five years ago. Venture capital is moving into environmental industries, with London's alternative investment market becoming the market of choice, listing more than 60 clean technology companies with a combined market capitalisation of more than £4 billion.

Meanwhile, Lehman Brothers—[HON. MEMBERS: "It is pronounced "Leeman."] I say "Leyman", they say "Leeman"—I think we are talking about the same company. *[Interruption.]* Since I am British, I pronounce it "Leyman"; since they are American, they pronounce it "Leeman". However, we are talking about the same company of Lehman Brothers—the distinguished bank, which, I am pleased to say, has many operations in this country. It states that climate change is inexorably becoming one of the major forces that shapes business, and that that presents new opportunities and enables new business to appear and develop. But while we have broken the link between economic growth and carbon growth, we know the country as a whole—Government, businesses and individuals—has to do better. That is the rationale behind the climate change Bill, which I look forward to debating in the House, and also for the measures in the Budget and further measures to come.

Mr. David Heath (Somerton and Frome) (LD): I want to ask about aggregates tax. The right hon. Gentleman and I agree that we need to reduce the use of non-sustainable resources, but given that the prime driver is transport costs, is there any evidence to suggest that the aggregates levy has actually reduced the take of virgin stone or increased the use of recycled stone? Will not removing the direct environmental benefit for the local communities affected by quarrying create a pointless levy?

David Miliband: The short answer to whether there is any evidence is yes, but it might be best if I write to the hon. Gentleman to provide the extensive details, some of which, I think I am right in saying, were published in the Red Book last week. They show some of the changes made, but I will happily write with further details.

For the UK, there are four main sources of greenhouse gas emissions: electricity, heat, transport and waste disposal. Each needs to be addressed by a combination of Government, business and individual action. That is what the Government are determined to do. Let me start with electricity and heating supply.

It is remarkable that we can deliver more than 1 million tonnes of carbon reduction from the decision to make the UK the first country in Europe to phase out all high-energy light bulbs. Further significant reductions will come from consumer electronics and from reducing the power consumed in wasteful standby mode. Renewable energy, including wind energy, will cut carbon and a continued nuclear contribution is also important. "Wait and see" is not a sufficient policy in this area, but to drive down energy-related emissions we need to go further in respect of the business sector and households.

The business sector accounts for 40 per cent. of all carbon emissions. I am pleased that large businesses and large emitters are now covered by the European Union emissions trading scheme, covering nearly half of all carbon emissions in this country—and more than half if aviation is included. For medium emitters, we are consulting on an energy performance commitment, but small business needs high-quality advice on energy reduction. That is why the Chancellor announced that the regional development agencies are increasing their expenditure on environmental and energy efficiency initiatives from £140 million to £240 million over the next year. In addition, all firms, whether or not they are in taxable profit, will have access to an enhanced capital allowance for more than 14,000 energy-saving and water-efficient products.

[David Miliband]

Households constitute 34 per cent. of electricity emissions and changes in building regulations have raised energy efficiency standards by 40 per cent. since 1997, which is worth more than 1.5 million tonnes of carbon every year by 2010. We have reformed the planning rules for wind turbines so that they are no more difficult to install than a satellite dish, and we are committed to help all householders take advantage of cost-effective energy efficiency measures. We also believe that individuals should be able to export electricity more easily to the grid, which is why Ofgem is conducting a special study of how we can better reward people for taking the step of becoming an electricity producer, not just a consumer.

Peter Luff (Mid-Worcestershire) (Con): Has the Secretary of State given any consideration to the Trade and Industry Select Committee report and its proposal not to levy council tax increases on households that choose to carry out the sort of actions that he is now praising?

David Miliband: Under the energy efficiency commitment, council tax—or reductions in it—are already being used as incentives for such energy efficiency commitments and I certainly intend to work with my right hon. Friend the Secretary of State for Trade and Industry, whom I see by my side on the Government Front Bench, to ensure that an appropriate response is made to the Select Committee's work.

We also know that the fight against global warming needs new technologies such as carbon capture and storage. The principle is simple: instead of carbon dioxide from fossil fuels being released into the atmosphere, it is captured at source and stored safely underground. The results are transformational, with about 85 to 90 per cent. of carbon emissions removed from coal-fired power stations. The requirement is now urgent, which is why we are determined to have a demonstration plant in the UK, why a competition is now being launched by the Secretary of State for Trade and Industry, and why we want to show the world, especially developing countries, that this is not a technology to fear, but one to embrace.

The third main area of transport represents around a quarter of carbon dioxide emissions. The pre-Budget report made commitments in respect of aviation that will save the equivalent of 750,000 tonnes of carbon a year by 2010-11, but surface transport—mainly from cars, vans and lorries—is 93 per cent. of the total.

Mr. Nick Hurd (Ruislip-Northwood) (Con): On aviation, will the Secretary of State confirm that he argued to the Chancellor of the Exchequer that VAT should be introduced on domestic flights and, if so, why does he think he lost the argument?

David Miliband: I am glad that the hon. Gentleman raised that issue. One of the joys of the real world of government, rather than the dream world of opposition, is that collective discussion sorts out the best proposals from the not-so-good proposals. That is why—*[Interruption.]* If Opposition Members will contain themselves, that is why I was delighted that the Chancellor embraced the air passenger duty proposal, which was in the same letter about which the hon. Gentleman is so excited.

Mr. Brooks Newmark (Braintree) (Con): Will the Secretary of State therefore confirm that he will follow the example of the Leader of the House and join the Chancellor's campaign team?

David Miliband: I have not yet been asked to join the campaign team, but I assure the hon. Gentleman, who will be concerned about the issue, that, as I have said for three years, the Chancellor of the Exchequer is an outstanding Prime Minister in waiting, and I believe that he will do outstanding service for the country—[Hon. Members: "As Chancellor or Prime Minister?] As Prime Minister—for some reason, there are some suspicious minds in the House. I am happy to assure Opposition Members that the Chancellor of the Exchequer will be sitting on this side of the House as Prime Minister for a long time to come.

Surface transport accounts for 93 per cent. of the total, mainly from cars and lorries. It is right that we give incentives to all individuals to choose fuel-efficient ways of motoring. Were every car owner to purchase the most efficient vehicle in their current class of car, average CO_2 emissions across the UK fleet would fall by 30 per cent. The commitments on fuel duty, over the three years, make that choice more likely. We predict that they will save 160,000 tonnes of carbon a year by 2016. Fuel-efficient cars in band B have CO_2 emissions of about half those in band G. We now have a graduated vehicle excise duty system, so that cars in band G will next year face a tax rate of more than 10 times the level for band B.

Mr. Ben Wallace (Lancaster and Wyre) (Con): While it is perfectly laudable to try to reduce inappropriate use of vehicles, such as 4x4s, perhaps in the city, does the Secretary of State recognise that the measure is rather unfair to those of my constituents who are farm labourers, shepherds and uplands farmers, who must use 4x4s for their job? Checking the sheep at 4 am in a Nissan Micra is totally inappropriate. Does he recognise that the proposal is too blunt an instrument?

David Miliband: I am sure that the hon. Gentleman is as delighted as I am that there is a lower poverty rate in rural areas than in urban areas, and that poverty is falling faster in rural areas than in urban areas.

Mr. James Paice (South-East Cambridgeshire) (Con): Will the Secretary of State address the issue raised by my hon. Friend the Member for Lancaster and Wyre (Mr. Wallace)? The issue is not poverty in rural areas, although we know from the Government's own advisers that 20 per cent. of rural people live in poverty. The reality is that many thousands of people require powerful engines for their work—towing trailers, four-wheel-drive pick-ups and so on. Of course we need to stop the use of 4x4s—although the issue goes beyond 4x4s—in wholly unnecessary circumstances. But does he accept that it is necessary to devise a new class for those who genuinely need a powerful engine as part of their work, and who might fall foul of the regulations? Will he discuss that with the Chancellor?

David Miliband: The hon. Gentleman speaks on these matters with expertise and commitment, and I take his point seriously. Obviously, we think that the principle of a graduated VED system makes sense. Different people have to make different choices for all sorts of reasons. This is not about forcing Nissan Micras down the throats of farmers, as was suggested earlier. However, if we are to have a graduated system that does not become impossibly complex to administer—for example, many people in rural areas might have a larger car but will not drive it only in that area—there will always be a balance to be struck with simplicity. I am sure that he would not want an over-bureaucratic scheme. If he wants to write to me or the Chancellor, however, or if the hon. Member for Lancaster and Wyre wants to make a specific proposal, we will consider it seriously. We try to strike a balance between the environmental, economic and social parts of the equation. A simpler system is always an advantage.

Mr. Newmark: Does the Secretary of State accept that VED is still a tax on ownership and not usage? Surely we should have a strategy under which the polluter pays. That should drive our strategy.

David Miliband: The hon. Gentleman makes a good case for the measures across the board that the Chancellor announced last week. I look forward to him persuading his own Front Benchers to set out their position on fuel duty, which has not been clarified.

We also need to explore the scope for a large-scale shift away from fossil fuel-based transportation. For reasons of environmental and economic security, it is right that we look to a future in which we no longer use petrol to get around.

Kelvin Hopkins (Luton, North) (Lab): On that important point, is my right hon. Friend aware that road freight pushes out 12 times as much carbon dioxide as the equivalent rail freight? It would be a tremendous advantage if we could get more freight on to rail. In that respect, will he support the scheme that I proposed, in an Adjournment debate, to build a railway line from Glasgow to the channel tunnel? The railway line would be dedicated to rail freight, link all the industrial areas of Britain and take 5 million lorries off the roads every year.

David Miliband: I believe that there has been a 35 per cent. increase in passenger numbers on the railways and an almost equivalent increase in freight numbers—I am happy to write to my hon. Friend with the details. Tempting as it is for me to do the job of the Secretary of State for Transport, the fairest thing that I can say is that I will look at his scheme. No doubt, my right hon. Friend will also consider it.

Countries such as Brazil decided, about 25 years ago, to shift away from fossil fuel-based surface transport methods. The Chancellor has asked Professor Julia King to work with Sir Nicholas Stern to look into the benefits of taking carbon out of surface transport over the next 25 years by using electric or hydrogen-powered cars. My right hon. Friend the Transport Secretary will shortly announce the terms of reference of that work.

My final point on domestic emissions is that the methane that comes from landfill is 23 times as powerful a greenhouse gas as CO_2. That is why we have had the landfill tax for the past 11 years, which has helped to achieve a 25 per cent. reduction in the amount of waste that is sent to landfill. However, with the rate of increase at £3 per tonne, the incentives are not yet right for a fundamental shift away from landfill, which is why the tax will rise by £8 per tonne every year from April 2008 until at least 2010-11. That should save greenhouse gas emissions of at least 200,000 tonnes of CO_2 equivalent per year. *[Interruption.]* An hon. Member says from a sedentary position, "No, it won't", but I am happy to provide details to show how the landfill tax, which was introduced by a Conservative Government, has worked. I suggest that Conservative Back Benchers take a few lessons from their Front Benchers.

Mr. Greg Hands (Hammersmith and Fulham) (Con): Will the Minister give way?

David Miliband: I am answering this point. The money is recycled, so hon. Members can rest assured on that.

Joan Walley (Stoke-on-Trent, North) (Lab): Will the Minister give way?

David Miliband: Two people want to hop in. I will give way to the hon. Member for Hammersmith and Fulham (Mr. Hands) first.

Mr. Hands: I am glad that that the Secretary of State mentioned landfill tax. What funding will be available to help local authorities to meet their obligations under landfill tax in the coming years?

David Miliband: I am afraid that the hon. Gentleman will have to wait for the comprehensive spending review for details of funding for the years from 2008. He will know that the position until then has been set out in previous Budgets and spending reviews.

Joan Walley: I rose to help my right hon. Friend out because it seemed as though we would not get any response from the Opposition. The Staffordshire Environmental Fund is keen that there should be an increase in the landfill tax because of the good work that is being done to aid recycling and environmental schemes as a result of the tax. That is a very welcome outcome of the Budget.

David Miliband: My hon. Friend, who sits on the Select Committee on Environmental Audit, is right. I thought that the landfill tax had cross-party support, so I am surprised by the earlier sedentary comment. We will have to put certain Conservative Back Benchers down as sceptics, if not opponents, but I assure them that the scheme is very good.

I read in the newspapers that some people believe that it was a landmark decision to move away from landfill. Many companies pursue a zero landfill waste policy, which is a good thing.

Mr. Peter Ainsworth: The Secretary of State has been very generous in giving way. Just for the record, the landfill tax was introduced by the Conservative Government. We support it and we support what the Government are trying to do with it, but does he

[Mr. Peter Ainsworth]

recognise that one of its consequences is increased fly-tipping, responsibility for which should fall within his Department? What initiatives is he taking to ensure that an increase in the landfill tax does not lead to an increase in fly-tipping?

David Miliband: The hon. Gentleman may not have memory on his side, but Labour Members recall his opposition on Second Reading to the Clean Neighbourhoods and Environment Act 2005, a measure that was designed to tackle precisely that problem. I suggest that he does not tie himself in any further knots.

Chris Huhne (Eastleigh) (LD): I welcome the increase in landfill tax because of the likely consequence of a reduction in methane emissions, but can the Secretary of State give us an estimate of the overall impact on greenhouse gas emissions of the measures announced in the Budget? How large a cut will they lead to, in percentage terms?

David Miliband: I do not have the figure to hand, but the hon. Gentleman can tally up the millions of tonnes of carbon represented by the announcements that I have made in my speech, and I shall be happy to send the figure to him later.

David Howarth (Cambridge) (LD) *rose—*

David Miliband: Perhaps the hon. Gentleman has been tallying up, but let us make this the last intervention.

David Howarth: I am sorry to disappoint the Secretary of State, but one difficulty with "tallying up" the environmental effect of the Budget is the precise result that the Government intend with their alterations to the climate change levy. The Red Book appears to give no figure for carbon saving from the package. Are the measures in the Budget designed merely to hold the savings level, or are they intended to make any change? If they are not intended to cause a reduction, why not?

David Miliband: The climate change levy has been raised by inflation, and the associated climate change agreements work with it. I understand the hon. Gentleman's difficulty with calculation in respect of some of the changes. Obviously there is an arithmetical relationship between tax and output, but my experience of talking to businesses suggests to me that the climate change levy and the associated agreements are causing them to take a whole new attitude to the way in which they deal with energy. In other words, the climate change levy—which, as I shall make clear later, has saved about 16 million tonnes of carbon so far—has had a bigger effect than an arithmetical calculation might suggest. To put it more simply, it has resulted in a cultural as well as a fiscal change.

I want to say something about the international part of the agenda. We know that, as well as helping to build a low-carbon economy at home, we must contribute to further emissions reductions abroad. Our commitment to European action is central to our vision of the low-carbon economy of the future.

The European Union can regulate across markets worth 475 million citizens, minimising the competitive disadvantage for any one country. It can bring together a negotiating bloc that is powerful on the world stage. It can create and use carbon markets to drive emissions reductions in Europe—markets that are worth billions of pounds in carbon finance for the developing world.

We are determined that London will be the centre of the European and global carbon market. Thanks to the resolution of the dispute with the European Parliament, we can release common agricultural policy funds to our farmers to help environmental stewardship and rural development across our country. I will make further announcements about that later today.

Angus Robertson (Moray) (SNP): In raising the European Union, the Secretary of State acknowledges that many decisions on these issues are now made in the Council of Ministers, but this is, in United Kingdom terms, a devolved matter. Can he tell us how many of those Council of Ministers meetings he has attended in the presence of a Scottish Executive Minister?

David Miliband: The short answer to that question is no, but I shall be happy to find out.

Mr. Hands: Does that mean "no", or does it mean "none"?

David Miliband: I have been to many meetings of the Council of Ministers. I do not know whether the hon. Gentleman is deliberately misleading the House, or deliberately misunderstanding what I said, but I shall be happy to find out how many such meetings I have attended.

I can remember Scottish Ministers being present at meetings. I sit on the council of environment Ministers as well as the council of agriculture Ministers. What I can tell the hon. Member for Moray (Angus Robertson)—and I am sure that it will interest him—is that the clout of all parts of the United Kingdom is all the greater for a United Kingdom presence at the negotiating table, rather than a splintering of our efforts. *[Interruption.]* I said that I would find the exact number. I do not want to name a number of meetings that Scottish Ministers have attended, and then for that to turn out to be wrong. I want to reply to the hon. Gentleman later to ensure that he has an accurate answer.

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I hope the Secretary of State will not allow himself to be put off by sedentary comments which are not helping the debate from either quarter.

David Miliband: Thank you, Mr. Deputy Speaker.

We know that we need to effect change further afield. Carbon finance—the product of emissions reduction commitments in richer countries—will help, but we also need Government leadership. It was announced in the Budget that there will be an £800 million international window for the environmental transformation fund to help developing countries deal with climate change, get access to clean energy and

tackle unsustainable deforestation. The poorest countries will be the most vulnerable to the effects of climate change, and we have a duty to support them and to help them to participate in the global transition to a low-carbon economy. Deforestation accounts for about 18 per cent. of global greenhouse gas emissions.

That is why it is right that the first £50 million of the fund will go to support proposals made by 10 central African countries to help protect the Congo basin's forests and people. I am not sure whether the significance of that announcement has been appreciated. The forests of central Africa contain an amount of carbon equivalent to about 4 years of global emissions. If that carbon is released, all our futures will be affected. If it is safeguarded in those rainforests, we will all be protected.

Adam Afriyie (Windsor) (Con): It strikes me that the European Union might introduce measures along the lines of the emissions trading scheme, which placed tax burdens on British citizens. Will the Secretary of State give a commitment that, if that is the case, the taxes that he has created—in respect of air passenger duty, for example—will be reduced to offset the taxes from the EU?

David Miliband: That would be a very disappointing commitment for the following reason. The European emissions trading system has had support from all parts of the House, as well as from business and industry. The recently published UK manifesto for the future of the European emissions trading scheme got part of its strength from the fact that business, non-governmental organisations and all parties in this House supported it. The market mechanism that has been established ensures that those who are environmentally thrifty are rewarded, and that those who are not have to pay. That seems to me to be a very good principle to establish.

Mr. Paice: The Secretary of State is right in what he says about deforestation, and we all want to prevent that from happening, of course. However, that raises an issue to do with the renewable transport fuel obligation. As he knows, there is widespread concern that if we are not careful we will meet that obligation simply by sucking in ethanol from Brazil and palm oil from Indonesia, with both of them taken either directly from land that was rainforest or by domino effect. When does he expect the Government will announce their criteria for meeting our targets in this regard, using sustainability objectives and others that will prevent those imports?

David Miliband: The hon. Gentleman raises an important point, but we are consulting now on how we can make this work. He might be thinking about the European side of this matter. As a result of our interventions, and those of others, the European commitment on biofuels requires steps to be taken in a sustainable way.

At the G8 meeting in June and the UN convention in December, the UK will be able to argue for a global emissions reduction deal on the back of landmark proposed domestic legislation in the draft Climate Change Bill, significant domestic action and world-leading commitment to international help. The hon. Member for East Surrey (Mr. Ainsworth) said last month, at a joint forum at which the Government and the Liberal Democrats were also represented, that the foundation of his approach—the lodestar of his policy and the reason why he could be trusted in the battle against climate change—was that he believed in conservation. However, we will never achieve a low-carbon economy by becoming a preservation society. The old ways are the problem; they are not the solution to climate change. What our carbon-fuelled economy needs is not conservation but change.

The hon. Gentleman says—and I believe him when he does so—that he has no time for climate change deniers, but I therefore have to ask him to have a word with the hon. Member for Woodspring (Dr. Fox), who speaks for his party on defence and who says, astonishingly, that

"there's evidence on both sides, I don't think anyone actually knows what the real causes are".

We know from the scientists that they are 90 per cent. certain of both the nature of climate change and its causes. I hope that the hon. Member for East Surrey will be able to reassure us that the real position of the Conservative party is not to be found lurking in the words of the shadow Defence Secretary.

The Budget represents clear choices not for conservation, but for radical change. If we were to rely on social responsibility and not on Government action, we would not have every house builder working towards constructing zero-carbon homes. If we did not have the climate change levy, we would not have already saved more than 16 million tonnes of carbon and be on course to save 3.5 million tonnes of carbon a year by 2010. If we were isolated in Europe, we would not have been able to win support for tough vehicle emissions standards. If we were to follow the new fiscal rule of the Opposition, we would not have £800 million to spend on development projects, which they say they support.

The Chancellor said two weeks ago that carbon reduction now sits alongside low inflationary growth and high employment as the third foundation of economic policy. The Stern report has given Governments their marching orders: to align a market price for carbon and procure sustainable products, alongside international regulatory standards for low carbon goods, and information for citizens to help them support the goal of emission reduction. Stern said that carbon tonnes, not just sterling pounds, are the metric of policy. That is the course that the Government are following, and I commend it to the House.

5.15 pm

Mr. Peter Ainsworth (East Surrey) (Con): I feel rather sorry for the Secretary of State, not just because of the lamentable turnout on the Government Benches for this very important debate on a key issue of our times, but because of the Budget itself. He has tried to put a brave face on it, but he knows that it was a hopelessly unambitious Budget for the environment and for rural Britain. It was spun as a green Budget, but yet again it was just plain Brown. It is not the Secretary of State's fault: he was a given a job to do by the Prime Minister, and he has found it quite difficult. If what we read in *The Observer* this weekend is true,

[Mr. Peter Ainsworth]

the Prime Minister is keen to give him another job; and we hear today that even Peter Mandelson is keen for him to have another job.

Before even contemplating taking on another job, however, the Secretary of State needs to be a little more careful about the way in which he expresses himself. Writing in the very same edition of *The Observer* yesterday, he said:

"New Labour has, in my view...not been good enough at promoting strong community self-government...not good enough at making them"—

teachers, nurses and the police—

"feel like real entrepreneurs...not good enough at giving young people a sense of commitment to the country...not good enough at reducing domestic carbon emissions...not good enough at promoting real engagement with citizens."

Indeed. Many Opposition Members look forward to the Secretary of State promoting himself, and to a Labour manifesto that reinforces the points that he put so eloquently in *The Observer* yesterday.

The Secretary of State was originally given the job by the Prime Minister in order to tackle the environment. In a letter sent at that time, the Prime Minister asked him to

"take action on climate change"

by

"ensuring that national consensus for action is turned into concrete measures that will have a real impact."

Unfortunately, somebody else has got in the way, and we know who.

In October, the Environment Secretary wrote a letter to the Chancellor, entitled "DEFRA's Priorities for Budget 2007". In it, the right hon. Gentleman urged the Chancellor to "seize the policy initiative" on the environment, which is quite interesting in its own right, because it implies that the policy initiative has slipped from the Government's grasp. It has: it is on the Opposition Benches.

I have often asked and urged the Government to show some initiative on climate change and the environment, and I have made it clear that we will support them if they provide leadership in the drive towards a low carbon economy. However, after years of watching them fiddle about and fail, I am running out of patience, and they are running out of time. They have left behind a trail of missed targets on the environment, and they are going to miss the most important target of all. It must be the most important of all, because it has appeared in three successive Labour party election manifestos: the 20 per cent. cut in carbon emissions by 2010.

The Government are not even meeting their own internal green targets. Not a single Department attained full marks in the recent Sustainable Development Commission report on Government performance, and 15 Departments' emissions have gone up. The Department for Environment, Food and Rural Affairs itself came a rather middling ninth, getting three out of five points. The Government's own watchdog said:

"Against a background of non-stop messaging on climate change and corporate social responsibility, the Government has failed to get its own house in order."

The Budget will not put that situation right, and the Secretary of State knows it.

In his letter to the Chancellor, the Secretary of State asked him to look into aviation, car tax, greener homes and incentivising clean technology. We might have expected that his pleas would fall on deaf ears. After all, the former Cabinet Secretary, Sir Andrew Turnbull, told us last Tuesday about the

"more or less complete contempt with which"

the Chancellor holds other colleagues. He singled out the Environment Secretary. According to Sir Andrew, the Chancellor's attitude is:

"If you want something done about the environment, you don't talk to David Miliband."

It is all too clear that the Chancellor did not talk to the Environment Secretary before putting together the so-called green part of the Budget.

Let us use the Environment Secretary's yardstick to see how the Budget measures up. In his letter to the Chancellor, the Environment Secretary warned that

"emissions from aviation are our fastest growing source of greenhouse gas",

that

"air travel is lightly taxed",

and

"I do not believe that we can leave aviation untouched".

We agree. He also said:

"There is a case to look again at making flights subject to VAT".

In fact he went further; he said that VAT should be on domestic flights, as in some other European countries or, better still, on all EU flights.

On Wednesday, the Chancellor told the House that he had

"had representations to put VAT on airline tickets".

Indeed he had—from the Environment Secretary who, presumably, felt suitably chastened when the Chancellor went out of his way to say that

"the substance of the measure has not been properly thought through".—[*Official Report*, 21 March 2007; Vol. 458, c. 823.]

Could it be that the Chancellor has executed an aerial U-turn, because when we made just that point, the Environment Secretary accused us, absurdly, of wanting to "criminalise" aviation? If taxing something means criminalising it, the Chancellor is responsible for the biggest crime wave of the century. The Environment Secretary's views about aviation appear to be a little confused.

Martin Horwood: The hon. Gentleman is having great fun at the Government's expense, but at least we know what their proposals are for aviation, and we know what the Liberal Democrats' proposals are. What exactly are the Conservative party's policies for aviation?

Mr. Ainsworth: As the hon. Gentleman should know if he has been following politics, which is probably sensible for someone in his position, we have published some policy proposals on aviation, and we are consulting on them. Unlike Government consultations, we will listen to what people say and propose policies as a result. I am delighted to have had an intervention from

the Liberal Democrats because it enables me to say how much we look forward to working with them. We believe that we can do business with them onthe environment and that many Liberal Democrat supporters would do well to support the Conservatives on the environment because we share many of their values.

I did a little homework at the weekend and got out my paint set. The paper I am holding up is not a trick; it is genuine. I discovered that yellow and blue make green, but that if red is added it becomes brown. That is absolutely true and I did not mess about with the painting at all, Mr. Deputy Speaker, but I shall put it away quickly because I can see that I am catching your eye in an unhelpful way.

The Environment Secretary's views about aviation appear to be somewhat confused, but so are the views of the whole Government. We know that the Chancellor does not listen to the Environment Secretary, but he does not seem to listen his own Treasury team either. The Financial Secretary—I am delighted to see him in the Chamber this afternoon—told the Environmental Audit Committee a year ago that

"air passenger duty is not an environmental tax; it is not related to a concern about emissions, it is not related to more efficient aircraft, it is not related at all to more efficient use of the aircraft which are flying."

That is absolutely right, but the next thing we know is that the Chancellor is doubling air passenger duty to save the planet. However, unlike our proposals, he is using green taxes not as replacement taxes, offset by tax cuts elsewhere, but as a stealth tax. I cannot think of a better way to alienate public support for measures to tackle climate change than to dress up stealth taxes as green taxes. He really does not get the tax offset idea, does he?

We are in favour of increasing green taxes and offsetting them with tax cuts elsewhere. The Chancellor is in favour of announcing headline-grabbing tax cuts and offsetting them with an overall increase in the burden of taxation that hits the least well-off hardest. That is not a tax cut; it is a tax con. What does the Environment Secretary think about green taxes, or has the Chancellor not had time to tell him yet?

Let us return to the right hon. Gentleman's other proposals. In his letter to the Chancellor, the Environment Secretary asked for a "substantial increase" in vehicle excise duty. In Wednesday's response to that letter, the Chancellor cut the bottom rate by £15—heady stuff—and increased the top rate by £200. Does the Chancellor seriously think that someone thinking of paying £75,000 for a Porsche Cayenne will have second thoughts because of a £200 hike in vehicle excise duty? This is a classic example of ineffectual tinkering. We need to be far more ambitious and radical. It is high time that the Government backed a commitment to getting car emissions down to 100g per kilometre, with a clear package of incentives and regulations to ensure that the goal is met.

David Miliband: I had a long time to make my speech and to answer questions. A number of those questions—three, possibly four—protested at the increase in vehicle excise duty from £200 to £300 to £400. The hon. Gentleman has just said that that increase is far too puny and that it should be much greater. Will he explain what his position actually is?

Mr. Ainsworth: The concerns that were expressed were in relation to the impact on people in remote rural areas who need to use heavy-duty cars to go about their business. There is a genuine problem there, and the Government have admitted as much.

In his letter to the Chancellor, the Secretary of State then moved on to homes. He asked the Chancellor to look into stamp duty rebates for new zero-carbon development. In Wednesday's response to the letter, the Chancellor did indeed promise no stamp duty for new zero-carbon homes, but with this Chancellor nothing is straightforward. He sneakily put a five-year time limit on the stamp duty exemption. How many zero-carbon homes does the Secretary of State honestly think will be built by 2012—the deadline for the exemption? Will he explain why a Minister killed off the Local Planning Authorities (Energy and Energy Efficiency) Bill, which was promoted by the hon. Member for Gower (Mr. Caton) and which had all-party support? It would have allowed local authorities to set tougher environmental standards for new homes. It is extraordinary: the Government wreck a Bill by one of their own Labour colleagues that could have made a real difference and instead offer a hollow headline about stamp duty relief on houses that do not exist.

In the final part of his letter to the Chancellor, the Secretary of State asked him to look into removing barriers to innovation. In Wednesday's response to that letter, the Chancellor attempted to support microgeneration. First, he promised an income tax exemption for domestically produced energy sold back to the grid. That looks like a good move—until one reads the small print. The move is not exactly life-changing. Experts say that it would be worth, at most, £22 a year to householders who go through the hassle of installing renewable energy in their homes—big deal.

It gets worse. Income tax is not currently collected on microgenerated energy anyway, so we have something completely new here. It is not a stealth tax; it is a ghost tax. The scheme does nothing to make it easier for home owners to sell their energy. The Chancellor made no effort to push for a higher grid price for microgenerated energy or for smart meters to allow everyone to buy and export energy more easily. The Chancellor claims that he has asked Ofgem to look into the matter. We are so bored with his asking people to look into it. We have seen endless consultations and dither, timidity where we need boldness, and half-hearted and piecemeal meddling where we need consistency and leadership.

Friends of the Earth called the promise of an extra £6 million for the low-carbon buildings programme "a joke". The trouble is that tackling climate change is not funny. The low-carbon buildings programme was originally supposed to run for six years. Then we were told it would run for three. Then in December we were told that a monthly cap would be placed on grants to try to draw the scheme out. Then last week we were told that the scheme was being temporarily suspended. Is it not utterly typical that the Department of Trade and Industry released a stealth announcement on Budget day that suspended the low-carbon buildings programme for at least two months? This has been a total shambles. Where consumers and suppliers have looked for certainty, they have found chaos. In March, the grants ran out in 75 minutes. What the Government

[Mr. Peter Ainsworth]

have created is a monthly bun fight that is constricting demand. People who are unable to get grants wait until next month, the following month or the month after that to order their chosen technologies, or they simply give up.

So, even on the Secretary of State's own tests, the Budget was a failure. He asked the Chancellor to look into aviation, car taxes, greener homes and cleaner technology. He wanted the Chancellor to be bold and imaginative and all he got was tinkering. No wonder the Secretary of State said recently—presumably in a fit of bitterness—

"in six months or a year's time, people will be saying, 'wouldn't it be great to have that Blair back, because we can't stand that Gordon Brown'".

The Budget also ignored many issues that the Environment Secretary has ignored too much of late. There was no mention of support for the natural environment, despite the perilous state of more than half our sites of special scientific interest. Despite the Chancellor's obvious lack of interest, will the Environment Secretary confirm that a marine Bill will be guaranteed in the 2007 Queen's Speech, whoever is Prime Minister at the time? There is no guarantee.

There was no mention of support for our rural communities. The sole rural dimension was a 2p a litre increase in the tax rate on red diesel. Of course, as the House has heard, many farmers and people in remote rural areas will be caught by the increased tax on 4x4s—*[Interruption.]* I do not know why the Economic Secretary to the Treasury is looking so dumbstruck. I am merely reiterating what I said a few moments ago.

On the same day as the Budget, the Lyons report recommended that farm buildings should be subject to business rates. That would represent a £300 million tax on farming. Can the Environment Secretary imagine the impact that that would have? Does he agree with that proposal? Does he agree with the recommendations in the Lyons report on rural farm buildings and business rates?

Hon. Members: Are you going to give way?

Mr. Deputy Speaker: Order. Let us get the procedures right here. If the hon. Member for East Surrey (Mr. Ainsworth) is tempting a Member to respond to him, he should immediately give way. Otherwise, he has the floor.

Mr. Ainsworth *rose—*

The Economic Secretary to the Treasury (Ed Balls) *rose—*

Mr. Ainsworth: If the Economic Secretary is going to answer my question about the Lyons report, I will happily give way.

Ed Balls: I am still digesting the hon. Gentleman's earlier comments. Does he think that the tax on 4x4s is too high, about right, or too low?

Mr. Ainsworth: The hon. Gentleman has not exactly answered the question. The ominous silence on the question of the impact of the Lyons report on farming will echo around the countryside. I have already discussed vehicle excise duty. It creates a problem for people who have to use such vehicles for their work in remote rural areas—it is as simple as that.

Having read the Lyons report, it is clear why the Government decided to publish it on Budget day: it was a good day to bury bad news. In sum, the 2007 Budget was full of headline-grabbing half measures and wholesale omissions. The Chancellor may have commissioned the Stern review, but it is clear that he has not taken its findings to heart. He just does not get it. It is because there are still people in British politics who do not get it, such as the Chancellor, that the forthcoming Climate Change Bill should provide for annual rate-of-charge targets to be set and audited by an independent body. The Government need a better annual yardstick than a leaked letter from the Environment Secretary. We need a climate change policy that is based on science, not spin.

I understand that some of the Environment Secretary's friends have nicknamed him Brains, after a character in "Thunderbirds". I probably do not need to remind you, Mr. Deputy Speaker, that Brains was a slightly weird, geeky character. However, above all, he was a plastic puppet jerking around on the end of a piece of string. We all know who the puppet master is; the strings are held in a clunking fist belonging to the man who assumes that he will soon be the next Prime Minister. People are sick of spin, stealth taxes, tax cons and puppet Secretaries of State whose ambitions, when they exist at all, are ignored and ridiculed by the Chancellor. We need a step change in our approach to the environment. We need a sense of urgency and a message of hope, opportunity and determination. This Budget proves beyond doubt that the last thing that anyone who cares about our fragile environment needs is the change at the top that is being engineered by the Labour party. We need a complete change of direction and a change of Government.

5.34 pm

Mr. Michael Meacher (Oldham, West and Royton) (Lab) *rose—*

Hon. Members: Change of Government!

Mr. Meacher: I agree with the percipient and prescient comment of the hon. Member for East Surrey (Mr. Ainsworth). I assure him that, under me, the Labour party and a Labour Government would have a very different environmental approach and a genuinely green policy.

I am tempted to go down the route of discussing the Government's environmental policy after the forceful speech of my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs, but I will not, because I prefer to confine my comments on that subject to the Second Reading of the Climate Change Bill, which, I take it, will be held shortly. I therefore want to talk about a rather different issue, but first I shall make just one comment on the subject.

As my right hon. Friend said, the Government's record on greenhouse gas emissions is good, at least

compared with those of others, but he made a statement at the start of his speech that I had not heard before. If I heard him correctly, he said that, taking account of the EU emissions trading system, UK greenhouse gas emissions had gone down by 11 per cent. since 1997. I think that he said that.

David Millband: I am happy to repeat the figures for the benefit of my right hon. Friend, who is a distinguished former Minister for the Environment. On 1990 levels—the figures are for 1990 to 2005—greenhouse gas emissions are down 19 per cent. It is actually 18.8 per cent., I think. For CO_2, the figure for 1990 to 2005 is 11 per cent. Since 1997, if we include the EU ETS, greenhouse gas emissions are down 11 per cent. For CO_2, if we include the EU ETS, the reduction is 4 per cent.

Mr. Meacher: That is what I thought my right hon. Friend said, and he has repeated something that I have not heard before, namely that if one includes the EU emissions trading system, since 1997, UK greenhouse gas emissions are down by 11 per cent. What my right hon. Friend did not say, but which needs to be said, is that the EU emissions trading system is very poorly crafted. The baselines are far too lax, the allowances are far too generous, and the net deductions are, in reality, very much smaller than is claimed. If that somewhat deceptive scheme, which needs to be sharpened up hugely, is excluded, as I think it should be, I fear that our greenhouse gas emissions have hardly gone down at all since 1997. I am not saying that they have not gone down, but they have gone down by a very small amount. My real point is that they have gone down by much less than the 2 to 3 per cent. a year that is needed if we are to achieve the target of a 60 per cent. reduction by 2050.

Chris Huhne: I am as surprised as the right hon. Gentleman is that the Secretary of State appears to have invented an entirely new statistical series that is not included in the environmental accounts published by the Office for National Statistics. Those accounts show that there has been an increase in CO_2 emissions since 1997. At the very least, the Secretary of State ought to place those figures in the Library.

Mr. Meacher: That would be useful, and in light of this debate, I am sure that my right hon. Friend the Secretary of State will consider doing that. I take heart from the fact that my right hon. Friend agrees that the UK has to do much better, and not just marginally better. It has to act on a scale that I do not think many people, including Ministers, have got their heads around. The changes across the spectrum of Government policy will have to be considerable. Having made that point, I want to speak about a different issue.

One of the central objectives of a Budget should be social justice, and on this occasion, I think that on balance politics prevailed over social justice considerations. As many have said, the combination of the 2p income tax cut and the elimination of the 10p tax band will, of course, transfer income from lower earners to middle earners. The alignment of income tax and national insurance, so that there are two tax bands and two thresholds, may simplify the tax system, but only at the expense of undermining its progressiveness. The 2p cut in corporation tax reduces company taxation to its lowest ebb in 60 years, inevitably switching the burden towards more regressive personal taxes.

The continuing failure to end the scandal of hugely lucrative tax loopholes for the very rich, such as non-domiciled tax status and the short-term taper relief for private equity investors, simply enhances the trend towards inequality, which is far too embedded in the system. All of that may well have shot several Tory foxes—it was probably very successful in doing so—but it does not promote social justice to any significant degree.

Adam Afriyie: The right hon. Gentleman's sentiments about social inequality are shared by the Opposition, but does he share my overwhelming concern and alarm that while there was a 2p cut in corporation tax for large businesses, which is to be welcomed if one believes in competition in the tax arena, taxation on smaller businesses was increased by about 16 per cent. in a three-year time frame? Those smaller businesses may be owner-managed, and they may support one or two other members of the family, so it will hit them very badly.

Mr. Meacher: I cannot validate the hon. Gentleman's figures. All that I would say is that the level of corporate taxation overall is too low. Of course, I understand the competitiveness point, but the level of corporate taxes has reached such a low level that it will inevitably lead to a big increase in every other arena of taxation, so there are likely to be regressive taxes on individuals. However, I agree that within the corporate sector taxes on small businesses should be reduced as far as is reasonable and fair, even at the expense of large companies, which are extremely profitable compared with similar businesses abroad, so they could certainly pay more.

Chris Huhne *rose—*

Mr. Meacher: I think this is the last time that I shall give way to the hon. Gentleman.

Chris Huhne: It is kind of the right hon. Gentleman to give way to me a second time. Is he as shocked as I was to discover the calculations over the weekend, which showed that someone needs to earn £18,650 a year before they will receive an income tax cut in the Budget? What the Chancellor has done—and it is the first time ever that a progressive Government have done so—is to take from the bottom end of income distribution to give to the middle. Is the right hon. Gentleman as shocked as I am by that?

Mr. Meacher: I have already referred to that point, and I am not going to add anything further.

Britain is now one of the most unequal countries in the world. The latest official figures show that the rich have made a killing in the past decade, and that inequality rose sharply between 1997 and 2002. It is perfectly true that it has fallen back since then, but it still remains, at least on the latest figures, above its level in 1997. That reflects the fact that although child tax

[Mr. Meacher]

credit, working tax credit and pensioner benefits, all of which I strongly support, have provided a modest but welcome lift for the poor, the rich have done hugely better. That is the problem. It is not that the poor are poorer; they are not—they are slightly better off—but the rich are hugely better off.

Mr. Newmark: Will the right hon. Gentleman give way?

Mr. Meacher: Yes, so long as it is not about private equity.

Mr. Newmark: I promise it is not about private equity. I strongly support what the right hon. Gentleman said about social justice, but does he share the concern of the Opposition and myself that the tax credit system itself is a fiasco, with only three in five people receiving the right amount of money?

Mr. Meacher: We all know that there have been considerable problems with tax credits. We are perfectly well aware of that—and I know that the Government are striving to overcome those problems—but the principle of tax credits for working families is a very good one. One of the problems is that not every one who is entitled to a tax credit necessarily claims or receives it. The principle is a good one, but I am worried that through the tax system, the Government are effectively supporting employers who pay their lowest-paid employees too little. That is the fundamental cause of the problem.

The top 1 per cent., whom I would call the super-rich, have done a great deal better. Their share of national income fell from 13 per cent. in 1937 to just over 4 per cent. in 1974, but in the Thatcher-Major years it rose rapidly back to almost 11 per cent. in 1997. I submit to the House that we are now returning to the inequality of the 1930s, if not of the Edwardian era. Their share of national wealth has ballooned even more. It shot up from 17 per cent. in 1990 to 23 per cent. in 2002, so fewer than half a million adults—the group that I am talking about—controls nearly a quarter of the entire wealth of the nation, while half the population, over 20 million individuals, have seen their share fall to just 6 per cent. in 2002. I would call that a case of gushing up, rather than trickling down.

I shall give one further example before I turn to what needs to be done. The mega-rich, perhaps the top 0.1 per cent.—one in a thousand—have done best of all. I have been looking at the statistics. Some 75,000 individuals now own almost half the liquid assets in Britain and they are, on average, 66 per cent. richer than they were five years ago. Those at the very top, the richest 1,000 in Britain, have seen their wealth triple from £99 billion to £301 billion since 1997. In the past year alone, the overall wealth of this group soared by 21 per cent. or by more than £50 billion, and the number of billionaires has tripled from 14 to 54. That, I submit, is a degree of inequality that has nothing to do with competitiveness or fair differentials. It simply reflects the capacity to satisfy greed on a very big scale.

Mr. Hands: The right hon. Gentleman is making a powerful case, but with reference to liquid wealth, does he agree that one of the important reforms that we could have introduced over the past 10 years but which has not happened is to increase share ownership, which has been incredibly static among individuals over the past 10 years?

Mr. Meacher: I am certainly not opposed to that. The previous Prime Minister of the hon. Gentleman's party, Lady Thatcher, made a very considerable effort in the 1980s to achieve an extension of share ownership. To a degree, she did, but it stuck at around 9 to 12 per cent. If anything, the concentration of share ownership among the most wealthy has continued since then.

Adam Afriyie *rose—*

Mr. Meacher: I would like to make progress, if I may.

All this matters for three reasons. First, the corollary to this extreme maldistribution in income and wealth is the persistence of poverty and inequality. It is worth noting—I say this for illustrative rather than practical purposes—that if all the gains made by the top 1 per cent. since 1997 were transferred to the poor, poverty would be abolished overnight. I do not expect that to happen, but it illustrates the point that I am trying to make.

Secondly, such excessive widening of inequality cannot conceivably be justified. Like everyone in the House, I believe in merit, fair rewards and incentives, but this is on a completely different scale. It in no way reflects improvement in business performance. Indeed, we read every week in the paper about rewarding failure, which has become commonplace. Rather, it is self-enrichment on a mega scale.

In 1980 a chief executive of a top company might have earned some 25 times more than the average worker. Today, it is 120 times. Last year the average pay of the FTSE 100 chief executives, including bonuses, share options and so-called fringe benefits, was £2.8 million. I have done a quick sum. That works out at £46,155 a week, which is 550 times more than the state pension and 230 times greater than the minimum wage.

There is a third reason—for me, it is the most profound—why such drastic inequality matters. There is now abundant international data showing that the greater the inequality between the richest and the poorest, the higher the levels of ill health, crime and social breakdown across society. The price of extraordinary material success for a tiny number is social failure and dysfunction within society, which is not a bit surprising. Increased social hierarchy and increasing social inequality significantly raise the stakes on personal worth, and for those who lose out, the feelings of inferiority, resentment and inability to compete inevitably generate antisocial reactions towards the society that demeans them.

There are lessons here for the Government. Some years ago, Peter Mandelson charmingly told us in a remark that I have never forgotten that

"New Labour is relaxed about people getting filthy rich".

The Chancellor's ideological commitment to unfettered market forces, neo-liberalism and globalisation has certainly let inequality rip. At the same time—I wish to be entirely fair—the Government have commendably

tried very hard to limit social dysfunction by relentless targeting to deal with inefficiency, misdemeanours, crime, poor performance and inadequate effort. I praise all that, although I sometimes think it a bit excessive. However, it is not perceived that those policies are incompatible, because the pursuit of inequality persistently undermines the Government's real efforts to improve health and educational outcomes, to cut crime, to improve social mobility, to build sustainable communities and, obviously, to reduce poverty.

There are some other lessons for the Government. The Chancellor's predilection for giving the market its head to work in its normal way as an engine for generating huge and growing inequalities and for then, very commendably, trying to correct some of the worst excesses at the margin by improving benefits and allowances of some of the neediest groups in the Budget will not work. That strategy is not adequate.

Inequality is now a structural issue—it is a systemic issue, and not simply a matter for tactical adjustment at the periphery from time to time. The problem is that the basic incomes of the poorest are far too low, while the incomes of the rich are largely self-attributed, are not independently assessed and are often unrelated to merit or effort. Furthermore, every trick in the accountant's book is used in order to eliminate, avoid or evade tax.

I do not want to duck the question of what needs to be done. The state pension, which is now worth no more than one sixth of average earnings, is far too low, and it should be raised to the pension credit level as of right for all, not least in order to avoid means-testing as many as three quarters of pensioners by 2050, which is the current trend. The net cost of that measure would be about £7 billion, although if it were confined to the over-85s, which I would understand, it would be less than £3 billion. That is certainly affordable, when the current surplus in the national insurance fund is around £40 million.

Kelvin Hopkins: I strongly support my right hon. Friend's remarks, especially about pensions. Does he agree that a more ambitious target for the state pension would be 25 per cent. of average earnings, which was the level in 1980 before Mrs. Thatcher broke the link with earnings? Just getting back to where we were 25 years ago might be a good target.

Mr. Meacher: I like my hon. Friend's ambition, but I am, as ever, modest. If we could achieve what I have set out, which would result in an increase from £84 a week to £119 a week, I would call it a considerable achievement. However, I agree that that would be only a first step.

Rob Marris (Wolverhampton, South-West) (Lab): I suggest to my right hon. Friend that it would not be a good idea to raid the national insurance fund, which is to pay for unemployment benefits, the NHS and disability benefits for those injured at work. A much better source of funding would be tax relief on pension contributions, which amounts to about £18 billion a year and which is extremely regressive—half of the relief goes to the top 25 per cent. of earners, and some 10 per cent. goes to the top 2.5 per cent. I cannot recall the exact figures, but that relief is incredibly regressive, and it consists of £18 billion in forgone tax revenue.

Mr. Meacher: I entirely agree. I am only embarrassed that I did not come up with the idea first, because my hon. Friend is exactly right. We have an extraordinary system that involves a very low state pension and enormous reliefs on pension funding, which are largely limited to those at the top. A simple redistributive transfer makes obvious sense. I shall take on my hon. Friend's idea and will credit him when I repeat it in future.

Instead of employers being allowed to close down good occupational and final salary schemes, they should be required over time to pay back the £18 billion that they have taken out in past pension holidays. That is affordable, when many companies continue to pay dividends each year which exceed their pension scheme deficits. I shall give one example from the Lane, Clark and Peacock survey: in 2005, Vodafone paid out a dividend of £2.7 billion, which was significantly more than its accounting deficit of £136 million, and 24 companies declared dividends in excess of twice the amount of their pension scheme deficit. Why do the Government not require companies to meet pension fund deficits before dividends on that scale are permitted?

The national minimum wage is too low at £5.35 an hour, which is certainly not a wage that anyone in this House would want to live on. It should be increased straight away to £6 an hour, and soon after that it should be increased again to at least £7 an hour—incidentally, that would be without any risk of higher unemployment from internationally traded goods and services. As for top incomes, which may be of more interest to hon. Members, they need to be justified and not simply appropriated. We should require companies—at least the larger ones—to call a meeting once a year of representatives of all the main grades in the company from the highest to the lowest to open the books, to examine what is left for increasing wages and salaries after all the costs have been met and to allow people to justify their claims, if they can, to all those present. Transparency would not prevent fair or even large differentials, which I am certainly not opposed to if they are justified, but it would make the naked greed of some much harder to carry off at the expense of everyone else.

It is time that the grotesque excesses of greed and inequality—I am glad to hear that this view is shared on both sides of the House, and I hope that the Government share it, too—which now disfigure our society are brought under control. The Prime Minister has regularly defended the super-rich with two arguments: that wealth creation is much more important than wealth distribution; and that wealth at the top harms nobody else. I am afraid that he is wrong on both counts. If Labour—or new Labour—is genuinely for the many not the few, a major reduction in inequality must now be a priority for the rest of this Parliament.

5.59 pm

Chris Huhne (Eastleigh) (LD): The Secretary of State was a little harsh with the hon. Member for East Surrey (Mr. Ainsworth), because any policy that is

[Chris Huhne]

advocated by a Tory Front Bencher and loathed by quite so many of his own Back Benchers cannot be all bad.

I am happy to say that there is a good deal to welcome in this Budget's environmental measures. I should particularly congratulate the Chancellor and the Secretary of State on the Congo basin initiative. Tackling deforestation will be a key part of a global attack on climate change, because, as we know from the Stern review, it is responsible for 18 per cent. of carbon emissions. It is essential that we develop a policy that works not only in the Congo basin, but in Brazil, Indonesia, Borneo and Papua New Guinea.

I also welcome the competition to develop a full-scale demonstration of carbon capture and storage, which is a vital interim technology. The rise of the climate change levy in line with inflation is overdue, as are the rises in the landfill tax and the aggregates levy. Zero carbon homes are to have no stamp duty levied on them, so let us just hope that house builders are encouraged to build some and that it will prove to be a reassuringly expensive concession.

The Budget's key importance is that it is the prime statement about the economy in the parliamentary year. The climate change debate is an economic one: it is about how we change our economy and how we undergo a new industrial revolution. There is a big difference between the new industrial revolution that we shall require over the next four decades and those that have occurred, all of which were driven overwhelmingly by the desire to satisfy new consumer needs, whether we are talking about moving from gas light to electric light or from the steam engine to the internal combustion engine. There are advantages in tackling climate change, but this will be the first major technological change that will have to be driven both globally and by policy.

The Government's record is, unfortunately, disappointing. I look forward to the figures that the Secretary of State has promised us. The published figures in the "Environmental Accounts" show that emissions have increased since 1997, even given the enormous advantage of the electricity generating sector's movement from coal to gas.

I turn to the spending side of the Budget, where flood defences cuts this year look exceptionally short-sighted, as do biodiversity research cuts at the centres for ecology and hydrology, such as the centre at Wool in Dorset, which have done so much important work in understanding how our natural system—our flora and fauna—will adjust to climate change. Even more ridiculously, there have been cuts in expenditure on the Hadley centre, which is probably the world's leading research centre on climate change.

On the broader environmental front, I noted that the Secretary of State was proud of the Government's record on recycling. I should merely add that we started at an extraordinarily low base and that the latest environmental comparisons within the European Union show that our recycling rate remains the third lowest of all member states.

I am also extremely worried that after I intervened earlier the Secretary of State was entirely unable to tell the House what the environmental or climate change impact of the Budget would be. The Red Book devotes a whole chapter to the environment and hardly a week goes by when the Chancellor and his Treasury team do not tell us that it is essential that there should be environmental impact assessments and assessments of compliance costs, yet the Secretary of State is unable to tell us what the impact of these measures will be. I look forward to hearing his reply, because the research that we have conducted appears to show that they will have the combined effect of reducing the amount of carbon emissions by about 330,000 tonnes—or 0.15 per cent. of the UK's total. That makes the point that this is far from the planned route march towards a decarbonised economy that is essential if we are to grasp our opportunity.

Transport has largely been ignored on the tax side, yet its emissions are key. The Environmental Audit Committee's recent report told us that such emissions have increased by 18 per cent., yet the Chancellor, as we all know, was spooked by the fuel duty protests in 2000 and since then, green taxation as a share of gross domestic product—the only sensible measurement of the tax burden—has fallen from 3.6 per cent of GDP in 1999 to 2.9 per cent. on the latest figures.

Is that a good measure of effort? It is a summary measure. The idea that if green taxes work they may vanish is simply wrong, because a continued high tax and high price on bad activities may be necessary to sustain a continued change in demand. Many Chancellors have discovered that sin taxes pay, and this Chancellor would have an exceptionally large hole in his Budget if he were not able to rely on the ongoing revenue from tobacco and alcohol.

The specifics of this Budget on the environment, and on taxation in particular, are not good. The Liberal Democrats are unequivocal that the vehicle excise duty changes do not go far enough; we know exactly what the likely impact of the increase to £400 will be, because the Energy Saving Trust commissioned a MORI opinion poll that examined the likely impact on purchases. It found that 33 per cent. of car purchasers were likely to change their view as a result of that increase in vehicle excise duty.

David Miliband: The hon. Gentleman has used the Energy Saving Trust's figure that there will be an impact on 33 per cent. of people. Will he confirm that he is citing a poll from 2003 and that the differential in the bands was £50? There was not the £300 to £400 versus £35 differential that will exist.

Chris Huhne: I can confirm that the poll was from 2003, but it is the latest poll that has been conducted. The Secretary of State is misinformed if he believes that the use of the £50 per band is inappropriate, because the £400 applies to band G—the highest band—and if one were to add up the £50 for each step, funnily enough one would reach that sort of figure. I am sorry that his arithmetic is as challenged as it appears. I rest my case: if we were to adopt the £2,000 figure that the Liberal Democrats have proposed, we would change the purchasing decisions of 72 per cent. of the population, rather than 33 per cent.

Moreover, the element of retrospection that would be avoided were the duty to be imposed only on newly purchased vehicles would make it a substantially more

saleable proposition, not least in rural areas. As those who have been concerned about that issue know, a number of working 4x4 vehicles do not fall into the top category. Liberal Democrats believe that it is important that we have measures that support rural communities in their proper business.

On the aviation proposals, we have seen that the increase from £5 to £10 merely gets the Chancellor back to where he first started. There is nothing in these proposals to base our national aviation tax on the emissions of the flight, which is the only sensible way to proceed, because doing so would ensure that where a flight takes off half full the amount of tax that is paid is not halved. There would be an incentive to fill up the flight and the airline would have an incentive to move more rapidly towards having low emissions aircraft.

Green taxes can be popular providing that—this deals with the worst charge against the Chancellor—there is a clear guarantee to hand the money back. We know from opinion poll evidence from Populus that 71 per cent. of the British population will back green taxes if they are not regarded as a stealth tax and if the revenue is handed back. However, 62 per cent. of the population do not believe that that is what the Chancellor is doing—unfortunately, they believe that he is merely raising revenue in another stealth tax.

Rob Marris: My understanding is that the hon. Gentleman's party's proposal—certainly last year, although it may of course have changed by now—is to raise about £18 billion through green taxes. He likened green taxes to sin taxes, in that they would become a permanent part of the Government's revenue-raising measures and so would not be designed to change behaviour, but now he talks about giving things back. There is a contradiction in his position.

Chris Huhne: The hon. Gentleman is a highly intelligent Member of the House and knows very well that changing behaviour on an ongoing basis often requires ongoing changes in price. Green taxes will change people's behaviour. For example, in the case of vehicle excise duty, 72 per cent. of the population will change the car purchases that they make, but that will leave 28 per cent. continuing to buy gas guzzlers and paying substantially more as a result.

The Environment Secretary seems to "get" a lot of this agenda, judging by his interesting Budget submission to the Chancellor. I will not intrude on his embarrassment, since the hon. Member for East Surrey has already quoted it in extenso; nor will I quote from Lord Turnbull's remarks to the effect that if you want something done about the environment you do not talk to David Miliband.

Madam Deputy Speaker (Sylvia Heal): Order. I remind the hon. Gentleman that the correct parliamentary terms should be used when referring to Members of this House.

Chris Huhne: Thank you, Madam Deputy Speaker; I stand corrected.

It is regrettable that the Secretary of State talks a good deal more sense about these matters than the Chancellor. It is also regrettable that he has not yet decided to throw his hat into the ring for the leadership—*[Interruption.]* Speaking from experience, I recommend it. He has the perfect qualification for running for the leadership, and indeed the premiership, which is that the Chancellor does not listen to a word he says.

The Budget contains something to be recommended, but there is no fundamental strategy for the long route march to decarbonise the UK economy and the world economy. That means that it is ultimately an unsatisfactory and disappointing Budget. The reason why the strategy is not there is simple—the Chancellor does not "get" the green agenda. He does not understand the environmental agenda or the nature and all-encompassing threat that climate change poses to our society and to our economy—if he did, he would be far more radical.

Andrew Selous (South-West Bedfordshire) (Con): On a point of order, Madam Deputy Speaker. I seek your guidance. On the Order Paper, there is listed for publication today a written ministerial statement from the Department for Communities and Local Government. It is a very important statement about local government reorganisation. I have just come from the Library, where, at 2 minutes past 6, that statement was not present. I was further informed by Library staff that they had been told by the Department that it might not even be forthcoming at any point today. Can you advise me and the House, Madam Deputy Speaker, whether it is in order for a Department to put down on the Order Paper a written statement and then not produce it at all on the day in question?

Madam Deputy Speaker: Clearly, the hon. Gentleman's remarks will have been noted by the Department in question, and I hope that it will do its very best to get the statement into the Library.

6.14 pm

Emily Thornberry (Islington, South and Finsbury) (Lab): A decade ago, the major political issues were interest rates, unemployment and economic chaos. People wanted us to fix it and to get a grip, and we have. We have changed the country—fundamentally and for the better—but in doing so we have changed what people want from their Government. I can tell the House that what people in Islington want has changed. I want to talk about some of the new priorities in my constituency—climate change, affordable housing, child poverty, and treatment of the marginalised. Although my constituents' priorities have changed, what has not changed is their belief that the problems that we face can be tackled only by radical, collective action.

Only the most ridiculously partisan observers would deny that one of the greatest achievements of this Labour Government over the past 10 years has been economic growth and stability. Looking back to the time before 1997, it is difficult to believe that before we introduced spending reviews with their three-year rolling programmes, Government Departments knew only from year to year what funding they were going to get. They lurched around between lean and fat years. They were dependent on boom and bust, and on whether their Department was fashionable or their Minister was in favour with the Prime Minister. It must

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have been a nightmare to plan anything. We have changed all that and allowed for the planning of good and stable government. Because of Labour, the British Government are well placed to take a stable and strategic view of what they are going to do domestically to tackle the biggest challenge of our generation—climate change—and able to take a lead in the world.

The draft Climate Change Bill will introduce radical change in the way that Governments work. It is based on the principles in the Climate Change Bill that I was proud to sponsor and promote. When introduced, the Bill will be the first example of its kind. It will have legally binding targets for carbon emissions. It anticipates the first carbon budget period being between 2008 and 2012, which is roughly concurrent with the comprehensive spending review and its parallel public spending agreements. The Government now have an opportunity to tie together their investment and activity with our obligations to cut emissions under Kyoto and our own self-imposed obligations under the draft Bill.

However, we need to be brave and bold and to get on with it. I hope that this will mean that even greater improvements are made to public transport infrastructure in London and that Londoners will be able to look forward to increased investment in that infrastructure, with projects such as Crossrail and the continuing refurbishment of tube lines and stations, including the hugely welcome rebirth of St. Pancras. We will get the joining up of the East London line with Highbury and Islington and the breathing of new life into the tragically neglected North London line. We will get hybrid buses introduced across London—first, I hope, on to Islington's badly polluted streets. We will get continuing investment in the network of cycle paths and facilities that are so encouraging cyclists in London. I speak as chair of the all-party group on cycling. All that will allow the powerhouse of the British economy—London—to cut its carbon emissions while allowing our economy to continue to grow.

While on the subject of climate change and the support given to environmental policies by the Budget, let me take this opportunity to welcome the increase in vehicle excise duty on the most polluting vehicles—up from £210 last year to £300 this year and £400 in 2008-09. When I was a member of the Environmental Audit Committee, we called for the top band—band G— to be "significantly raised", and I am pleased that in the two years since our report was published the tax on gas guzzlers will have doubled. Let me put it another way. By 2009, the cost of road tax for the biggest and most excessive Chelsea tractor—a Range Rover with a 4.4 litre Jaguar-sourced V8 engine—will be more than 10 times that of a Toyota Prius, and so it should be. The hon. Member for East Surrey (Mr. Ainsworth) seemed to commit the Conservative party to a much higher band G for 4x4s in cities. I agree. I hope that the Government listen and go further. However, I should say to the hon. Gentleman that the hon. Member for Hammersmith and Fulham (Mr. Hands), who was sitting behind him, did not look the slightest bit happy about the Conservatives seeming to make that commitment.

Mr. Newmark: The hon. Lady has talked about how much tax will be raised and how much more is raised by one vehicle versus another, but she has not addressed the real issue—taxing in order to change behaviour. What does the Chancellor's Budget contain in that regard?

Emily Thornberry: I agree that the purpose of green taxes should always be to change behaviour and I believe that we should do it progressively so that, if behaviour changes and, for example, people buy a smaller car, they do not need to pay so much tax. In that way, we can change behaviour and say to people, "Go this way and we will help you." However, that is not the Liberal Democrats' approach, which is to set green taxes simply to raise revenue. It is interesting that their documents do not mention the amount of carbon emissions that will be saved by their green taxes.

The changes in vehicle excise duty, combined with the planned increases in fuel duty in the next three years, show the direction of Government policy. That is the sort of large, brightly lit—solar powered, of course—road sign that shows the Government's direction and where we expect to go together. Those of us who are alarmed by global warming should stand and applaud the Government for their lead. However, while encouraging them, we should also urge them to go further.

Our homes produce one third of the UK's carbon emissions and we cannot rely on enlightened self-interest to solve the problem by erecting a windmill here and changing a car there. We must work collectively and we need a Government who will step in to bring people together. I welcome the way in which the Budget does that.

David Taylor (North-West Leicestershire) (Lab/Co-op): The Environment, Food and Rural Affairs Committee, of which I am a member, visited Freiburg in south-west Germany, near the Black forest, only a few weeks ago to ascertain the reason for its reputation for leading local authorities in Germany on renewable energy and energy efficiency. My hon. Friend mentioned her local authority at the start of her speech. Does she believe that local authorities such as Islington, which is probably a similar size to Freiburg, as well as the Government, should take a lead, and revert to the principles of Agenda 21? They were laid down many years ago and some local authorities appear to have abandoned them.

Emily Thornberry: Yes. A Liberal Democrat Member launched my local authority's new policies on the environment. From what I understand of the new policy, it appears to subsidise putting windmills on top of houses and other such high-profile matters. Such attention-grabbing behaviour does not, in the end, save the planet. There is no point in putting a windmill on top of a house if it is not insulated and the boiler has not been changed. One does not save the planet through the equivalent of buying a different sort of car. One has to do much more—and be much more fundamental—than that. I am greatly saddened by my local authority's attitude to its so-called green initiatives because I believe that they constitute a certain frippery.

Chris Huhne: I am sorry that the hon. Lady has not taken the opportunity of welcoming her local council's initiative, which is the first of its kind in the country to get the private sector in a borough to commit to greenhouse gas reductions. That is a worthwhile initiative and she runs the risk of appearing a little sour if she does not welcome it.

Emily Thornberry: Many private industries are interested in cutting their emissions and work with local government and national Government to do that. I assure the hon. Gentleman that Islington council did not think of that first.

It is important to cut the carbon emissions of our homes, and we have already done that. We started with Labour priorities through the decent homes programme, which, to many council tenants means new kitchens and bathrooms, but is much more than that. It is about ensuring that our social and affordable housing is up to decent homes standards. That means making sure that they are properly and fully insulated and energy-efficient. We have begun with social housing, so that those who are most vulnerable and in most need are literally insulated against the cold. When we came to power in 1997, only one in four homes in Islington were at decent homes standard, but by 2010, every single one will have reached that standard, thanks to a Labour Government. That is progressive politics in action and an achievement of which we should be immensely proud.

I also welcome the initiatives in the Budget to take the next step in our comprehensive action of ensuring that owner occupiers and private rented homes are brought up to the mark. The energy-efficient commitment will continue to force energy suppliers to improve energy efficiency in the homes that they serve. The Warm Front programme gives low income households grants of up to £4,000 to improve their energy efficiency. Pensioners who do not have central heating can receive a £300 discount when installing a new system. To tackle the biggest market failure of all—in the private rented sector—the Budget extends and expands the landlords energy savings allowance, which gives an allowance of up to £1,500 to landlords who invest in cavity wall and loft insulation. However, we could and should do more, although we are going in the right direction.

I also greatly welcome the kick start that the Budget gives to the Government's goal to make all new builds zero carbon by 2016. The Budget has changed the stamp duty rules so that no stamp duty will be payable on the first sale of zero carbon homes of up to £500,000. Homes costing more than that will get a reduction of £15,000. I have a special interest in that aspect of financial incentives because, when I was a member of the Environmental Audit Committee, we made recommendations in our sustainable homes report of 21 March 2006.

Mr. Graham Stuart (Beverley and Holderness) (Con): Will the hon. Lady give way?

Emily Thornberry: Of course I shall give way to another member of the Environmental Audit Committee. I am sure that he can tell us more about the sustainable homes report.

Mr. Stuart: How many homes does the hon. Lady believe will benefit in the next year or two from the change that the Budget announced?

Emily Thornberry: The answer is many but not enough—we can always do more. Our ambition is clear and we are moving in the right direction. No British Government have previously introduced financial incentives to ensure that people insulate their homes. We are introducing those green incentives, in accordance with the recommendations of the Committee on which the hon. Gentleman served with me.

The Committee recommended that the Treasury consider reducing stamp duty for green homes. Exactly a year after the publication of the report, the 2007 Budget delivered the recommendation. Various groups that put pressure on the Environmental Audit Committee and gave evidence at its meetings should be acknowledged. They include WWF and its "One Million Sustainable Homes Campaign", the Association for the Conservation of Energy, and the Energy Savings Trust. They have been working hard on the issue for many years and I hope that they will continue to work with us to ensure that we move forward.

The Government now need to build on their progress and develop a comprehensive set of fiscal incentives linked to the code for sustainable homes. The Budget will ensure that no home is left behind and that, by the end of the next decade, all existing and new homes will have the highest standard of energy efficiency. As we proved with social housing, that will not happen as result of market forces alone. We can achieve our goal only by stepping in as a Government commitment to working together. We cannot simply leave matters to the market. When Labour Members talk about housing, we know that it is a priority for our houses to be green, but that we also desperately need more of them and that they must be affordable.

We need more affordable housing for people such as Ms A, who came to my surgery recently asking for help. She is married with four children. She lives in a two-bedroom flat and has been on the waiting list for a transfer for several years. Her parents have died and she took on responsibility for her teenage sister, so there are seven people in a two-bedroom flat. Ms A's oldest child is eight and autistic. Her second child is five, has severe language delay and may also be autistic. Her third child is three, has language and learning delay and behavioural problems. Her fourth child has asthma.

Ms A lives in fear that her three-year-old, who was rolling on the table moaning while Ms A was trying to talk to me at my surgery, may fall out of the window as she has no idea of danger, cannot communicate and climbs a lot. Ms A has back pain and cannot sleep at night because the eight-year-old and the three-year-old keep her awake. She is worried about her orphaned sister, who has to share her bedroom with her two nieces and has nowhere to study. Ms A suffers from depression—and no wonder. She urgently needs a four-bedroom home.

Islington council runs what is laughably called a choice-based lettings system, which means no choice and precious few lettings. One needs a certain number of points to have a chance of getting rehoused. Getting

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the points depends on how desperate one is compared with everyone else, who is also desperate. Ms A has 202 points and she needs about 350 to stand a chance of getting the sort of accommodation that she needs.

Mr. Hands: Will the hon. Lady give way?

Emily Thornberry: No, I will not.

What chance do Ms A and her children have? What chance does her sister have? This case is not an isolated one. I hear stories like it every day, which break my heart. They are just one of 13,000 families languishing on the council waiting list in Islington. Many Labour Members, particularly those who represent inner-London constituencies, will recognise this story. There are many Ms As who need bold and radical action from our Labour Government.

There is a chronic housing problem in many areas and there are many thousands of people on waiting lists. Unfortunately, the problem in my constituency is exacerbated by the actions of the Liberal Democrat council. My council has for the last six years presided over planning controls that allow six out of every seven new homes to be luxury flats.

Martin Horwood *rose—*

Emily Thornberry: It seems that the Liberal Democrat council cares more about investment bankers who want to live in luxury flats near the City than the needs of our own overcrowded families, who are in desperate need of rehousing in a decent manner. In the face of this terrible crisis, we were heartened to hear my hon. Friend the Economic Secretary, in a debate on the London economy in Westminster Hall on 20 March 2007, say:

"Building more social housing must be a priority for the spending review."—[*Official Report, Westminster Hall,* 20 March 2007; Vol. 458, c. 232WH.]

The mobile phones of London Members started humming, expectations were raised and many of us sit and hold our breath—and we wait.

Mr. Hands *rose—*

Martin Horwood *rose—*

Emily Thornberry: I want to move on to deal with child poverty, of which the lack of affordable housing, particularly in inner London, is a major cause. Indeed, 35 per cent. of children in inner London live in poverty, even before housing costs are taken into account, but once those costs are included, it jumps up to 52 per cent. There is no other part of the country where housing costs have such a huge effect on child poverty. As a result, my constituency, on some counts, has the 16th highest level of child poverty in the UK.

This morning, I visited Winton primary school to discuss the marine Bill. I have been to 25 primary schools in my constituency to promote the importance of that Bill and they are all writing to the Secretary of State for the Environment, Food and Rural Affairs. At Winton school, 69 per cent. of the children get free school meals, 74 per cent. speak English as a second language and 93 per cent. do not come from a white British background.

The Government's efforts to tackle child poverty have been unparalleled. Under the Tories, child poverty doubled, but now, because of sound economic management, more people are in work with their pay topped up by tax credits—*[Interruption.]* The hon. Member for Beverley and Holderness (Mr. Stuart) should listen, as there is very little understanding among Conservative Members of what tax credits are or how they work. Those of us who work in the inner cities, where there are high levels of child poverty, understand the importance of tax credits very well. As a result, 700,000 children have been lifted out of relative poverty, giving them a chance and giving them hope.

Tax credits may not be as flash as putting a windmill on your house, but they have worked. A recent report by the independent Institute for Fiscal Studies found that the fall in child poverty has been the result of more parents being in work and fewer people in work being in poverty. The report said:

"The government can take considerable credit for this: the reduction in the risk of poverty amongst these groups is due at least in part to new spending directed towards families, through tax credits. The reduction in the number of children in workless families is also due, at least in part, to government policies that have helped previously non-working parents (particularly lone parents) move into work."

In Islington, South and Finsbury that means that, whereas unemployment was up at 5,319 when Labour came to power in 1997, it has now more than halved to 2,386.

Here is an example of where our policies have helped one of my constituents. Ms B is a single parent who works about 20 hours a week as a nursery nurse. Her net wages—the Liberal Democrats should listen to this; I urge them to change their ideas on tax credits—are only £127 a week, which is about the same amount that she would get if she stayed at home on benefits. However, working tax credit, child tax credit and child benefit together contribute another £123 a week, bringing her total to £250 a week. Now that really is making work pay.

David Howarth: Does the hon. Lady recognise that the Chancellor's abolition of the 10p tax band will mean that her constituent's tax bill will rise?

Emily Thornberry: No, because the whole point is that tax credits will take people up to a certain limit and will guarantee a certain income. This woman, working the hours and getting the tax credits that she does, will receive a guaranteed income. That is the difference. That is why we are bringing in progressive taxation and benefits and helping women exactly like this. These are the sort of people who are our people, whom we are looking after—*[Interruption.]*—and I am proud to sit on the Government Back Benches when my Government do things like that. We had a progressive Budget that is doing the right thing for poor working families, for single parents like Ms B. They are now able to work because of the Budget and other Labour initiatives, which were done in spite of

the Opposition. We need more single parents like Ms B to feel they can afford to do vital jobs like working in child care.

The fall in unemployment over the last decade in Islington, South and Finsbury has made a real difference to—*[Interruption.]*

Madam Deputy Speaker: Order. There are far too many conversations going on in the Chamber.

Emily Thornberry: The fall in unemployment over the last decade in Islington, South and Finsbury has made a real difference to people's lives. If we are to cut child poverty further, we need to help more parents into work and ensure that it pays to be in work. Two fifths of children in the constituency get free school meals, which means that neither of their parents are in full-time work. Another measure of child poverty—based on children in families on benefits—makes my constituency the sixth poorest in the UK.

The new measures in the Budget are therefore welcome, as they will directly help those families. They include significant increases in the threshold for full working tax credit and in the child element of the child tax credit, which will help incentives to work. Perhaps most welcome though is the—*[Interruption.]*

Mr. Graham Stuart: Will the hon. Lady give way?

Emily Thornberry: No. I am coming on to a very important point for poor families in London—and it is a change in Government policy for which we are very grateful. We are perhaps as grateful as we feel it was overdue. The change in policy is extra specific help for London's single parents returning to work. There will be an extra credit of £60 a week for the first year compared with £40 for parents in other parts of the UK. Some parents in London who do not go to work currently feel that they cannot afford it because of the high costs of housing and child care. We are really pleased that the Government have recognised that and increased the tax credits.

Another of my constituents wrote to me today to say:

"There should be help for people who want to work, even if I decide to stay off work to claim full benefit I will die of not working, I want more out of life."

Women like that should be and are being helped by us. I am glad that the Budget recognises the higher costs that single parents face in London. On top of that, child benefit for the first child will rise to £20 a week by 2010, and we will continue our investment in education across the board from early years through primary to secondary schools. Taken together, it is estimated that those measures will take a further 200,000 children out of poverty—another important step towards our goal of ending child poverty by 2020.

Along with children living in poverty, children with disabilities are one of the most vulnerable groups in society, so we must make sure that we support them. I am glad that the Government have already initiated a review covering the needs of disabled children. It is especially welcome that the Chancellor mentioned the review in his Budget speech as well as his commitment to consult widely on its findings in the run-up to the comprehensive spending review.

I am glad to note that the review has already identified speech and language therapy as an area in which services may not be sufficiently responsive to need. The Michael Palin centre for stammering children, which is based in my constituency, is an NHS centre of excellence for treatment of children who stammer. It is helping thousands of children from across the country. The centre deals with a complicated and distressing disability. The effect of a stammer on children is more than just a health issue. It affects their educational opportunities, social confidence and many other areas of life. A child who stammers may find involvement in class more difficult or suffer bullying at school.

Labour Members and the Government are very serious about tackling social exclusion, so we must make sure that children's lives are not blighted by being unable to communicate properly when it is possible, with the right intervention, to really help them. The Michael Palin centre is facing problems getting its services commissioned by some primary care trusts, but I am glad to say that Islington PCT's commissioning ensures that Islington's children get a first-class service from the Michael Palin centre. However, we need to make sure that all children across London and the rest of the UK can get the help they need from the centre as well. The patchiness of response from PCTs and strategic health authorities has been recognised in the review and I hope that the upcoming comprehensive spending review ensures that there is dedicated funding for children with communication difficulties and disabilities in general. We also need to make sure that the needs of that group are reflected in the next round of public service agreements.

Let us contrast that with the Liberal Democrat and Tory priorities. Every time that tax credits are mentioned in Parliament, they attack them. We know the Tory approach: record pensioner poverty, record child poverty and record levels of unemployment. They will not spell out their policy positions because they know that they are unpopular. The Lib Dems, on the other hand, have never had to take responsibility for anything, so they have no track record. In their 36-page paper on tax policy, child poverty is not mentioned once. They should be ashamed. The Lib Dem tax plans hardly mention tax credits, which is not much of an assurance for those hard-working families who rely on them. They voted with the Tories against tax credits in 1999, and they have made no commitment to keeping them.

Under the Budget, by October 2007, a couple or lone parent in full-time work with one child will have a guaranteed minimum income of £276 a week. The Tories and Lib Dems have shown no commitment to supporting Labour's guarantee to parents in work. I am proud that Labour is ready to guarantee a decent income to families. It is a pity that the Liberal Democrats and Tories will not join me.

I have spoken about some of the top priorities of people in Islington. Compared with 10 years ago, people's priorities have changed, because the country has changed. The Labour Government have made the country better and more stable by putting progressive politics into action. The solutions, however, are based on a set of values that have not changed. The values that we have in 2007 are the same as those that we had

[Emily Thornberry]

in 1997, and the solutions are progressive, radical and collective. As we face the new problems and priorities of the future, it is as clear as ever that we can only tackle the problems that we share by working together for the common good.

6.42 pm

Peter Luff (Mid-Worcestershire) (Con): Members have heard a tale of two cities so far tonight; there certainly is a big difference between Oldham and Islington.

Next month, I will have been a Member of the House for 15 years, as will my hon. Friend the Member for Cotswold (Mr. Clifton-Brown), who is sitting on the Front Bench. During that time, I have listened attentively to every Budget speech. Over the weekend, I have been wondering why I found last week's Budget speech so offensive. All the other Budget speeches, including the previous ones from the current Chancellor, have been political: after all, we are politicians, and one expects politics from politicians. Until this year, however, all those Budgets, even this Chancellor's, have concentrated on the needs of the real world. But this Budget was about two things only: trying to secure the Chancellor's position as the next Prime Minister; and trying to embarrass and discredit the opposition—although I am not sure whether he had in mind the Opposition on this side of the Chamber, or the opposition from within his own party to his prospective leadership.

The right hon. Member for Oldham, West and Royton (Mr. Meacher) was right to speak about the Budget's lack of attention to social justice. I am afraid that the hon. Member for Islington, South and Finsbury (Emily Thornberry) has not understood what the Budget was all about. The failings of the Budget, however, have met their just reward: sometimes, there is justice. Because of the sheer nakedness of its purpose, the Budget has failed in both its intentions, and, regrettably, has further diminished the respect in which we are all held by the electorate.

In short, it was a nasty, dishonest little Budget. The Chancellor finished with a great flourish, managing not to grimace as he went against the grain and promised us all a tax cut. But it did not take long to work out why he was not grimacing—he was not cutting taxes. In fact, he was putting them up. If my reading of the figures, all the expert comment and the Red Book are wrong, and the Chancellor really was offering tax cuts, I would welcome such a remarkable U-turn. The Chancellor has dismissed our policies for over a year, so were his offering genuine it would have been his masterstroke—his cherry-on-the-top moment—to embrace them.

It has been said before—but not yet by me, so I will say it again—that the Budget was a tax con, not a tax cut. The British people, however, are cleverer than the Chancellor realises.

Martin Horwood: But does the hon. Gentleman agree that the Budget at least fooled the right hon. Member for Witney (Mr. Cameron), whose initial response was to accuse the Chancellor of a tax-cutting election gimmick?

Peter Luff: Until one gets round to reading the Red Book, it is easy to be taken in by the Chancellor. Only a close reading of the Red Book, as I will show in my speech, will reveal the true nature of the Budget. It is important to repeat the point that I implied earlier: the most breathtaking aspect of the Budget was the way in which the Chancellor appeared—I say "appeared" for reasons that I shall explain—to embrace Conservative party policy.

As I was saying, the Chancellor's great mistake was to think that the British people would be taken in—but they will not be. After all the stealth taxes of the past 10 years, they are paying more, and getting less for it, and they know it. An attempt was made to present it as less pounds or bang, whatever the phrase is, for your buck—*[Interruption.]* I am glad to see that my colleague on the Trade and Industry Committee, the Member for Wolverhampton, South-West (Rob Marris), is in the Chamber and making sedentary interventions, but he knows what I meant. The Chancellor tried to present the Budget as fiscally neutral, and then offered us tax cuts. We know that the two things are contradictory, and the Chancellor is nothing if not a man of ruthless logic.

Instead, however, the Chancellor invited us into the looking-glass world of Alice. You will remember the moment, Madam Deputy Speaker:

"I can't believe that!" said Alice.

"Can't you?" the Queen said in a pitying tone. "Try again: draw a long breath, and shut your eyes."

Alice laughed. "There's no use trying," she said: "one can't believe impossible things."

"I daresay you haven't had much practice," said the Queen. "When I was your age, I always did it for half-an-hour a day. Why, sometimes I've believed as many as six impossible things before breakfast."

The happily named Red Queen did not persuade Alice, and the red Chancellor certainly has not persuaded the country. Well before breakfast on the day after the Budget, the British people knew exactly what was going on. Sadly, some right-wing commentators did not. One, writing in *The Daily Telegraph* the following day, said that the Conservative economic policy now lay in smoking ruins after the Chancellor's tax cuts. Admittedly, he described the cuts as symbolic, recognising that they were not really tax cuts at all. He seemed to believe, however, that British people would be taken in. I have more faith in my fellow countrymen and women. The commentator wrote:

"The message is simple; the Tories are now the party of high taxation, Labour is the party that gives you tax cuts."

Just how wrong can a clever man be? The so-called tax cuts were all offset, to use the appropriate phrase, by tax increases elsewhere in the Budget—as they had to be to achieve neutrality, not of carbon but of tax rates.

Let us consider, for example, the massive growth in the revenue from stamp duty shown in table C8 of the Red Book—a growth of £4 billion in two years. In London and the south-east, and now in many other parts of the country, that is a tax on hard-working families, not on the rich. There is no real danger of the Labour party being seen as tax cutters: the British people know a con trick when they see one. Incidentally, promising the illusory tax cut in a year's time did not help the Chancellor's cause much either.

Although the British people are wearying of their growing tax burden, they want the real thing when it comes to tax cuts, not deception. They know that the Chancellor had already increased taxes by £2.5 billion since the last Budget, so it was never going to be a day of announcing bad news—he had £2.5 billion in the bank. Those tax increases, which would normally have been part of this Budget, were announced in the autumn statement, and included a massive increase in air passenger duty that is already being paid by hard-working people without the traditional legislative scrutiny or authority. That is really stealthy—a tax that was imposed in February and not mentioned in the Budget will get legislative authority only tomorrow night.

Conservatives should not be worried about the Budget in relation to tax cuts; the real danger is that the Chancellor has adopted our fundamental economic policy, as my right hon. Friend the Leader of the Opposition made clear in his response to the Budget. The Chancellor has done that cautiously, but he has adopted it, and it is called sharing the proceeds of growth. The same right-wing commentator whom I mentioned described that policy as a "silly little catchphrase", but he is badly, dangerously wrong. It is not a catchphrase; it is a very good idea.

Let me try to explain this simple concept to the clever people who seem to find it elusive. There are, in essence, only three things that a Chancellor can do. He can steadily increase the share of the national wealth that is taken by the state, he can keep it broadly stable, or he can reduce it. The Conservatives believe that he should reduce it. Then comes the choice about the rate at which to reduce it. The route that we have chosen would mean that some of the growth would be used to provide improved public services in real terms and some to reduce taxes. That is the prudent route. It is prudent politically because we know that the British people rightly value public services such as health, education, the police force and defence. It is an economically prudent route because it offers the best guarantee of economic stability and of increasing competitiveness. The Chancellor plans to increase public spending in each of the next three years by less than the growth rate of the economy as a whole, but he could have gone further. He has planned for a gap of only about 0.5 per cent. in his sums—increasing public expenditure by 2 to 2.5 per cent. a year while the economy grows by 2.5 to 3 per cent. However, it is a step in the right direction. He is sharing the proceeds of growth timidly, but he is doing it.

Kelvin Hopkins: Does the hon. Gentleman accept that his thesis that an economy with low taxes and low public expenditure is a strong economy is fatally flawed? Last year's Organisation for Economic Co-operation and Development figures show that Sweden spent 57.1 per cent. of its gross domestic product on public services, while Denmark spent 53.8 per cent., Finland spent 50.6 per cent. and the UK spent 45.4 per cent., so we are at the bottom of that league table. However, the highest growth figures are in the countries with the highest public spending figures, such as Sweden. We are also at the bottom of that list. Does he accept, therefore, that his argument is entirely wrong?

Peter Luff: No; by adopting in moderate and tentative form this fundamental part of Conservative policy, the Chancellor is likely to make the economy rather stronger than would otherwise have been the case—again, I deny the hon. Gentleman's point. That is the real danger of this Budget for my party, but it is good news for the country. Our economic competitiveness has been slowly declining under this Government, but the planned reduction in the share of national wealth, to be taken by the state, could begin modestly to correct that, although the Chancellor's borrowing plans in table C5 of the Red Book remain a cause for real concern.

David Howarth: I am following the hon. Gentleman's argument, but given that the state spends money mainly on benefits and salaries, there are only three ways in which to achieve what he and the Chancellor propose. They are to reduce benefits, to ensure that public sector pay stays behind the national average or to choose different Budget priorities. Is not that the case? Which of those three options does he advocate?

Peter Luff: My hon. Friend the Member for Beverley and Holderness (Mr. Stuart) just helpfully said, "Zero-sum economics", and I deny the hon. Gentleman's point on that ground as well. If expenditure on public services continues to increase in real terms, that choice is nowhere near as acute as he maintains.

Other than in the early years, when the Chancellor stuck to Conservative spending plans, the Government steadily but surely eroded our competitiveness. In the past 10 years, our economic growth has been sustained for three reasons, and I hate to disappoint the hon. Member for Islington, South and Finsbury, but I disagreed profoundly with one of her remarks. The first reason is the golden economic inheritance, including significant supply side reforms, that the Chancellor had from the previous, Conservative Government. The second reason is the decision to give the Bank of England independence. The third reason is the decision not to join the euro. I salute the Chancellor for making the latter two decisions, which were positive, if one can call a decision not to join something positive. If I were Chancellor, and the Bank of England were not independent, I might have tried to use my influence to persuade it not to remove Elgar from the £20 note in the year of the 150th anniversary of his birth, but that is another matter.

Sadly, all the Chancellor's other decisions have worked to undermine our competitiveness. In the uniquely benign world environment of the past 10 years, it would have been a scandal if the British economy had not flourished. Things have got better, but they should have been much better still. That is the real scandal. The Chancellor has nothing to boast about except for those two crucial decisions on the Bank of England and the euro. He was simply in the right place at the right time, and is a lucky Chancellor. Even the Government's supporters are beginning to realise that the clunking fist might have been clutching at straws. Derek Scott, the Prime Minister's former economic guru said:

> "When you an inherit an economy in good nick, as we did, it takes a long time to foul it up...We're clearly going the wrong way and I don't think Gordon's reputation is going to look nearly as good in 10 years time."

I agree.

[Peter Luff]

Let us look at some of the specifics. On business taxation, I am happy to reassure the right hon. Member for Oldham, West and Royton that taxes on business will rise as a result of the Budget, not go down. There will be an extra £1 billion in 2008-09 and £1.8 billion in the following year, despite the apparent headline cut in corporation tax. I welcome the cut in corporate tax: the embodiment of the Conservative policy was that the corporate tax regime should be simplified and the simplification used to reduce the headline rate. That is a good idea. Bizarrely, however, the Chancellor then behaved exactly as the Red Queen would have him behave by not simply wishing to do two flatly contradictory things, but actually doing them. He simplified the main corporate tax system and used the simplification to cut the headline rate, but he also made the small business scheme more complex and used the complexity to increase the headline rate. Make sense of that if you can, Madam Deputy Speaker.

The clunking fist has been clunking all over our nation's smaller businesses. The Chancellor is raising corporation tax by 3 per cent. for some companies, thus taking from them a further £820 million by 2009-10. Considering that the small business sector employs nearly 60 per cent. of the private sector work force and contributes half of the national GDP, the Chancellor should realise how angry people—not anonymous businesses, but real voting people—will feel about that. The British Chambers of Commerce surveyed its members and found that 71 per cent. of UK businesses believe that the rise will harm them. The BCC commented that, as the Chancellor

"champions enterprise and acknowledges the importance of small business to the UK economy,"

many of its

"members feel let down and are dismayed by the measures taken which will hit their competitiveness and increase their tax burden."

It adds, most worryingly, that it will especially harm those that are looking to grow their business. It is a pleasure to reassure the right hon. Member for Oldham, West and Royton again by saying that that comes on top of the massive £50 billion tax increases on British businesses since Labour came to power and the roughly similar cost of regulation that the Government have added to the cost of doing business.

I am indebted to my constituent who gave me a copy of the excellent Shropshire, Hereford and Worcester edition of the Federation of Small Businesses newsletter, which I suspect is simply the national newsletter with a different wrapper. On eight pages headed, "Business information No. 134", Alan Roxborough enumerates the 57 varieties—literally—of Government actions that demand the attention of small business in this two-month period, some of which are very important, such as the first provisions of the Companies Act 2006 about the changes that they will have to make to their websites and letterheads. Others include the working restrictions on Bulgarian and Romanian nationals, the new rules for cutting waste crime, the implementation of the waste electrical and electronic equipment directive, the new money laundering regulations, access to good quality pensions and the penalties for incorrect tax returns. Another variety concerns streetworks permits, which are an important matter for small businesses when roads outside their front doors are dug up without any notice. I am sure that all those changes are worthy and necessary, but 57 in a two-month period? No wonder small businesses are hurting so much.

Such a hostile attitude towards business is not unsurprising. A CBI poll suggested that 22 per cent. of British-based businesses have relocated one or more of their assets abroad, and that a further 17 per cent. are thinking of doing so. In the majority of cases, tax was the reason for that. There is another answer for the right hon. Gentleman. Indeed, 70 per cent. of the UK's business leaders believe that the UK's tax regime has got worse and more complex.

Mr. Newmark: Does my hon. Friend agree that the bigger issue is the complexity of the tax system itself? *Tolley's Tax Guide* has increased from just under 4,000 pages when the Chancellor came into office to more than 10,000 pages today?

Peter Luff: As it happens, my next remarks are on *Tolley's Tax Guide*, and I can give my hon. Friend the precise figures. He slightly overstates his case, but he does not ruin it in the process. In 1997, *Tolley's Tax Guide* had 4,555 pages. It currently has more than 9,000 pages and it is projected that it will increase to 10,200 pages as a result of this Budget. It has more than doubled. No wonder that the Engineering Employers Federation joins the Federation of Small Businesses, the CBI and the British Chambers of Commerce in arguing for simplification of the cumbersome tax system.

The Chancellor has made much of having lowered corporate tax rates. It is true that he did that, but I am indebted to Liam Halligan, who wrote in yesterday's *Sunday Telegraph*:

"The cut in corporation tax is too little, too late. In 2003 Britain had the fourth lowest rate of corporation tax in the European Union. As new members have joined, and others have cut their rates, we now have the 19th lowest.

And given recent announcements elsewhere, the forthcoming reduction means we will remain only in 19th place in 2008."

That does not advance our competitive cause at all. It just means that we can barely manage to stand still. It is strangling our economy and affecting our competitiveness. According to the World Economic Forum, we have slipped from fourth to tenth in the international competitiveness league.

Mr. Newmark: I know that my hon. Friend has examined the case of the Republic of Ireland, which shows us that it is possible to create a more competitive tax economy—that is, a lower-tax economy—while collecting more tax revenues.

Peter Luff: I am grateful to my hon. Friend for making that point, although it is rather depressing to have to keep on making it. It is blindingly obvious, but it seems that some people simply will not listen to that crucial message.

Martin Horwood: Will the hon. Gentleman give way?

Peter Luff: I am going on for a bit longer than I intended, but I will give way.

Martin Horwood: Is the hon. Gentleman seriously suggesting that we follow the example of Ireland, which would require us more or less to halve our rate of corporate income tax?

Peter Luff: Over time, yes. It would generate more wealth for the country, and there would be more money to be spent on vital public services. The hon. Gentleman's intervention shows that, despite their best efforts, the Liberal Democrats still do not understand the way in which a modern economy works.

Let me draw the attention of those seeking more details of our economic freedom to a survey carried out by the Heritage Foundation. I do so with some trepidation, as I know that mention of that organisation sends a certain shiver of apprehension up many people's spines, but it has done a very good and detailed job of work on economic competitiveness and similar issues. Among other things, the survey provides a vital measure of our economic freedom from Government, which shows that we are doing particularly badly. If anyone wants to know what "economic freedom" means, I will happily define it. I obtained a detailed definition from the website, which I commend to Members on both sides of the House: it is really interesting.

We are worryingly behind our major competitors. We are the 31st least free of the 157 countries that the foundation examined. In other words, 126 countries are freer from the state in economic terms. We are just one place ahead of Lesotho, and one place behind Botswana. We lag far behind Canada, New Zealand, Australia, the United States, Singapore, China, India, Hong Kong, Japan and Ireland. Unsurprisingly, we score better than many European countries, but given their bureaucratic, interventionist approach, we should draw little comfort from that.

The Chancellor talks about globalisation. I wonder whether he understands the real scale of the challenge we face. This "clunking fist" has a contradictory quality: it loves to tinker, too. Here we are again, back with the Red Queen. It is no surprise that industries as diverse as hotels, film production businesses, casinos and stairlift manufacturers are angry about changes tucked away in the details of last week's Budget.

I had hoped to say something about the Lyons inquiry, but in view of the time I shall confine myself to asking—reinforcing the point that I made to the Secretary of State in an intervention—why people should take pride in the environment and invest in environmentally friendly things such as double glazing and solar panels if they are to be more highly taxed as a result. Council tax really must be more intelligent than that.

I had also hoped to say rather more about some of the green taxation measures to be introduced by the Chancellor—I mean the Secretary of State. He may become Chancellor under the next Prime Minister, but I doubt it. However, I only have time to say something about vehicle excise duty. The Chancellor's VED proposals do not look as though they have gone through the rural proofing mechanism. I was interested by what was said about this by my hon. Friends the Members for Lancaster and Wyre (Mr. Wallace) and for South-East Cambridgeshire (Mr. Paice).

The proposed tax on "Chelsea tractors"—the increase in VED—is actually a tax on the countryside. The rich drivers of the largest 4X4s can shrug off £400: it means nothing to them, and will not alter their behaviour. But what about the poor farmers? The forester in Scotland, the shepherd in Yorkshire, the arable farmer in Norfolk and the grower in Worcestershire need their 4X4s, and the increase will be a serious blow to them.

The hon. Member for Islington, South and Finsbury (Emily Thornberry) rather misleadingly—but I must not say that; she rather unfortunately—compared Land Rover to Toyota in terms of environmental sustainability. I tried to persuade her to give way on that point. She obviously does not know that Land Rover, a very important British manufacturer, offsets carbon in both the construction and the use of its vehicles. There is no known way of recycling many elements of Toyota cars at present, and they are nowhere near as green as Land Rovers if the offsetting claim is true, as I believe it to be. The hon. Lady could have chosen a happier parallel.

Emily Thornberry: Will the hon. Gentleman give way?

Peter Luff: The hon. Lady would not give way to me, so I will not give way to her. Such blanket taxes are a further indication that the Government have forgotten rural communities.

I would have liked to say something about carbon capture and storage. I think that the Government are moving in the right direction, but using the wrong mechanisms. I would also have liked to say something about science funding in the Budget, which I welcome, although I worry about the extent to which science is being translated into practical innovation and adding value to British business. I would have liked to say many other things, but I will conclude with just two more comments.

The measures on spectrum mentioned in the Budget statement are a detail, but an interesting one. For a fleeting moment I woke up and heard the Chancellor use the word "spectrum", and refer to the sale of assets. The House will know that Ofcom is currently planning to auction spectrum as the nation moves towards digital switchover. As I have argued many times—for instance, in an Adjournment debate in the House—the planned auction could have serious adverse consequences for many users of the spectrum: churches, theatres, concert halls, sporting stadiums, news reporters and a host of others.

I wanted to know the extent to which that sale of spectrum was being driven by financial considerations, so I tabled a parliamentary question asking the Chancellor what estimate he had made of the likely income to his department from the sale of spectrum resulting from the digital dividend. The answer was:

"HM Treasury has made no estimate of the likely income from the sale of spectrum."—*[Official Report,* 8 March 2007; Vol. 457, c.2225W.]

The Budget statement, however, included a figure indicating a massive increase in income from the sale of public assets, which incorporated the sale of spectrum.

[Peter Luff]

I have looked at the Red Book, and, to be fair, I must add that the Chancellor is also proposing to force the Ministry of Defence to sell off much of its spectrum. Perhaps that is what he was referring to. I tabled a named-day question that should have been answered before this debate began, seeking clarification from the Treasury. I have not received that clarification, and I must tell the Economic Secretary that while I realise that some of my speech has been knockabout in style, this is an extremely serious point. If the Chancellor plans to take too much money from the sale of spectrum by Ofcom, he may have a devastating effect on a whole sector of the economy that I know he does not actually wish to harm. I seek reassurance, and the answer that I should have had today.

Let me end with a plea for Worcestershire to receive a fairer share of education spending. The Budget claimed to put education at its heart, but—probably rightly—kept education spending increases in line with growth in gross domestic product. The hon. Member for Worcester (Mr. Foster) denied that in a radio interview in which I took part with him last week, but it is true: 2.5 per cent. is the figure. That means that the years when it would have been easy to reduce the growing gap have been wasted. I refer to the years in which everyone was receiving larger increases. Those were years when a slightly higher percentage for the least well-funded local education authorities, such as Worcestershire, could have been offset by slightly smaller increases for LEAs such as Birmingham. If that had been done, the gap would have been painlessly closed.

In fact, those years were worse than wasted. Because of the iron law of compound interest, places such as Birmingham became immeasurably richer, and shot ahead of Worcestershire in terms of per-pupil funding. Now that future increases in the overall budget will be so much more modest, it will be harder to close the gap without squeals of pain from people at the top of the league table of expenditure who have grown used to living on their high spending.

Hopeful signs are emerging from the Department for Education and Skills that there is at last some understanding that there is a real problem that needs to be addressed, and I am encouraged by some of the things I heard from the f40 conference at the weekend, but solving the problem at a time of relative financial stringency will be very much harder. For me, and for Worcestershire, these are the politics of a regrettably political Budget.

7.8 pm

Kelvin Hopkins (Luton, North) (Lab): I commend my hon. Friend the Member for Islington, South and Finsbury (Emily Thornberry) on the passionate section of her speech which dealt with housing. That is the big issue facing my constituents as well as hers, and I have many similar stories to the one that she related in such strong terms.

Thirty years ago, when I was vice-chair of housing in Luton, we had a housing waiting list half the size of the present one. We thought that a waiting list of 4,000 was outrageous, and we built houses to accommodate all on the list when the economy was supposedly weak. Now that we have a strong economy, somehow we cannot afford to house the poor. That is a disgrace, and we should reverse the position very quickly. It is the No.1 issue for my constituents.

I also commend my right hon. Friend the Member for Oldham, West and Royton (Mr. Meacher). I think I agreed with almost everything he said in his speech, but as we generally agree on many things in politics, that is not particularly surprising.

I want to talk about the environment, and particularly about energy and renewable energy, as that is the headline subject of the debate. The Government have gone some way in the right direction in the Chancellor's Budget, but we have not gone anywhere near far enough. My hon. Friend the Member for Nottingham, South (Alan Simpson) spoke last week, and he said that in Germany there are a hundred times more buildings with solar roof panels than there are in Britain. That highlights that something is fundamentally wrong. He also mentioned the renewable energy approach taken in Freiburg, where I understand that a third of people cycle to work. The Germans are far ahead of us, and our Government and Chancellor must go much further.

In terms of renewable energy, there are many other areas in which we could improve. We should be building barrages across the Thames and the Severn to generate electricity. They would also help in defending us against rising sea levels, which will occur as a result of global warming. If we do not do that on the Thames and do nothing about rising sea levels, we in this Chamber might find that we have wet feet. A barrage across the Thames—another barrage—with generators right across it would be beneficial in many respects.

There are many other forms and sources of renewable energy, such as geothermal energy and biofuels. If we were to invest heavily in them—including in wind, wave and tidal power, and in solar panels—we would not need nuclear and we would be become strategically much more independent. At present, we are heavily dependent on imported gas. That gas comes from countries that are currently sort of friendly, and it comes across countries that are sort of friendly. Even the Germans were recently made very pleased by the fact that gas is delivered to us through Germany; that gives them a certain political leverage, which might be useful in the future. We are aware of the situation that arose between Russia and Ukraine. Ukraine was beholden to Russia for its gas, and we do not want to be in that situation. The more independent we become by producing renewable energies, the better it will be for us in every sense, making us a genuinely independent democratic country and not at risk of having political difficulties in the future because we import much of our energy.

My right hon. Friend the Member for Oldham, West and Royton said much of what I wanted to say on pensions. He said that it would be difficult quickly to raise the basic state pension towards the level of 25 per cent. of earnings, which was its level before the earnings link was cut. However, I suggest to Members—including the Chancellor—that it is possible to achieve that, and that if we have the political will we can do such things. Six or seven years ago, we had the lowest level of basic state pension in

Europe by a considerable margin, and I think that that is probably still the case. The next lowest level was £150 a week, which was the rate in Germany. We have a long way to go to catch up, and to set a target pension worth 25 per cent. of earnings would be thoroughly justifiable.

How would we pay for that? We would have to do many things, and I suggest that we should start by raising revenue, which would mean raising national insurance contributions. I recently tabled a written question on that, asking that we remove the upper earnings limit and have a standard percentage all the way up the income scale. That would bring in £6.6 billion, which could go straight into pensions. An hon. Friend has asked a question about the current surplus in the national insurance fund; it is about £73 billion, which is a considerable sum. I know that it is useful for the Treasury to be able to live off the income of that surplus, but we should use some of that surplus to boost pensions now.

We must also go further in order to raise income to finance a higher basic state pension, but it is not impossible to take the necessary measures. We could secure income from other areas. There is an entire chapter in the Institute for Fiscal Studies green Budget report of this year about VAT fraud, which currently amounts to about £1 billion a month. We should pursue that fraud more assiduously. If we could get back just half of that sum, that would give us an extra £6 billion a year. There is also a massive gap in other areas between the tax that should be paid and how much is actually paid. Some people suggest that the total tax gap is more than £100 billion a year. That sounds like a phenomenal figure, but even if it was half that and we got half of that amount, we would have £25 billion a year in extra income. Such is the sum that we would receive if we pursued that taxation rigorously and assiduously. The Chancellor should do that. Some years ago, I went to my local VAT office where I was told that for every extra VAT officer employed, five times the salary of that officer could be collected—apparently, that is true in other areas of revenue collection as well. I wrote to the Treasury suggesting that we employ many more VAT inspectors and thereby collect much more revenue.

Mr. Graham Stuart: Does the hon. Gentleman accept that one of the problems that might have caused the failure to collect tax is the over-complication of the tax system by the current Chancellor, and that if we had a simplified system that would cease to demoralise the honest—which is what currently happens—and to give opportunity to the dishonest, as is also currently the case?

Kelvin Hopkins: I agree with the broad principle of the hon. Gentleman's point. The tax system should be much more simple. I would get rid of a lot of tax reliefs and tax allowances and I would build the system much more towards having a progressive income tax, rather than retaining the other taxes that I agree are more complicated.

I should remind Members that income taxes are currently substantially lower than they were in the 1970s. I acknowledge that there was a shift from income tax to VAT, but even if that is taken into account the level of income tax that is paid now is tiny, particularly at the top end, compared with the level in that period. I remember the figures well—I am of an age to do so. The top marginal rate when Jim Callaghan was in office—which I call the golden age of socialism—was 83p in the pound, and in addition there was a 15 per cent. unearned income surcharge. Therefore, some people—the genuine billionaires—were paying 98p in the pound on the top part of their income. I do not suggest that we should go quite that far, but I do suggest that a compromise position in respect of those people could be found that is between that 98 per cent. rate and a 40 per cent. rate.

I have looked at some figures, and I do not think that many people would object if we were to have a 50 per cent. income tax rate for those on £60,000 a year of taxable income, and if that were to increase to 60 per cent. for those on £80,000. Certainly, we in my constituency would throw our hats in the air, because we would know that we could pay off our hospital and health service debts immediately with the extra income.

Mr. Newmark: Some people might well throw their hats in the air, but I suspect that the people in the Treasury would be throwing up, because the reality is that most of such people can move, and they would leave the country and thereby leave the country with a tax shortfall.

Kelvin Hopkins: The odd pop singer or footballer might leave the country, but that would not seriously damage our economy. Let me draw attention to the Organisation for Economic Co-operation and Development statistics on top marginal personal income tax rates for employees in 2006. All the following countries have considerably higher top marginal rates than us: France, Japan, Italy, Sweden, Finland, Germany and Denmark. Denmark's top rate is 62.9 per cent. and Germany's is 60.5 per cent. and ours is down at 41 per cent. I suspect that floods of wealthy people have not left those countries, thereby damaging their economies.

Mr. Graham Stuart: Is the hon. Gentleman aware that 40 per cent. of the total receipts for income tax come from just 5 per cent. of income taxpayers, and that if even a small percentage of them were to go abroad there would be a massive hole in the public finances, and also that it would be the poorest and weakest in our society, and the public services that they depend on, that would be undermined?

Kelvin Hopkins: I just do not believe that. Some people whose income is at the top end of the tax system might even think that it is a good idea to pay a little more tax and to make a bigger contribution to society. Some years ago I had lunch in the City—I do not often go to the City—and I talked with people who had been watching television when Nigel Lawson announced his 1998 Budget in which he cut the top marginal rate from 60 per cent. to 40 per cent. They were all amazed; "But we do not need the money", they said. They were City people, who are probably represented by Opposition Members. I suspect that not many people would leave the country if there was a higher rate of tax, and that that would certainly not change the way that most people voted. I might be being unkind in saying this,

[Kelvin Hopkins]

but I suspect that a lot of rich people vote for the Conservatives rather than Labour, but people who support the Labour party and who earn such levels of income would also certainly not change their vote if we were to become a little more socialist.

Mr. Hands: Will the hon. Gentleman consider the reverse flow? A lot of people are coming to the City of London and to my constituency from continental European countries, which have significantly higher income tax regimes. One reason why they come to work in the City is to escape those higher tax regimes. Does he not share my fear that if we equalled those regimes, all those people would go back again?

Kelvin Hopkins: I have no doubt that there would be some marginal effects, but I suspect that they would not be anything like as significant as the hon. Gentleman suggests, and I doubt whether they would damage our economy. I have looked at other successful economies—particularly in Scandinavia, where they have much higher tax rates—and people do not leave in droves. Those countries are doing very well; indeed, their growth rates in the past year or two have been higher than ours.

Mr. Hands: I thank the hon. Gentleman again for giving way again; he is being very generous. Is he aware that according to the latest figures for my constituency, some 11 per cent. of its residents come from other EU countries? The figure is even higher for Kensington and Chelsea.

Kelvin Hopkins: They are very welcome and I am happy to see them here; they are no doubt making money and repatriating some of it to their own countries. Such effects might prove marginal, but they would not have a fundamental impact on our economy. What would have such an impact is greater income, collected in a much fairer way, for spending on the poor and the needy, and on public services. We need to make a serious attempt at redistributing income that goes some way back toward the position in the 1970s—and, indeed, in the 1950s and 1960s, under Conservative as well as Labour Governments. The people of Britain would massively welcome our moving in that direction—toward the social democratic regimes of Scandinavia—and it would not be economically damaging. That is the direction in which I want to go, and I urge my hon. Friends on the Front Bench to give serious thought to such ideas.

I have probably said more than enough, but I shall mention just one or two minor—not for my constituents, but in terms of the national budget—and local points. The pressures on health spending this year have caused serious difficulties in my constituency. We have the poorest health in the region, the biggest health inequalities and serious problems with heart disease and other illnesses. However, we have suffered the biggest cuts as a proportion of our budget, because of the squeeze on health funding this year. The strategic health authority has just inflicted a blanket cut, top-slicing everyone, and it has savagely affected Luton. We have effectively had £1 million a month cut from our primary care trust, which has had serious effects on my constituents.

The health service's total debt this year is about £1 billion, which is what we lose to VAT fraud in one month. It is not a large sum of money in the overall scheme of things, and I urge my hon. Friends on the Front Bench not only to promise jam tomorrow—we know from the Budget that for the health service, there is jam tomorrow—but to lift the spending constraints now, so that we can immediately start putting back what has been cut this year. We have had some serious cuts in the health service locally, and my constituents are suffering. I have written at length on three occasions to my right hon. Friend the Secretary of State for Health to make those points in detail, and I have given figures, too.

Helen Goodman (Bishop Auckland) (Lab): Is my hon. Friend aware that next year, spending on the NHS will rise by 10 per cent?

Kelvin Hopkins: Indeed I am, and I am very pleased about it. However, it is unfortunate that instead of smoothing out spending, there is serious pressure this year, with much more money to spend next year. Cuts are affecting us now, and a bit of next year's money ought to be brought forward now to relieve our health spending crisis immediately.

Finally, I have said many times that we ought to move quickly towards free funding for long-term care. A royal commission recommended that some years ago, and we have had early-day motions—I myself tabled two in two Parliaments—calling for free long-term care, which more than 100 Government Members have signed. This has been a big issue on the doorstep. I do not want working-class people who have bought for the first time in their family's history a little terraced house, or even a council house—I do not approve of that principle, but it is understandable that they would wish to buy it because it is a bargain— to be forced to sell the little bit of equity that they have because granny then starts suffering from dementia and they have to pay for her care.

That situation is unacceptable, and it would be much better if we shared the payment for long-term care generally throughout the population—we could have a hypothecated tax, or perhaps a small capital gains tax on houses when people die, if one wanted to have a link to the housing market—to ensure that no one had to pay out of their own pockets for any component of care in the future. I urge my hon. Friends on the Front Bench to give serious thought to that idea, and to recognise the wisdom of the royal commission's report all those years ago.

7.25 pm

Mr. Greg Hands (Hammersmith and Fulham) (Con): It is a great pleasure to follow the hon. Member for Luton, North (Kelvin Hopkins). He and I agree a great deal on things such as the European Union and other foreign policy matters, but regrettably we do not agree about much, if anything, on the economy and taxation.

The hon. Member for Islington, South and Finsbury (Emily Thornberry), who is a fellow inner-London MP and a member of the Select Committee on Communities and Local Government, did her cause a poor service by not giving way for interventions. She does not have exclusive knowledge of inner-London

problems. She mentioned that her constituency is the sixth poorest in the country. At least until recently, the index of local deprivation said that my borough was the 18th poorest, although I represent some areas of wealth, too. That does not give me an exclusive right to talk about poverty and deprivation either.

It is certainly not for me to defend the Liberal Democrat council in Islington, but I noticed the hon. Lady's opposition to choice-based lettings. It is worth noting that it is mainly Labour rather than Lib Dem councils in London that promote choice-based lettings, so I am intrigued by her opposition. It is of course always worth mentioning that this Government are building less social housing than the Conservatives built in the 1990s.

This has been an excellent Budget debate so far, and fascinating to follow from its beginning at 12.31 pm last Wednesday. The fascination has been not so much with the Budget itself, but with the way in which it has been assessed and reported. Every year under this Chancellor, the initial positive coverage has given way to a more considered assessment. This year was no different—only that the Budget unravelled even quicker than usual. We saw the initial cheering on the Labour Benches behind the Chancellor, but by the opening of today's debate three Labour Back Benchers were present. At one point we were down to two; we went up to a maximum of five; and it looks like we are back down to four at the moment. It seems that the Chancellor gave his incomplete view of the tax changes merely to put the Leader of the Opposition on the wrong foot, and to gain a cheer from his own side. If so, that is an absurd way to run the finances of the world's fourth largest economy.

The Chancellor's speech gave us only half the story, and the whole Budget took me back to my childhood in the 1970s when we had a black and white television of dubious quality with a grossly distorted picture. The distortions on the TV were amazing—people had elongated foreheads, and I remember thinking that the poor bald man who presented the cricket in those days looked like a cucumber. The most tragic thing for me was at 4:45 pm each Saturday, when "Final Score" came on, and the far right-hand side of what should have been on the screen was not visible at all. One could see the home team score and one could cheer if one's team had scored three goals, but I had to wait until the next day's newspapers to find out the complete score, and realise that one's team had lost 3-4.

It was very much like this Budget. I shared with Government Members an initial cheer when I heard the 2p cut in the basic rate of income tax, but it turned to dismay when I learned that it was more than made up for by the abolition of the 10p rate and the increase in national insurance contributions. In fact, the cut in the basic rate cost £8 billion, but the other increases will raise about £8.4 billion.

Away from the big picture, I wanted to address four specific issues faced by my constituents that have not been raised in the debate in any detail. The first is stamp duty, or more precisely, stamp duty land tax. According to Her Majesty's Revenue and Customs, the stamp duty yield from residential property throughout the UK has gone up sevenfold under Labour, from £675 million in 1996-97, to £4.6 billion in the last financial year. In London, during the past 10 years, there has been an eightfold increase. Five times as much of that tax is raised from London as from Scotland, and 16 times as much in London as from the whole of the north-east.

Helen Goodman: Why is that?

Mr. Hands: I am coming to that.

The yield from all stamp duties is projected to rise from £10.9 billion last year to £14.3 billion in 2007-08, all because the higher thresholds remain at £250,000 and £500,000, and there is no sign of the Chancellor upgrading them in line with inflation—past, present or future. It is a London stealth tax. Because the average London home price is more than £300,000, and far higher in constituencies such as mine, and because the percentage rate rises from 1 per cent. to 3 per cent. at the £250,000 threshold, the majority of London home buyers need to find at least £7,500 in cash just to buy a property, and that is on top of the deposit, survey fees, legal fees and so on.

The effects of stamp duty banding are serious. It is a mobility tax and combined with the inflexible policies pursued by many councils, such as preventing otherwise reasonable loft extensions, the huge rises in stamp duty land tax are making previously uneconomic home improvements worth while; for example, light wells and basement conversions, which have sprouted up all over Fulham and south Hammersmith, especially since the punitive stamp duty regimes came in. Light wells tend to flood, and there is a real fear that their increasing prevalence may lead to long-term structural damage to neighbouring properties. Ironically, my constituency is reckoned to be one of the first in Britain that would disappear if some of the more dire predictions of global warming were to come true. The flooding may get much worse.

The impact of stamp duty on mobility in London is severe and leads to a number of effects that other Members frequently remark on in their constituencies. Before the big increases in stamp duty, families used to move within Hammersmith and Fulham when they wanted more space because of, for example, an expanding family, or even just a better-paid job. Now, the move from a two-bedroom house, perhaps costing £450,000, to a £600,000 three-bedroom house will cost £24,000 in stamp duty alone, plus the extra £150,000 difference between the two sale prices.

If we compare the £24,000 stamp duty bill with a loft conversion costing on average £35,000, a side conversion costing £45,000 or a light well at around £60,000, we start to see why such home improvements are all the rage. An argument might be made that those buying and selling simultaneously should pay stamp duty on the difference between the prices of the two homes, as long as they are below a certain level and there is a minimum fee. In my view, that idea should be explored. It would be rather like capital gains tax, which is paid only on an increase in asset price. It might be said to discriminate against first-time buyers—I shall come back to them—who, by definition, have no property to sell, but I believe that the proposal would have an impact on the supply of homes to the market, in London in particular, which would have a huge knock-on benefit for first-time buyers. It would also encourage people, mainly retired, who wanted to trade

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down the size of their home, because they would end up paying no stamp duty and would thereby free up a family-sized home for another buyer. We could also look at schemes such as those in Australia where first-time buyers can be exempt from stamp duty.

Peter Luff: I am grateful to my hon. Friend for making those important points about the impact of stamp duty on mobility in the labour market and housing market, but I urge him to pursue the argument with our Front-Bench colleagues because it is not just in London that it is a major issue. I can tell him from my personal experience that it is a problem around the country, with people delaying housing changes that they might have made because they do not want to write out a very large cheque to the Chancellor of the Exchequer.

Mr. Hands: My hon. Friend is quite right. The problem extends throughout the south-east, parts of the south and probably into Wales, the north of England, and doubtless elsewhere. It is certainly not exclusive to London.

Mobility is vital to the housing market, yet the Chancellor has done a great deal to harm it. At the moment, the supply of homes is severely constricted as prices continue their meteoric rise, as demand vastly outstrips supply. It has also had an effect on second homes. One hears constantly from Members with rural constituencies—for example, in Cornwall, where I first lived in this country—about the impact of Londoners and others from the south-east buying second homes, and it is important to understand the economics.

Ironically, many of the professional people in my constituency are more tempted to buy second homes than they used to be, by the perverse effects of stamp duty land tax. Someone in my London constituency with £100,000 of capital and mortgage financing could spend that sum on two extensions to their home—a loft extension and a side extension to the kitchen—or they could move within Hammersmith and Fulham or within London and trade up to a house with an additional bedroom, but they would have to pay the Exchequer stamp duty of between £20,000 and £30,000 to do so. Increasingly, my residents take a third option: to buy a bolthole in the country for their extra space.

I was looking at the prices advertised by an estate agent in Looe, in Cornwall, where I spent a large part of my childhood: a one-bedroom cottage was on sale for £90,000. For many of my constituents, getting their additional space at that price would be extremely attractive, because no stamp duty whatever would have to be paid on that home. Given the punitive taxes on moving, is it any wonder that many of my constituents find their extra space by building extensions of doubtful wisdom or buying second homes in far-away places, adding to all the other effects we dislike about that trend, such as carbon emissions, road and rail congestion and rural depopulation?

I want to talk about some of the effects in my constituency of NHS deficits and of the poor management of the NHS and its financing. The Chancellor mentioned the NHS only once in his speech, which may not be surprising when we consider how his meddling has undermined health services in my constituency. Since the last Budget, Ravenscourt Park hospital has closed—a remarkable fact; but even more remarkable is the fact that the closure took place only four years after the hospital opened. The chief executive of the hospitals trust announced 150 sackings at the time of the closure, yet when the hospital opened four years ago he said:

"The NHS is people hungry. It needs skilled and qualified people and that is why we are scouring the world."

He went on to describe how he was hiring people from Germany, Australia and so on, yet such is the boom and bust, or feast and famine, in the NHS, that only four years later the new hospital was closed.

When I raised the matter last year, the Secretary of State for Health told the House:

"The hon. Gentleman has fallen into precisely the trap that so much of the media have and that I warned against earlier: those are not sackings."

However, *Hansard* then records the riposte:

"HON. MEMBERS: 'Yes, they are.'"—[*Official Report*, 7 June 2006; Vol. 447, c. 269-70.]

Remarkably, a few weeks later I received a letter from a sheepish Secretary of State apologising to me, stating that she needed to make a correction and that they were indeed sackings. In Hammersmith and Fulham, as is the case across a large part of west London, we await with baited breath the impact of the hospitals reorganisation that is likely to be announced in the summer and its effect on services at the Charing Cross hospital in the heart of my constituency.

The third important matter for my constituents is the specialist area of funding for British films. Hammersmith and Fulham is a centre for the British film industry and for a large number of other media jobs related to it. The criticism from the sector is not that the Government have neglected it, but that they are constantly chopping and changing their policy on it. A producer who visited my surgery this morning told me:

"It's as if every producer in this country is trying not to make films here...outside of this country, producers have given up on us altogether."

Film policy is a shambles, I am told. Since 2000, the Government have made 12 major changes to film policy. It is impossible to secure the long-term funding that is needed to make films, partly due to the fact that some of those changes in policy have taken place with retrospective effect. The attitude from many of the funders is: once bitten, twice shy with the UK film industry.

For example, almost the entire industry used to use sale and leaseback finance. That was replaced in last year's Budget, quite suddenly, by a scheme of tax credits. Unfortunately for the British film industry, not only did few understand the new tax credits—that might sound a little familiar to my colleagues—but the new scheme did not take effect until 1 January this year. Between the last Budget and 1 January 2007, there was no support at all for the British film industry.

The effect of all that chopping and changing is not always apparent to the general public. The general public see us winning a few Oscars or they see a couple of films that look like they were probably made in Britain or about Britain, but the British film industry is

in deep trouble. For example, one company that was going to make a series of six Beatrix Potter films in the UK is now going to Louisiana. Classic British titles, such as James Bond and Harry Potter, are moving out of the UK. We need consistency and intelligence in how we support the British film industry.

Peter Luff: I do not know whether this is good or bad news, but the concerns that my hon. Friend has expressed, which I share, about taxation and the film industry could become entirely irrelevant, because if Ofcom's auction of the spectrum goes ahead as currently planned, there will be no radio microphones so it will become impossible to make films at all in this country.

Mr. Hands: My hon. Friend is an expert on these matters. Often, when I have tabled questions on spectrum issues the answer that I receive states, "I have nothing to add to the answer given to the hon. Member for Mid-Worcestershire (Peter Luff)." I have great respect for his views on these matters, which I share.

The fourth area of importance for my constituents is council tax. If the Chancellor wants to take lessons in how to set a budget, he should take a short, 25-minute tube ride to Hammersmith station, get off and make the five-minute walk to Hammersmith town hall. The Hammersmith and Fulham Conservatives have shown how to set a real budget. Together with my hon. Friend the Member for Brentwood and Ongar (Mr. Pickles), I attended the budget meeting of the new council last month. The 3 per cent. council tax cut will ensure that Hammersmith and Fulham residents are set to be the only people in the country to receive a reduction in their council tax bills this year. A further programme of tax cuts was announced for the next two years as well. There were no stealth taxes or tax cons—unlike in the Chancellor's Budget. It was a pure cut in the basic council tax rate. The new administration ran on a clear policy of a tax cut to bring council tax down to Wandsworth's levels within two terms, over eight years. What a shame that we do not hear that level of ambition from Members on the Labour Benches. The Hammersmith and Fulham councillors were elected as tax cutters and I am sure that they will govern that way as well.

After 18 years of Labour mismanagement, my local council is making real improvements and councillors are starting to turn around a council that was previously handicapped by bureaucracy, political correctness, red tape, unions and vested interest. Hammersmith and Fulham council is on its way to becoming a model Conservative council, delivering high-quality value-for-money services to all. In the last week, it has come under attack from Polly Toynbee. I am not one of those Conservatives who is a great fan of Polly Toynbee.

Helen Goodman: A split!

Mr. Hands: Perhaps there is a split: a split between two Gregs.

The mistake that old left wingers such as Polly Toynbee insist on making is in thinking that higher tax equals better services and that lower tax means cutting services. In Hammersmith and Fulham, we are demonstrating that that is not the case. The 3 per cent. council tax cut has been well documented, but the council is also spending new money on the things that matter to residents. It is investing £1.5 million over the next two years to pay for round-the-clock beat policing in our town centres, as well as spending more on schools and, as was mentioned earlier, providing free personal care at home for our most vulnerable residents. It is one of only two councils in London to do that. We talked earlier about the NHS, but, although the health budget has increased in recent years, council social care budgets have not been keeping pace with need. That needs to be addressed seriously in next year's budgets.

There are tough decisions to be made in my local authority. For example, despite investing nearly £500,000 extra in social care, the council is having to balance finite resources with an ever-increasing demand for services. The funding from the Government has not kept pace with the demands of an ageing population. The funds have increased by just 14 per cent. in real terms since 1997.

For my constituents in Hammersmith and Fulham, the Budget has been in general very unwelcome and will hit people quite hard. More generally, Britain is heading in the wrong direction. Under Labour, we have fallen eleven places in the international competitiveness league. Tax is rising rapidly, inflation is the highest for 16 years, unemployment is going up, and interest rates are rising. Britain is over-taxed. We need lower, simpler and flatter taxes, and I look forward to a new Conservative Government delivering them.

7.45 pm

Martin Horwood (Cheltenham) (LD): Today's debate has been intriguing. At some times, it has seemed like a hustings for the Labour party leadership and at others like an episode of "Play School", in which we have had Conservative speakers quoting long passages from "Alice's Adventures in Wonderland" and, earlier, holding up pieces of paper with coloured paint blobs on them. I will commend those to my five-year-old daughter Maya and my two-year-old son Sam, who I am sure will be impressed, but if hon. Members do not mind, I will move on to more serious issues.

As many hon. Members have pointed out, at the heart of the Budget is essentially a tax con. The Chancellor of the Exchequer gave away some £8 billion by cutting the basic rate of tax from 22 to 20 per cent., but largely offset that by doubling the starting rate of tax from 10 to 20 per cent. This tax measure therefore joins a long list of measures introduced by this Government and then abolished by them a few years later.

The measure was probably designed to fool about three audiences, since it could never have been expected to fool serious analysts. The first audience was the Chancellor's supporters on the Labour Benches, who, astonishingly, cheered a Budget that doubled the rate of income tax for those on the very lowest incomes and raised it for many others earning less than £18,000 a year. The second audience that it was designed to fool was the right hon. Member for Witney (Mr. Cameron), who in his initial response to the Budget said that it was a vote-grabbing tax cut, which is the phrase that I was

[Martin Horwood]

trying to get my mouth round earlier when I intervened on the hon. Member for Mid-Worcestershire (Peter Luff).

The third audience that the measure was designed to try to fool was the headline writers, but unfortunately in that respect it failed, thanks to my right hon. and learned Friend the Member for North-East Fife (Sir Menzies Campbell) and my hon. Friend the Member for Northavon (Steve Webb), who spotted the tax con at the heart of the Budget. The Chancellor, who had hoped to gain a reputation as a tax cutter, instead reconfirmed his reputation for sleights of hand.

Helen Goodman: Why does the hon. Gentleman think that there is anything dishonest whatsoever about having structural changes that are fiscally neutral?

Martin Horwood: I am grateful to the hon. Lady for her intervention. I will come on to whether the changes are fiscally neutral for poor families in a minute—well, in fact, why not straight away? There were many costs to this piece of political theatre. One is going to be paid by the lowest-paid in our society. Labour Members will argue that the cost of doubling the starting rate of income tax will be offset by tax credits. Tax credits are clearly a favourite of the Chancellor. But the Government's figures, in the Budget documents, show that only 82 per cent. take up child tax credit at the moment. That means that 18 per cent. do not. Only 65 per cent. take up working tax credit, so again a large number of families miss out on a benefit that is designed to offset the rise in income tax.

Many of us are aware from the casework that we get in our surgeries and constituencies that, even among the families that do claim tax credits, the repayments that are an integral part of the system cause particular families huge problems when they are called upon to repay adjustments. It would be far better to do the right thing with the tax system from the start than to do the wrong thing and then introduce a complicated system to try to compensate for it. We need real tax breaks for the lowest-paid, which can be paid for by green taxes.

The piece of trickery with income tax also has a cost for charities. Income tax is crucial to the earning of gift aid by British charities. The Chancellor has breath-taking cheek, because in his statement, he said:

"Our culture of volunteering and giving defines Britain as a fair and compassionate society."

Almost in the same breath, he went on to say:

"My right hon. Friend the Chancellor of the Duchy of Lancaster and I will consult the charitable sector on measures that we will fund to increase take-up of gift aid".—[*Official Report*, 21 March 2007; Vol. 458, c. 823.]

Well, they will need to fund quite a lot, because the damage to the income of British charities from gift aid is estimated by the Charity Finance Directors Group at 11.4 per cent. of current gift aid receipts, or some £70 million.

That is the situation before we consider the Lyons report's simultaneous recommendation of removing charities' council tax relief, although I hope that, when the recommendation is considered, it will be rejected. The finance director of Oxfam estimates that the changes to income tax and thus gift aid will cost that charity alone £1.8 million. The World Wide Fund for Nature has told my office that the changes will cost it something like £400,000. How will the measure help international and environmental charities like these to assist us in the battle against climate change?

The environment is the most important challenge facing the Chancellor and the Government when developing their policies, including their economic policies. The Chancellor's comments on the environment sounded quite ambitious. In his Budget statement, he said:

"our objective is that we have not only the most economically competitive but environmentally sustainable companies".

He boasted:

"Since 1997, business and Government together have achieved a 25 per cent. reduction in the carbon intensity of the economy."—[*Official Report*, 21 March 2007; Vol. 458, c. 821.]

When I spoke this morning to an ambitious company based in my constituency called Commercial, it told me that it was aiming to save not just 25 per cent., but 75 per cent., of its carbon dioxide emissions in only three years, which makes the Government's ambition look a little pathetic.

Commercial is one of the dynamic small and medium-sized enterprises that make up 99 per cent. of UK businesses. Given that those enterprises provide 59 per cent. of UK jobs and create 51 per cent. of UK turnover, they make up a vital sector. However, they are neglected by many of the Government's environmental measures. For example, as Commercial has only 130 employees, it is too small to receive an onsite visit from the Carbon Trust to help its programme.

How is Commercial planning to achieve such a drastic reduction in emissions? It is trialling low-energy light bulbs to replace not only traditional incandescent bulbs, but all its high-intensity halogen bulbs. It is encouraging its employees to walk and cycle to work and providing showers on site for those who do. It is also encouraging its customers to look at competitively priced and high-quality recycled paper instead of more traditional paper stock. I did not notice any measures in the Budget to help Commercial in any of those initiatives.

The most important plank of Commercial's carbon-reduction programme is shifting its van fleet from fossil fuels to biofuels. Its ambition is to achieve not the 5 per cent. target on biofuels by 2011 envisaged under the renewable transport fuels obligations, but a 75 per cent. biofuel-powered fleet in three years. When I showed the Chancellor's measures on biofuel to Mr. Simon Graham of Commercial, he was not very impressed. He said:

"Personally, I think the initiatives are piecemeal, driven by promoting technology rather than providing value, difficult to find and apply to, difficult to plan with ... and seem to be directed away from the SME sector. What would be so much better from my point of view would be to have a system based simply on a given environmental benefit (say reduced CO_2 or waste going to landfill) by whatever technology".

However, I have to give the Government some credit because some elements of the Budget were designed to support biofuels. The fuel duty differential of 20p a litre will be extended to 2009-10. That is welcome, in that it does not stop doing something positive. The lightening of the burden of regulation on biofuels is also welcome, although an opportunity was missed to differentiate clearly environmentally beneficial biofuels

and harmful biofuels that cost more in energy than they save and that are grown at the cost of biodiversity in the rain forests. Although the Government have said that they are exploring the question of providing certification for the biofuels that are most environmentally-friendly, a standard is already on offer—EN14214—although it was not mentioned in the Budget.

The Government have also produced an incentive of a 2 per cent. discount on company car tax for those using bioethanol, but as the spokesman for Commercial said, the measure is a drop in the ocean that is targeted at one specific biofuel. Why not give an incentive that applies to all biofuels that reduce CO_2? The Government plan a 100 per cent. first-year capital allowance for biofuel plants and have made an announcement on an international taskforce involving Brazil, South Africa and Mozambique. While both those steps are welcome, will they tackle the major obstacles to the take-up of biofuels faced by companies such as Commercial? Simply put, the answer is no.

A major barrier to the take-up of biofuels that stands in Commercial's way is manufacturers' warranties. In some countries, certain warranties will protect a vehicle using as much as 100 per cent. biofuel. However, in the UK, manufacturers generally offer a warranty only for cars using as much as 5 per cent. biofuel. What incentives does the Budget give for diesel car manufacturers to get their act together? None, sadly. The Secretary of State said earlier that Professor Julia King has been asked to examine technological developments, but she is being asked to look at developments over the next 25 years, which is too long. If the programme is successful, it will come too late for the drastic change that we need to make in the next 10 years.

If hon. Members need any reassurance that we are dragging our heels on biofuels, let me quote someone who knew what he was talking about at the time:

> "The use of vegetable oils for engine fuels may seem insignificant today. But such oils may become in the course of time as important as petroleum".

That statement was made by Rudolf Diesel himself in 1912. The diesel engine was originally designed with peanut oil in mind. Green Fuels, another company in my constituency, assures me that, if the problem with manufacturers' warranties could be tackled, many vehicles on the roads today could happily run on 80 per cent. or even 100 per cent. biofuel. The technical barriers to such a move, which would make an enormous difference to this country's carbon emissions, would be quite slight.

Let me turn to household microgeneration. I am afraid that the Budget is the latest in a long line of muddled, short-term and inadequate initiatives on microgeneration, especially household microgeneration. Let me share the grisly details with hon. Members. The £10 million clear skies programme, which started in 2003, had to be boosted by £2.5 million and extended to March 2006, presumably to bridge the gap until its successor, the low carbon buildings programme, was ready. The photovoltaic demonstration scheme, which started in 2002, had to have its budget of £26 million to £28 million boosted by £750,000 so that the scheme would last until March 2006. Phase one of the LCBP itself was launched in April 2006. Its budget was originally £30 million, although it actually received only £28.5 million because £1.5 million was used for the bridge funds from the old schemes. The programme was supposed to last for three years, but only £6.5 million of the budget over those three years was for households, so there was barely half as much available for households as when the clear skies programme and PV demonstration schemes were running.

In a letter to the then energy Minister, the Renewable Energy Association commented:

> "In 2005/6, £6.6 million was committed to household grants under the old programmes. But the equivalent LCBP household grant budget for 2006/7 is just £3.5 million, falling to £2 million in 2007/8 and £1 million in 2008/9".

Since then, the household allocation has been increased twice. In October 2006, it was doubled to £12.7 million, but that was achieved through a reallocation from other LCBP funds. The Budget has added an extra £6 million, which is welcome given that the money really is additional, but that measure was immediately undermined when the Department of Trade and Industry suspended the whole programme. And of course, we have had the ludicrous spectacle in the past year of the Energy Saving Trust offering grants on the first day of each month and almost immediately running out of funds.

I am not sure whether the right hon. Member for Witney managed to get such a grant for his urban windmill. I did not get one for my solar thermal panels, which were installed by So-lar Smart—yet another impressive and successful green company that is based in Cheltenham. However, the company complained to me last year that the stop-start nature of the Government's household microgeneration grants and incentives were causing it huge problems. I suspect that it did not gain much reassurance from the Budget.

All in all, the Budget falls far short of the shift in the economy demanded by the Stern review. The Budget advocated simplicity, but delivered more complexity; it sounded fair, but on closer examination was not that fair at all; it sounded green, but on closer examination it let down many of the individuals and organisations who try to do their best to safeguard our futures. If the Secretary of State for Environment, Food and Rural Affairs is looking for an excuse to split with his right hon. Friend the Chancellor of the Exchequer, the Budget surely provides it.

8 pm

Helen Goodman (Bishop Auckland) (Lab): I am grateful for this opportunity to take part in the Budget debate. I was pleased to hear all the firm environmental commitments that the Chancellor made last week, but I want to focus on the measures to reduce child poverty. I welcome the decisions that will lift 200,000 children out of poverty, and the recommitment to halving child poverty by 2010 and to abolishing it by 2020. I found the criticism that people could not understand the redistribution in the Budget rather strange. It is absolutely clear what the Budget is doing; it is redistributing money to families with children. The array of practical measures to support children who are living in poverty and their families is far better and more concrete than anything that has been offered by either the Conservatives or the Liberal Democrats.

It is clear from the criticisms that we have heard that Her Majesty's Opposition basically do not understand

[Helen Goodman]

the phenomenon of child poverty, which is presumably why they allowed it to treble under the last Tory Government. It has also become clear to us that the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) has completely misled his colleagues by suggesting that family breakdown is the prime cause of child poverty in this country. In January, there was a lot of talk about the UNICEF comparisons of child well-being among members of the Organisation for Economic Co-operation and Development, but I have looked at the more up-to-date comparisons between European countries by Jonathan Bradshaw of York university. They were published in a journal called *Social Indicators Research* in January this year, and they show that family breakdown is not the prime cause of child poverty in any of the European countries. Indeed, if we strip out the experience of the United Kingdom, we see that there is a positive correlation between child well-being and the number of single-parent families, with Finland and Sweden at the top of the table.

That large, comprehensive study looked at overall child well-being. It referred to all the European countries and included 51 different variables, which covered the material situation of children, their housing, their health, their subjective well-being, what they thought of their situation, their education, their relationships, their civic participation, and the level of risk and safety for children. The key factors influencing child poverty were found to be income inequality, child poverty itself, obviously, gross domestic product per capita—that is, the overall wealth of a country—social spending and spending on children and families. That is why the strategy announced in the Budget for tackling child poverty is the right course of action.

The key decisions that have been taken are absolutely what are needed to achieve reductions in child poverty. The increase in the child tax credit by £150 over the level of earnings growth, and the increase in the working tax credit threshold by £1,200, will have a significant impact. In my constituency, nearly 4,000 families and nearly 7,000 children will benefit. Those changes to tax credits are worth £2 billion in total, and that will be far more effective than the increase in tax allowances proposed by the hon. Member for Cheltenham (Martin Horwood). The problem with raising personal tax allowances as a route to addressing child poverty is that raising such allowances benefits the rich far more than the poor.

Martin Horwood: I beg to differ with the hon. Lady. As the lowest paid pay a higher proportion of the starting rate as income tax, surely they must gain proportionately more by its abolition.

Helen Goodman: The hon. Gentleman clearly did not listen, either to what I said or to what he said himself. I said that raising personal allowances would provide greater benefits for those at the top than for those at the bottom.

David Howarth: I simply do not follow what the hon. Lady is saying; what she says cannot be the case. If we increase the tax allowance at the bottom, that must be more favourable to those at the bottom than to those at the top, given the proportion of income taxed.

Helen Goodman: I am sorry, but the hon. Members for Cheltenham (Martin Horwood) and for Cambridge (David Howarth) are just revealing their complete failure to understand how the tax system works, and how the allowances operate at the top. If we slide all the allowances upwards, there is far greater benefit to the rich than to the poor.

David Howarth: Will the hon. Lady give way?

Helen Goodman: No, I have given way twice, and the hon. Gentlemen simply keep repeating their misunderstandings.

Another benefit of the Government's approach of putting money into tax credits is the high take-up of tax credits. At the moment, 82 per cent. of those who are eligible claim tax credits, and 97 per cent. of those on incomes of under £10,000 a year claim tax credits, and that is a far more successful record than that of the Tory Government, who operated something called the family income supplement, for which the take-up was roughly 50 per cent. I welcome the increases in child benefit. It is clear that they will have a stronger impact in addressing child poverty than Opposition Members' rather bizarre suggestion of reintroducing the married couple's allowance. I simply cannot understand why they want to throw away money that they could use to good purpose, and to reduce child poverty, on people who are happily married, do not need the money, are high up on the income scale and may not even have children.

Taken together, the changes that the Chancellor announced this week, and the other measures that he has introduced, will result in a positively redistributive effect over the period from 1997 to 2009. People whose household incomes are in the bottom 10 per cent. will experience, over that period, a rise in income of 27 per cent., whereas those in the top 10 per cent. will have their incomes fall by 1 per cent. A single-earner couple with mean earnings who have two children will get a rise in their income of £320. A single-earner couple on median incomes with two children will have a rise of £500. Contrary to what has been claimed by Opposition Members, a single-earner couple on half median income with no children will also have an increase in their annual income; they will get a rise of £175.

One reason we Labour Members believe that it is important to address child poverty is that disadvantage is translated across the generations. Last week, the Cabinet Office published an interesting paper on families with multiple disadvantages, which showed that children with four experiences of family problems had a 70 per cent. risk of suffering multiple disadvantages by the time they were 30 years old. Interestingly, children from the 5 per cent. most disadvantaged households were more than 50 times as likely to suffer problems when they reached the age of 30 as children not in the top 5 per cent., but in the top 50 per cent.

One of the disadvantages that is being looked at is the disadvantage of being the child of a teenage parent. In October, I undertook an experiment, and tried to live on the income support rate for people under 25. Using the information from York university, I found that that gave me £21 a week for food, taking account of everything else for which one might reasonably expect to have to pay. I wanted to see whether or not

on that £21 I could have the kind of healthy diet recommended for pregnant women. At the end of the week, I had lost weight. Hon. Members may think that in my case that is not a problem and that there were advantages for me personally, but it is obviously not satisfactory for a pregnant 19-year-old to do so. I was therefore pleased by the improvements to benefits for pregnant young women. First, the Sure Start maternity grant is now £500, and it goes to young mothers on low incomes. Secondly, the payment of child benefit has been extended, and it will begin at week 29, so all mothers will be up to £200 better off.

That sort of practical measure makes a genuine difference to the people who need it most. The Budget documents include measures to help young people who are not in employment, education or training, but may I point out to my hon. Friends a contradiction that should be addressed? At the moment, teenage mothers, if they are still at school, are expected to return to school 18 weeks after the birth of their baby. This April, we will extend maternity leave to 39 weeks, so I suggest that young mothers need at least as much time to adjust to their new role and bond with their babies as older mothers. We should bring targets for those young teenage mothers into line with maternity provision for the rest of the community.

Frequently, what is said about children and child poverty is a way of thinking about how to construct a new and better society. Looking at things from a child's point of view offers a vantage point from which to offer critiques of society as a whole. It is the child's position as a future adult that is of interest to politicians. That has always been true—it was true in ancient Sparta, it was true under the Jesuits and it was true for Bismarck. That is largely because we know, or we think we know, that what happens to us as children is a significant influence on our lives when we become adults. It is extremely tempting to believe that by controlling the condition of childhood we can reach into the future and control the society that we want.

I believe, however, that we should be concerned about child poverty for a more important reason. Children are not human becomings—they are human beings. Childhood is part of life. It accounts for about 20 per cent. of life, so it matters in itself, as well as providing a good basis and preparation for adulthood. It needs to be enjoyable and fulfilling. Last year, Shelter and "End Child Poverty" put together a collection of poems written by children living in poverty across the country. If anyone was in any doubt about the importance, urgency and significance of the need to address child poverty, they would not be after reading those poems. I want to end with a poem written for that book by an eight-year-old child in my constituency called Lucas. It is called, "I Can't Live There":

"Damp with rats carrying germs,
I wish I wasn't there.
Leaking roofs, unstable floors, I hate,
To be there.
Teenagers telling me things I shouldn't know,
I wish I was somewhere else, somewhere,
Where I can live.
Please help me Mr Government,
I beg you, I plea."

8.15 pm

Mr. Charles Walker (Broxbourne) (Con): Thank you, Mr. Deputy Speaker, for calling me to speak in this important debate.

Although today's debate centres on the environment, I should like to discuss the moral case for ending tax poverty. I believe that the Government's commitment to alleviating poverty is genuine, but I am concerned that there is a growing industry around poverty, with huge fortunes being spent on entrenching an immobile underclass. I am concerned that in the past 10 years, or perhaps even longer, the state has created an expanded pool of supplicants, with more and more people deriving an increasing share of their income from the state. It is wrong that those people should be patronised with benefits and hand-outs, which have a corrosive effect on their self-worth and self-esteem.

There are perversities in the benefit system, which is, in itself, extremely complex. As an MP, I try to help my constituents navigate it, but often it is beyond comprehension. There are tens of thousands of pages of legislation, backed up by thousands of forms, classes, groupings and exceptions. In too many cases, benefit recipients simply have their own money laundered back to them, minus the Government's handling charge.

As a Member of Parliament, I believe that all Members have a duty to ease the benefits burden on our constituents by making large parts of it redundant. It is certainly complicated. In *The Independent* this weekend, Simon Carr wrote:

"Gordon Brown's anti-poverty policy is literally unintelligible to ordinary people".

It will not have escaped your notice, Mr. Deputy Speaker, that I am an incredibly ordinary person, and I find the Chancellor's anti-poverty policy unintelligible. In *The Sunday Times*, economics correspondent David Smith wrote:

"We are still light years away from a simple personal tax system".

The tax credit system is so complex that many people do not even bother to claim. That money is theirs by rights, but they are put off by the complexity of the system.

We have identified the fact that the very highest earners are getting richer, but the less well-off seem to be subject to more and more means-testing. That is a soul-destroying process, and it is not just or fair. It is wrong, for example, that tax is levied on pay rates once they exceed £2.65 an hour. Why should people earning the minimum wage or a sum just above it be forced to turn to the state to recover their confiscated earnings in the form of tax credits? Who is best served by that process? I do not believe that my constituents should have to go through that process to claim back money that is rightfully theirs. Another problem across our constituencies is the expanding poverty trap. Again, the Government are not deliberately making it bigger, but it is there. Some 2 million low earners still pay marginal rates of tax of between 60 and 90 per cent. Indeed, 200,000 people still pay marginal rates of tax in excess of 90 per cent. We in the House should not allow that to continue.

[Mr. Charles Walker]

What is the solution? The priority fiscal reform of any Government, Labour or Conservative, should be to reduce the taxes on low earners. We must take people out of the tax and means-tested benefits net altogether. If the greatest cause of poverty is worklessness, we must work to make work pay. Reducing taxation on low earners will not only ensure that people keep more of what they earn, but will have huge social advantages.

In addition to encouraging people back into the work force, it will allow them to take jobs at or above the minimum wage, knowing that the money that they are earning will go into their pockets, and that they will be replacing the state as their family's major provider. What price does dignity carry? "I am putting the food on my family's table, not the Government"—many men and women would like to be able to say that.

Reducing the tax on low earnings will start to liberate people from a benefits system that can, at times, be seen as callous. I know that that is not a deliberate ploy on the Government's part, but the benefits system can often seem remote and uninterested in people's everyday concerns. All Members of Parliament are familiar with Her Majesty's Revenue and Customs' phrase:

"having looked at the information we hold and that you have provided, I consider that you should have been aware that your payments were wrong"—

a mealy-mouthed phrase used by HMRC as justification for clawing back perhaps thousands of pounds of overpaid tax credits from bewildered and frightened families, who are sometimes left facing legal action for the recovery of moneys that they do not possess. That is not the action of a caring state. Most of those people notified HMRC of their change in circumstances, and HMRC failed to update and amend its records accordingly.

Ed Balls: Take the example of the working single parent to whom the hon. Gentleman refers, for whom the combination of the minimum wage and tax credits would lead to an effective hourly rate of slightly over £12 an hour. If tax credits were taken away from that lone parent, would she be poorer, or how would the hon. Gentleman make up the difference—by a higher minimum wage or by tax cuts? Could he explain that conundrum to us?

Mr. Walker: The Minister makes a good point, and I am about to come on to it, but I will take no lectures from a Minister whose Department has just introduced a Budget that will leave people earning £18,000 worse off. The Minister should get his own house in order. I am trying to approach the issue in a non-partisan way and I hope he respects me for that.

Ed Balls *rose—*

Mr. Walker: No, I will not give way again.

Over the next five years, I would like to see the tax threshold increased to £12,500. Anybody earning less than that would not pay tax. That requires an increase in the threshold each year of £1,500. Yes, the cost of the increase would be about £8.4 billion per annum. That sounds a lot, but in the 2007-08 tax year due to start in a week, the Government tax take is set to grow by £36 billion—that is, from £517 billion paid in this tax year to £553 billion paid in the tax year just starting, an increase of £36 billion. Then in each year for the next four years, the tax take is due to increase by £32 billion.

Helen Goodman: I am puzzled by what the hon. Gentleman is saying. I thought it was the policy of Conservative Members to share the proceeds of growth between tax reductions and increased public expenditure. How can the proceeds of growth be shared unless there is some increase?

Mr. Walker: I am happy to deal with that, but I am not speaking for my party. I am speaking as a very junior Member of Parliament for Broxbourne who is speaking because he feels passionate about the subject, and because he cares about alleviating the circumstances of the very poorest in society. Again, I will not be drawn into a partisan exchange.

The cost of reducing taxes by £8.4 billion a year is significant, but it would be substantially offset by higher rates of economic activity, with people choosing to take jobs and working longer. As people go back to work and increase their earnings, there will be savings in the £20 billion currently spent on tax credits, plus the other £100-odd billion spent on other benefits. The £42 billion could quite easily be found if we did not spend the £36 billion that the Government have earmarked for unpopular ID cards and the failing NHS IT records system.

I would be more than happy to have a debate on how we fund the future alleviation of high levels of taxation. I, as a Conservative—in answer to the question from the hon. Member for Bishop Auckland (Helen Goodman)—might like to fund it by getting rid of schemes that I do not think will deliver benefit to the taxpayer, or, yes, partly fund it by slowing the growth of the state, or yes, partly fund it by a reduction of the tax benefits and benefits that we pay out.

I know that Labour Members are concerned that many people on low incomes are paying tax and they might argue, as the hon. Member for Luton, North (Kelvin Hopkins) did, that the taxes of the very richest should go up. Let us have the debate. We cannot live in a sterile political world where we are afraid to talk about things that matter to the many millions of people out there in the community. We have an obligation and duty to them.

Mr. Newmark: I do not wish to cause a ruckus in my own party, but I hope my hon. Friend would agree that a core part of our policy is to put stability before tax cuts, and that we cannot achieve the goals that he seeks unless we put stability before tax cuts.

Mr. Walker: Of course we want to achieve economic stability, but it is not impossible that a future Government, whether Labour or Conservative, could commit to taking the very poorest people out of tax altogether. We are, after all, elected to run the country and to make hard decisions. I can almost anticipate the Minister's response. He will say that raising tax thresholds, as the hon. Member for Bishop Auckland said, cannot be done because it will benefit the rich.

That is not good enough. It is an abrogation of our responsibility to the least well off in society. Raising tax thresholds may benefit the rich, but the marginal benefit to the very poorest in society will be far greater.

Ed Balls: I do not wish to make a partisan point. In the spirit of the hon. Gentleman's comments, I say to him that if he keeps the minimum wage at its current level, abolishes the tax credit for single parents and uses the money instead to raise the personal allowance, a single parent will be significantly worse off by many hundreds of pounds. Does he accept that fact?

Mr. Walker: We can assist single parents through universal child benefit. I point out to the Minister that the Joseph Rowntree Foundation said in recent evidence to the Scottish Affairs Committee that tax credits may be useful for single parents, but they keep many married couples and cohabiting couples in poverty. That is worth thinking about. I can send him that evidence if he wishes to double-check it.

Yes, I agree that cutting taxes or raising thresholds may benefit high earners, but as I said, the marginal impact of raising tax thresholds will be felt far more keenly by hard-working families at the bottom end of the income scale. The purpose is not just to give people back money. It is to give them back their self-respect and to reduce the role of the state in their lives.

Who would benefit from Charles Walker's proposal from Broxbourne? People who want to work, people in work—despite what the Minister says, both single people and married people—families and pensioners, all worthy recipients of a tax cut allowing them to keep more of the income that they earn. Who would not benefit? The overbearing state would not benefit, and the poverty industry would not benefit if we took measures that genuinely alleviated poverty and restored self-respect to people and to families.

8.28 pm

Mr. Brooks Newmark (Braintree) (Con): I draw hon. Members' attention to my entry in the Register of Members' Interests.

In 1998, the Chancellor proposed a code of fiscal stability so that the Government would adhere to the principles of transparency, stability, responsibility, efficiency and fairness. The reality in 2007 is that he has given us another Budget so opaque that a cut in the basic rate of income tax will actually leave some of our poorest families worse off.

After the Budget, the Chancellor told Radio 4:

"It wasn't a short-term giveaway",

and he certainly got that right. Before he entered office, he said:

"I want the next Labour Government to achieve what in 50 years of the Welfare State has never been achieved. The end of the means test for our elderly people."

Last week, however, he gave us a Budget that will drag even more of the most vulnerable people in our society into his means-tested credits fiasco.

With his 11th Budget, the Chancellor has shown once again that he is the true heir to Blair—all spin and no delivery. He has failed to deliver a balanced Budget—by "balanced", I mean letting the House and the public know that while he was giving with one hand, he was taking with the other. It should therefore come as no surprise that no one believes a word he has said. The Chancellor should reflect on the following day's headlines: one paper went with, "Tax cut: It's just a big con"; another went with, "Brown tax cut trick"; and a third used, "What Gord giveth, Gord taketh away". In less than 24 hours, the Chancellor went from tax cutter to tax con.

The heart of the debate concerns the environment and environmental taxation. Office for National Statistics data show that the proportion of total taxation composed of environmental taxes has fallen from 9.8 per cent. in 1999 to 7.7 per cent. in 2005. The Chancellor told the Treasury Committee in December that there were five strands to the Government's policy on tackling climate change, and I want to go through each of them. The first strand is science and innovation, but the reality is that innovation schemes, such as the Peterhead DF1 carbon capture project, have stalled while the private sector waits for the Government to catch up.

The second strand is market mechanisms such as carbon trading. Page 173 of the Red Book claims that

"a strong lead from the UK"

has helped the EU's carbon trading scheme, but the Environmental Audit Committee recently found that

"the emissions projections appear to have been inaccurate and inflated, and the national caps derived from them too unambitious".

That is hardly an unqualified success.

The third strand is encouraging personal and social responsibility. Airline passenger duty is typical of the Chancellor's delight in raising stealth taxation from the environment. The money raised is not actually reinvested in the environment, and, as I said in my interventions, it does nothing to change the public's behaviour. However, I noted with interest that my hon. Friend the shadow Chancellor mentioned in his response to the Budget a letter from the Secretary of State for Environment, Food and Rural Affairs entitled, "DEFRA's priorities for the Budget of 2007", in which the Secretary of State noted that

"there is a case to look again at making domestic flights subject to VAT."

When questioned earlier in the debate, the Secretary of State seemed to throw in the towel, but I am delighted that he shares the view of my right hon. Friend the Member for Witney (Mr. Cameron) that the polluter must pay. More is the pity that the Chancellor went out of his way to attack my right hon. Friend's submission during the Budget debate.

The fourth strand concerns public investment in environmental efficiency. I welcome grants for pensioners to install insulation and central heating, as well as reductions in VAT on energy saving and environmentally friendly products. Conservative-led Braintree council has shown the Chancellor the way ahead for some years by offering council tax rebates in return for investment in cavity wall insulation, so the Chancellor's measures are hardly ahead of the curve.

The fifth strand concerns tax incentives and tax reliefs. The stamp duty exemption for carbon-free homes might be a step in the right direction, but the website smarthomes.com states that there are currently 27 zero-carbon homes in the UK, so there is clearly a

[Mr. Brooks Newmark]

long way to go before the relief is actually useful. Furthermore, as I said in my interventions, the increase in vehicle excise duty does nothing to control usage. Vehicle excise duty is a tax on ownership, not on mileage or usage. Instead of having a policy driven by the polluter pays principle, the Chancellor views the environment as another vehicle for stealth taxes.

I should like to move on to public sector debt, which is a particular interest of mine. In 1997, the Chancellor's pre-Budget report statement promised:

"We shall legislate so that there is a duty on Government to report to Parliament on how they are meeting their fiscal rules; in that way, everyone can plan for the future on a much clearer and better informed basis."—[*Official Report*, 25 November 1997; Vol. 301, c. 774.]

Table C4 on page 278 of the Red Book shows public sector net debt reaching half a trillion pounds, but that figure is dwarfed by potential off-balance-sheet liabilities, such as the private finance initiative and public sector pension liabilities, which push public sector net debt to well over £1.3 trillion. That represents nearly £2 off balance sheet for every £1 on balance sheet. The only way to find out the extent of public sector pension liability is for us to keep asking parliamentary questions. So much for our being clear and better informed about things. The Chancellor's creative accounting means that he is more like the Enron Chancellor than the Iron Chancellor.

Despite a steady rise in the tax burden since 2000, successive Budgets have seen the Chancellor borrow £100 billion more than he originally intended. On Wednesday, he admitted that we need to borrow £8 billion more than he said was the case in December—a mere three months ago. Mystic Meg could do a better job of predicting public debt figures than the Chancellor. After his 11 Budgets, Organisation for Economic Co-operation and Development data show that public sector spending accounts for 45.3 per cent. of gross domestic product, while the International Monetary Fund says that the UK has the largest structural deficit in the G8.

Much has been said about public services, but I want to touch on the theme because it is important. The 1999 Red Book boldly declared that

"the Government does not pass on the costs of services consumed today to the taxpayers of the future—each generation is expected to meet the current costs of the public services from which they benefit."

In 2001, in another red book, *The Sun*, he was quoted as saying that

"any additional resources must be matched by reforms so that we get the best value for money. There is not to be one penny more until we get the changes."

Yet again, there is nothing in this Budget about public sector reform. Richard Lambert, the director general of the CBI, has said:

"The skill levels of many young people leaving secondary school remain poor despite almost a decade of rising investment in schools. Basic skills remain a real weak point of the UK economy."

Page 139 of this year's Red Book shows that education spending growth is set to halve to 2.5 per cent.—that is below the growth rate of the economy—despite a Labour party pledge in its 2005 manifesto:

"We will continue to raise the share of national income devoted to education."

Furthermore, the Chancellor's silence on the national health service speaks volumes, given that nurses' jobs are being axed, junior doctors are on the march and community hospitals are being closed—in some cases, they are not even being built. My Braintree constituents were promised such a hospital. I welcome the fact that almost twice as much money has been spent on the NHS since 1997, but there has been no equivalent improvement in productivity, so it is not surprising that the public are asking where all the money has gone.

During the past couple of days, we have heard much about business taxation and competitiveness. The issue is important for our business community. The corporate tax rate change is forecast to lose the Treasury some £1.38 billion in the fiscal year 2008-09. However, I am led to believe that changes to tax relief on capital expenditure should net £1.49 billion more in the same year. Of the £985 million that the Chancellor is clawing back through the corporate tax system, £820 million will come from small businesses. The bottom line for business is that total business taxes will raise almost £3 billion extra over the next two years.

Professor Peter Spencer, economic adviser to Ernst and Young's ITEM club, summed up the Budget's effect on business:

"It is a con trick, there's no doubt about it. I'll be amazed if people are duped by it for more than five minutes."

David Frost, director general of the British Chambers of Commerce, was concerned about the "long-term damage" to small business:

"As the Chancellor champions enterprise and acknowledges the importance of small business to the UK economy, many of our members will feel let down".

At the time of his 1998 Budget, the Chancellor proclaimed:

"This is a Government which does not simply talk about cutting the cost of bureaucracy and red tape but takes the decisive action necessary to achieve it."

Then perhaps the Economic Secretary can explain why *Tolley's Tax Guide* has grown from 5,952 pages in 2001 to almost 10,200 pages in 2007. The bottom line is that the Chancellor has shown that he knows nothing at all about wealth creation and those who create the wealth for our country.

Moving on to rising personal taxation, the total tax take is up by more than 100 per cent., from £287 billion in 1997 to £586 billion in 2008, rising to a whopping £682 billion in 2011. Table C9 on page 285 of the Red Book indicates that we now have the highest tax burden on record. The Institute for Fiscal Studies has found that up to 3.5 million families will be worse off. How does that square with the Chancellor's statement that the purpose of this year's Budget is to ensure that working families are better off? Furthermore, the families and individuals most affected are some of the poorest—those earning under £18,000. I thought that I would see the Economic Secretary perk up at this stage and point out that the Chancellor would say in reply, as he told the BBC:

"For people who are low earners the tax credit wipes out the income liability and that's why lower income workers are better off now as a result of what we have done as a Government."

But tax credits are not tax cuts.

I therefore turn to tax credits. The most recent figures from the Treasury for the tax year 2004-05 show that nearly £4 billion in working tax credits and child tax credits went unclaimed. Robin Williamson, technical director of the Low Incomes Tax Reform Group, said:

"There are plenty of reasons why people don't claim tax credits. Some people do not know they are entitled to claim, while others are put off by hearing about other people's bad experiences.

Those who do take the plunge face a 12-page form and a 60-page explanatory note that might even challenge the hon. Member for Wolverhampton, South-West (Rob Marris), were he here. That may have something to do with the problem. It should not be at all surprising that four out of 10 people end up not claiming their entitlements. Surely the Economic Secretary must recognise that this is a problem. With 3 million out of 5 million people either receiving overpayments or underpayments, I wonder whether he would agree with the hon. Member for Newcastle upon Tyne, Central (Jim Cousins), who said in the Treasury Sub-Committee that such widespread

"under or overpayments of tax credits is a shocking, devastating damage to the whole welfare reform policy."

Although I welcome the increase in capital allowance for pensioners, it is disappointing that the Chancellor has, once again, preferred means-testing to index-linking pensions. Gordon Lishman, director general of Age Concern, said:

"Without quick intervention, the real value of the basic state pension will fall to a pitiful £75 by 2012 and today's pensioners will fail to benefit from any of the good measures proposed in the Pensions Bill."

Mervyn Kohler, head of public affairs at Help the Aged, said:

"This Budget was a missed opportunity to address the wider needs of our pensioner population."

I am sorry that the Secretary of State for Environment, Food and Rural Affairs is not present, because I should like to ask him whether, following last week's Budget, he would change the prediction that he recently offered on BBC's "Question Time" that

"when I come back on this programme in six months' or a year's time, people will be saying, 'Wouldn't it be great to have that Blair back because we can't stand that Gordon Brown?'"

Or does he agree with the shadow Chancellor's remarks on Thursday that:

"With his last Budget, the Chancellor has shown us that he cannot be the change the country wants—that he is part of the problem, not part of the solution... if people... want... to restore trust in the political process, we do not just need a change of Prime Minister—we need a change of Government"?—[*Official Report*, 22 March 2007; Vol. 458, c. 971.]

8.46 pm

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): I apologise for not being present for the whole debate. I was chairing a meeting of the Conservative party's human rights commission.

Many hon. Members with an interest in energy policy and environmental policy would have welcomed the reference in the Budget to the announcement on the same day by the Secretary of State for Trade and Industry of the competition that will be launched for going ahead with Britain's first full-scale carbon capture and storage demonstration project. The UK, with its history of being a coal producer and a key oil and gas producer, is especially well placed to lead the world in developing carbon capture and storage technology. We also have a world-class skills base in geo-engineering, which makes Britain uniquely well placed to take advantage of the emerging technology.

Let me inject a few words of caution into the proceedings. As my hon. Friend the Member for Braintree (Mr. Newmark) said, a pretty large subsidy is required to make the full-scale demonstration project a success. The private sector on its own will not fund a full-scale carbon capture and storage project. I understand that the Department of Trade and Industry has made available some capital grants to support demonstrations of capture-ready plant and CO_2 storage. However, it has always been acknowledged that a full-scale demonstration of the complete CCS chain would require a much larger financial support package from the Treasury.

The Science and Technology Committee in its report on CCS referred to such a package as being of the order of hundreds of millions of pounds. The Government, in their response to the report, did not dispute the figure, stating:

"the scale of support that might be required from taxpayers and/or consumers is very large".

Unless I missed something in the Budget, I do not recall any announcement of specific funding to help a full-scale CCS project come into being. We must watch this space closely to ascertain whether the funding gap will be closed to an extent that enables a full-scale demonstration project.

Mr. Newmark: Is not another ancillary benefit of CCS that we have more than 200 years' supply of coal in the UK? Would not it be good to try to revive our coal industry so that we are secure in our energy supplies?

Mr. Crabb: I welcome my hon. Friend's intervention, but I am more sceptical about whether CCS will enable a revitalisation of the UK domestic coal industry. I shall deal with that later.

Mr. Walker: Will my hon. Friend explain to the uninitiated the mechanics of carbon capture? Is it captured and put into a substrate of porous stone or is it solidified?

Mr. Crabb: My layman's understanding is that it is not solidified, but injected back into porous rock, and I gather that disused North sea oil and gas fields are particularly well suited geologically for that sort of use.

Secondly, the emphasis on this being a demonstration project is exactly right. Specifically, it is a demonstration project that can be applied in an overseas context where new coal-fired power stations are being built at a tremendous pace. I think that hon. Members who believe that CCS somehow throws a new lifeline to the domestic coal industry may be disappointed. Some Members believe that the domestic coal industry offers one solution to our energy security challenges in the decades ahead, but I beg to differ. Coal has an important part to play in the energy mix

[Mr. Crabb]

and will continue to be significant for several decades to come, but it will be increasingly foreign coal rather than domestically produced coal that keeps—

Sir Nicholas Winterton (Macclesfield) (Con): I am slightly surprised at my hon. Friend's argument. Does he not believe that there is huge potential in clean coal technology, in which the UK actually leads the way? Surely it could enable us to utilise the 300-plus years' stock of coal in this country. Will he speculate about investment in biofuels, which generate far fewer emissions into the environment? Should not the Government proceed in that way rather than penalising people as they are currently doing through the taxation system?

Mr. Crabb: I agree with my hon. Friend that incentivising new environmental technology perhaps represents a better way forward for tackling carbon emissions than reliance on blunt green taxes. I regard biofuels as an exciting development in the field of environmental technology. In my constituency, a planning application will shortly be made by a large Irish company to develop a large biofuels plant at the port of Milford Haven—one of the UK's leading energy ports, as my hon. Friend will be aware. It has specialised in oil refining, but liquefied natural gas terminals will be coming on stream at the end of this year. Now added to the mix will be a biofuels plant, which is an exciting development as well.

Returning to coal, it will be increasingly foreign rather than domestically produced coal that will keep the UK's coal-fired generating capacity burning. There are many reasons why domestic coal production will continue to decline, but they are quite unrelated to demand. Indeed, during last winter, which saw a significant upswing in demand for coal as gas prices spiked, the additional demand was met entirely by imports rather than any increase in domestic supply. I believe that our coal will come increasingly from Russia, South Africa, Australia and south America. To my mind, that creates the conditions for enhanced energy security rather than a return to reliance on domestic coal production. Hon. Members should not forget that the only time that the lights went out in the UK's recent history was when we relied almost entirely on domestic coal.

Mr. Walker: Given the need to reduce this country's carbon emissions and the fact that clean coal technology may or may not be viable in the short to medium term, does my hon. Friend see a role for expanding our nuclear generation in the next five, 10 or 15 years?

Mr. Crabb: My belief is that in future decades we are going to need a basket of different energy supplies. I reject the football supporter approach whereby we have to be in favour of nuclear or coal or biofuels when the truth is that the UK is going to need a whole different spread of energy sources in the decades ahead. My belief is that nuclear will still feature in the mix, though it may have less of a share than it does now.

Returning to carbon capture and storage, which was referred to in the Chancellor's Budget statement, it is not clear to me what contribution CCS can make to cleaning up the UK's coal-fired power stations. The Science and Technology Committee produced an excellent report on this subject in February last year, in which it noted that there were significant technical difficulties associated with retrofitting capture technology on to Britain's ageing fleet of coal-fired stations. Even if those difficulties could be overcome, it might not be economically viable to do so.

The value of the CCS demonstration project surely lies in its application overseas, particularly in countries such as India and China, which are adding huge amounts of coal-fired generating capacity each month. At the beginning of February, I was in India and saw a news report in the *Hindustan Times*, which referred to the previous day's announcement by the Indian Prime Minister that India will need 56,000 MW of coal-fired generating capacity just for the next five years. Given the lifetime of those coal-fired plants and the associated carbon emissions, it is clear that countries such as Brazil, India and China—without downplaying the moral obligation on this country to do its bit to tackle climate change—are where the serious potential lies for cutting carbon emissions. The focus of the UK's demonstration project must surely be on showing how it can work across different countries with different electricity-generating systems.

Like other environmental technologies, carbon capture and storage represents a significant export opportunity for the UK. As I have said, the UK is a world leader in geosciences and the oil and gas sectors, and there is no reason why that expertise cannot be extended to carbon capture and storage so that it becomes an export opportunity. The barrier to that lies less in the technical skills involved in the process than in our abilities as an exporting nation. In the remainder of my contribution, I should like to focus on trade and exports.

Exports are an extremely important component of GDP growth. Those of us who have been concerned about the over-reliance in recent years on household consumption as a driver of GDP growth believe that exports have not been sufficiently strong. In comparison with other Organisation for Economic Co-operation and Development competitors, our export performance is simply not good enough. The UK has a smaller share of total world exports than many of its key competitors, with the exception of Italy. In the export of goods alone, the UK lags well behind Italy. In part, that reflects the UK economy's specialisation in services, which make up a small percentage of total global trade, but we should not hide behind that argument to excuse our poor performance as an exporter.

For example, if we read across from the UK figures to the German figures for exports in the past 10 years, we will see immediately that Germany is competing as an export nation in the new globalised world far better than we are. When our exports were flat between 2001 and 2003, Germany posted increases of 7 per cent., 4 per cent. and 3 per cent. While the export growth rates registered by the UK in the past two years have been much more impressive, we now know that soaring

VAT fraud had the effect of inflating those figures. Professor Peter Spencer, chief economic adviser to the ITEM Club, noted:

"It appears that the recent revival in UK exports largely reflects the activities of fraudsters rather than genuine business. When seen against the background of the boom in world markets, it's actually very disappointing."

In this year's Budget statement, the Chancellor forecast growth and exports of 5.5 per cent. and 5 per cent. going down to 4.5 per cent. in three years' time. Those figures are hardly stellar or ambitious. In last year's statement, he had rather more to say about foreign trade. He seemed to be on the verge of announcing a major new Government initiative for boosting our trade with key industrialising nations such as India and China. He said:

"Alongside a new City of London taskforce to promote British financial services globally, and backed by a new British advisory board and council, the Foreign Secretary and the Secretary of State for Trade and Industry are announcing a revamped UK Trade and Investment, which will set new targets for expanding trade with China, India and emerging economies, and for making Britain the location of choice for international business."—[*Official Report*, 22 March 2006; Vol. 444, c. 291.]

That all sounded great, and a number of right hon. and hon. Members, and many UK business organisations, have made the case for a number of years for a concerted effort by the DTI and Foreign Office to help UK exporters take advantage of the huge investment and trade opportunities on offer in places such as China and India. For some time, concern has been growing that the UK is not capturing a large enough share of that huge increase in international trade.

Sir Nicholas Winterton: My hon. Friend may or may not be aware of my long-standing interest in manufacturing, which, in my view, is the only source of long-term, sustainable, non-inflationary economic growth. How does he respond to the fact that manufacturing jobs in this country are being lost at a rapid rate? How can we capture opportunities overseas other than in financial services, in which we are highly qualified, if our manufacturing base is shrinking year by year because it is less competitive? The chief executive of a major pharmaceutical company told me that we are one of the least attractive countries in which to invest. Ireland and the Netherlands are far more attractive in that regard.

Mr. Crabb: My hon. Friend is exactly right. A key component of the great narrative around the 10 years in which the Chancellor has been in place is the consistent erosion of the UK's competitive position. My hon. Friend talked about the loss of manufacturing jobs. He will be aware that, back home in Wales, the loss of a great many high-quality manufacturing jobs in the past year or two has been hugely sad. Excellent companies, some of which came to Wales in the 1980s because they were attracted by the UK's competitive position, are now vacating the country.

My hon. Friend rightly talked about the loss of this country's competitiveness. It has been amusing to see the number of Labour Welsh Assembly Members and MPs who have been tripping over themselves to have their photographs taken outside the Burberry manufacturing plant in Treorchy, which has, sadly, announced that it is shutting down. Anyone who has grown up in a household in which there is worklessness will know just what a tragedy that is. We feel for the workers who have been made redundant, but if those Labour politicians were serious about protecting those jobs and were genuinely concerned about the future of manufacturing workers in south Wales, they would not be issuing press releases accusing Burberry of corporate greed, but be getting into the Chancellor's face and talking to him about the erosion of our skills base and of our competitive position as a manufacturing economy.

Mr. Newmark: Is not it key that those who seek employment in this country have a good education? One of the tragedies of the Budget is that the growth of spending on education is being slashed in half, to 2.5 per cent. We have heard much from the Chancellor about how he wants to spur on science and technology, but if he does not invest in education, we will not be able to produce employable people.

Mr. Crabb: My hon. Friend is exactly right. The key to success in a globalised world is to have innovation, a skills base and investment in an education system that will help the country to stay competitive in the years ahead, especially at a time when countries such as India and China are pouring out tens of thousands of extremely well-motivated, highly educated engineers and scientists.

Mr. Newmark: My hon. Friend makes an excellent point. I am a member of the Select Committee on Science and Technology. We have some brilliant scientists in this country, but, unfortunately, the interest of students in our primary and secondary schools in being scientists or going into jobs in which science is applicable is declining. That problem is compounded by the closure of chemistry departments in universities such as Exeter. We should be asking what the Government are doing to stimulate interest in the sciences and to support science in our great universities.

Mr. Crabb: That is an excellent intervention. In Wales, sadly, the chemistry department of Swansea university has also closed. A big concern of the Royal Society of Chemistry is the number of hours of science teaching in schools that is being done by teachers who have no science degree. As a result, the subjects are not interesting and are not being taught from a well-informed position. That is leading to a lack of interest at A-level and feeding through to the decline in demand at university level, thus making it difficult to maintain and make viable expensive university science departments.

Mr. Hands: Will my hon. Friend say a little about language learning? He and I share something in common: we are both married to people from other EU countries who do not have English as a first language. The learning of languages in our schools is crucial as well.

Mr. Crabb: That is a good point. A view that had currency some years ago held that, in a globalising world, English being the language of business and the language of Microsoft, there was no reason for English

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speakers like ourselves to learn a foreign language. In fact, the reverse is true: in a globalising world it becomes even more important for us to show that we are culturally sensitive and can communicate in indigenous languages in the countries with which we hope to trade and do business.

In last year's Budget statement, the Chancellor spoke of new targets for expanding trade with countries such as China and India. All that sounded great. For a long time, Members of Parliament had made the case for a concerted effort on the part of Government to help United Kingdom exporters take advantage of the increasing opportunities in major industrialising markets such as China and India. That was expressed very well by the director general of the British Chambers of Commerce in a 2005 interview with one of the Department for Trade and Industry's in-house publications. He said:

"One real concern is that there is too much focus on Europe . . . Europe is a market that is essentially stagnant. We've got to get where the action is, and at the moment that's on the other side of the globe".

He was talking about China and India, and also about the United States. The Confederation of British Industry has been making similar points for years, and last year the Select Committee on Trade and Industry did so as well in an excellent report on trade with India.

We look forward to further information from trade Ministers, the Foreign Office and the Treasury about the flesh that they will put on the bones of the new strategy to improve trade with China and India, for I think there is agreement on both sides of the House that we want British companies to do well in a globalised world.

9.6 pm

Mr. Simon Burns (West Chelmsford) (Con): Those who remember, not even a week ago, the praise of Labour Back Benchers when the Chancellor sat down will find it rather odd that today—apart from the hon. Member for Newport, West (Paul Flynn), who wandered in from the cold a few minutes ago—the Labour Back Benches have been completely empty. I can only assume that after the reality of the Chancellor's Budget had sunk in, Labour Members were ashamed and nervous of the reaction of the country out there, and could not face coming here to take part in today's debate.

It was interesting that, while the parliamentary theatre of the last minute or two of the Budget statement may have played well with the Back Benches of the governing party, it was my hon. Friend the Member for Tatton (Mr. Osborne), the shadow Chancellor, who so quickly and eloquently exposed the Budget for what it was: a massive con trick. It was interesting because there is an adage in politics that those who cheer loudest on the day of the Budget wake up next morning with the greatest regret. That is what happened on the morning after this Budget, when the opportunity arose to think about all the things that the Chancellor had not said—all the nasty little items that were included in the press releases. We have come to learn from this Chancellor that a relatively brief Budget speech—in parliamentary terms—can omit a multitude of nasty items that are hidden away in Treasury and HMRC press releases; and last week's Budget was no exception.

What most people were mentioning to me in my constituency this weekend was the con of the 2p cut in income tax, presented with a flourish by the Chancellor as if it were part of a massive tax-cutting agenda but offset by the abolition of the 10 per cent. tax rate. That is an insult. What it does—and irony upon ironies, a Labour Government are doing it—is make the poorest in society, who will lose the most from the abolition of the 10 per cent. rate, subsidise tax cuts for people who are better off. That almost amounts to a contradiction in terms. It takes the biscuit that that has been done by this Chancellor of all people. He has said so much, but although he talks the talk he does not walk the walk, except to inflict damage on those people in society who can least afford it. Those people should be getting help, not the more wealthy people at the expense of the poorer members of society.

Mr. Newmark: Does my hon. Friend agree that the problem that he rightly addresses is compounded by the fact that the tax credit system is not only a shambles but that the people who have to fill in the forms do not understand them, so that up to 40 per cent. of people do not even claim their entitlements?

Mr. Burns: My hon. Friend identifies a significant problem. Not only do such people not understand because the system and the forms that they have to fill in are so complicated, but when the Government overpay them they add insult to injury by seeking to claw back all the overpayment and saying that despite the complexities in the system people should have been able to identify at the time that something was wrong with the payments they were receiving. *[Interruption.]* As my hon. Friend the Member for Northampton, South (Mr. Binley) says, that is shameful. It also imposes a severe burden on people who thought they were getting the right sums in tax credits and who now find that they face significant penalties in respect of the repayments that the Government are hell-bent on taking back from them. That is causing considerable hardship. Those of them who are working and paying the 10 per cent. rate in tax will have the double-whammy of having that withdrawn from them when the 2p tax cut comes into force, so they will face an additional financial hardship that will leave them less well off than they are at present.

Mr. Graham Stuart: I wonder whether my hon. Friend has cases in his constituency that are similar to far too many that I have in mine. Many disabled people have difficulties with the system by which they have to claim benefits, which involves telephone call centres. A constituent of mine with hearing difficulties had to depend on a telephone call centre and failed to get the moneys required, and in another case the council started to take action for fraud against a disabled constituent of mine who had had a stroke and who had difficulty speaking, which took him to the brink of suicide. That is the situation that we are in with these tax credits, which are neither just nor fair.

Mr. Burns: My hon. Friend highlights a significant problem that many Members in all parts of the House deal with in their constituencies. Through no fault of

their own, the most vulnerable and weakest people in society are facing hardships that the state is inflicting on them through an inflexible bureaucracy.

Sir Nicholas Winterton: May I ask my hon. Friend to comment on the following question? Why should the Government set up an expensive, incompetent bureaucracy to pay back to people money that should never have been taken from them in the first place?

Mr. Burns: In his own robust way, my hon. Friend makes an extremely telling point. That has baffled all of us for too long, yet the Government are not prepared to acknowledge the problems that have been identified and to take action to remedy them.

Another problem that I have is the lack of any meaningful mention in the Chancellor's speech of the national health service. It is the elephant in the room. As all Members have problems in their constituencies with the national health service, it is extraordinary that the Chancellor said nothing specifically about it during his Budget speech. The problem is so great—this is interesting in terms of the concept of collective responsibility—that Ministers demonstrate in the streets in their constituencies against measures that have been taken within the health service in their local communities that are a direct result of Government actions.

The Under-Secretary of State for Health, the hon. Member for Bury, South (Mr. Lewis), campaigned against the closure of a maternity unit in his constituency, when he is the very Minister responsible for maternity services. The Government's Chief Whip demonstrated in her constituency, as did the Labour party chairman, who is a member of the Cabinet. One would have thought that at the beginning or end of a Cabinet meeting, or even during, she could have passed a note to the Secretary of State for Health to see what could be done, but no. The only redress that that Cabinet Minister has is to demonstrate in the streets against the very policy that her own Government are implementing. We have been reduced to an extraordinary system: the only way in which Ministers can try to change Government policy, even when they are in the Department responsible for it, is by demonstrating in the streets.

The Chancellor should have done something with the record increases that he has put into the health service over the past six or seven years. It would be foolish to deny that that has happened, and I, for one, am more than happy that the Government have made that extra money available to the health service. However, what is causing problems for my constituents and for people who work in the health service is that the money is not reaching front-line services in the expected amounts, as a proportion of the extra money being made available.

Mr. Stewart Jackson (Peterborough) (Con): Is my hon. Friend aware that the Select Committee on Health last week branded work force planning in the national health service under this Labour Government as a disastrous failure, saying that millions of pounds have been wasted training doctors and nurses for jobs that do not exist? Only Labour could deliver such a laughably incompetent result.

Mr. Burns: My hon. Friend makes a telling point but I must disappoint him, because when the Government, through the Department of Health, respond to that report, the Secretary of State for Health will, in her amicable way, tell us that everything is fine in the health service. In fact, if we remember correctly, last year was the best year ever. If last year was the best ever, with closures, compulsory and voluntary redundancies, drug bill problems and delayed operations, heaven help us when there is merely a good year. The money that the Budget has provided over the past seven years is not reaching front-li rvices in the amounts that it should.

The Chancellor should have told the country what he and the Government were going to do to ensure better value from health service money, and to ensure a tightening up, so that the health service has strict and proper management. The service is so large and has so many employees—there are more than 1 million of them—that one needs a strong management, not a bloated bureaucracy. Unfortunately, in too many areas of the health service, there is a bloated bureaucracy and waste and inefficiency. The way in which the national health service property made available to patients is looked after leads to waste, as does the manner in which drugs are prescribed. All those areas need tightening up, so that the money is directed where it should be—to front-line services.

That is why the Budget that the Chancellor delivered last week—the last that he will deliver—was a wasted opportunity and a con trick on the British people. They do not like being conned, and it is quite plain that they have seen through the Chancellor's smoke-and-mirrors exercise and recognised it for the con that it is. Given that he is never wrong, if and when he moves next door to No. 10, he will have the consolation of there being someone else at No.11 whom he can blame when the economy fails to respond to all—*[Interruption.]* I do not think it will be the Economic Secretary—that would be a step too far at this stage in his career—but I wish him well. The fact is that it was a wasted opportunity and it was a con trick on the British people. They have seen through it, and they have seen through this rotten Government for what they are.

9.20 pm

Mr. Mark Hoban (Fareham) (Con): It is difficult to know how to follow that virtuoso performance from my hon. Friend the Member for West Chelmsford (Mr. Burns).

When preparing for the debate, I studied the Economic Secretary's form, and I found a book, "Reforming Britain's Financial and Economic Policy: Towards Greater Economic Stability", edited by the hon. Gentleman and the former permanent secretary to the Treasury, Gus O'Donnell—probably the only former permanent secretary who is still speaking to the Chancellor. When I checked Amazon yesterday, I found that it is not one of its most popular books—it is ranked at No. 77,287 in Amazon's list of bestsellers—*[Laughter.]* Members should not mock because it is a better seller than the companion volume, snappily titled, "Microeconomic Reform in Britain: Delivering Opportunities for All."

Ed Balls: A fascinating publication.

Mr. Hoban: The hon. Gentleman said it. That came in 304,974th, but it was streets ahead of the third work he has authored, this time with the Financial Secretary to the Treasury—*[Interruption.]* They are all on Amazon. The pamphlet was entitled, "Towards a new Regional Policy"—

Ed Balls: That one was free.

Mr. Hoban: So why on earth does it rank 1,465,145th in Amazon's bestseller list? The Economic Secretary may feel that he is the Harry Potter of the Treasury, but he is certainly not the J.K. Rowling of economics.

I urge Labour Back Benchers, few as they are, not to go out to buy that book because it needs a rewrite. The first rewrite is to make sure that Economic Secretary writes a full defence of the third fiscal rule—the one the Chancellor announced on Wednesday. Having told us for months that he rejected our policy of sharing the proceeds of growth, the Chancellor announced on Wednesday that he would adopt it, so over the next spending review period, Government spending will grow at a slower rate than the economy as a whole—yet another Conservative policy adopted by the Chancellor.

Typically, the Chancellor has not even told his close colleagues about that change in policy. Even his campaign manager, the Leader of the House and the hot tip to become the Economic Secretary's new boss, did not know about the third fiscal rule because yesterday he managed to launch an attack on it during his interview with Andrew Marr. No one should be surprised that the Chancellor did not tell anyone about it because, as Andrew Turnbull said:

"There has been the absolute ruthlessness with which Gordon has played the denial of information as an instrument of power."

That is not the only rewrite required in the book. Let me read out a couple of extracts from the section entitled, "Maximum transparency for credibility", a title which, after 11 Budgets, catches the hubris of the Chancellor and his sidekicks. On page 39, it states that

"the suspicion that the government is manipulating information or policy for short term motives is as damaging to credibility and the economy as evidence that it has done so.

As the Budget was analysed, it became apparent that there was both suspicion and evidence that policy was being manipulated for one, single short-term motive: the Chancellor's coronation as Labour leader.

Let me read out another passage from the same book:

"Recent history shows that credibility of macroeconomic policy making is a valuable commodity—once promises on tax, borrowing or interest rates are broken it is hard to rebuild credibility in future promises."

How right that is. In each of the last seven Budgets, the Chancellor has had to revise upwards his borrowing forecasts. As for tax, the Chancellor lost his credibility many Budgets ago. There is more where that comes from in the book, so perhaps it is time for the Economic Secretary to rewrite his book and to admit the mistakes of the past 11 Budgets. Perhaps then he will have a bestseller on his hands.

Let me turn to today's debate. Only four Labour MPs from the Back Benches participated in the debate and only two of them actually voiced their support—one of them could not stomach being here at the end and one of them arrived half-way through. On the Opposition Benches there were eight speakers. Let me turn to some of the comments that were made.

The Chancellor has been likened to Stalin in the last week, but the right hon. Member for Oldham, West and Royton (Mr. Meacher) was certainly the voice of old-fashioned socialism. He made the point that politics prevailed over social justice in this debate. He accepted, as I think that most people on both sides of the House accept, that there had been problems with tax credits. He then argued that the inequality of the 1930s and the Edwardian era was returning and that the politics of the Government contributed to that. Given his attack on the Government and their record, it is amazing that he managed to be a Minister in that Government from 1997 to 2003.

The hon. Member for Eastleigh (Chris Huhne), who is not in his place, recognised, as we do, that the share of tax from green taxes has fallen since 1997. He also supported the argument that there is popular support for green taxes as replacement taxes, but not, as the Chancellor has used them, as stealth taxes.

The hon. Member for Islington, South and Finsbury (Emily Thornberry), who has apologised for not being here for the winding-up speeches, talked about history. She said that, in the past, Departments were dependent upon being in favour with the Prime Minister for their funding, but now their funding clearly depends on whether they are in favour with the Chancellor. We saw what happened to the Home Office budget when the right hon. Member for Norwich, South (Mr. Clarke) was Home Secretary. It was frozen in real terms for the duration of the next comprehensive spending review. As many colleagues on the Opposition Benches have pointed out, there has been barely a mention of the NHS in two Budgets and one pre-Budget report, so clearly the Secretary of State for Health has fallen out of favour with the Chancellor.

My hon. Friend the Member for Mid-Worcestershire (Peter Luff), a distinguished Chairman of the Trade and Industry Committee, explained exactly why the Budget had such a short-lived good press. He said quite clearly that the Chancellor has tried to fool people in this country too often. People expect the damage to be hidden in the small print and have woken up very quickly to the reality of the Budget. He rightly pointed out that in the pre-Budget report, taxes on businesses had gone up by £2.5 billion.

The hon. Member for Luton, North (Kelvin Hopkins)—another Member not in his place—echoed the sentiments of the right hon. Member for Oldham, West and Royton. While the right hon. Member for Oldham, West and Royton came out with a list of spending commitments for the Government he aspires to lead, the hon. Member for Luton, North had a comprehensive list of tax increases that he wanted to levy upon us. He said that he was harking back to a golden age of socialism, when Jim Callaghan was Prime Minister and the highest rate of tax was 98p in the pound. He looked back to those days fondly and wistfully. But, like many hon. Members, particularly on the Opposition Benches—although, as my hon. Friend the Member for West Chelmsford indicated in his speech, a number of Members of Her Majesty's

Government have also accepted this—he also admitted the impact of cuts affecting health spending in his constituency.

My hon. Friend the Member for Hammersmith and Fulham (Mr. Hands) referred to that theme in his speech. He talked about the tragedy of boom and bust in the NHS. Ravenscourt Park hospital was opened just four years ago, but was closed this year as a consequence of the taps on spending being turned off. He also eloquently identified the concerns of his constituents who wish to move to a new house, or to buy for the first time, and the barriers to social and labour mobility that stamp duty creates.

Peter Luff: My hon. Friend the Member for Hammersmith and Fulham (Mr. Hands) rightly highlighted the fact that people in the NHS in his area were being made redundant. However, the effect on NHS employees of the cuts in NHS trusts throughout the country where redundancies are not being announced, but job cuts are being made, is just as serious for overall morale in the NHS. In my trust, 700-odd jobs have been lost; mercifully, there have been only about 12 compulsory redundancies. However, the net effect of that on the NHS is just as devastating for nurses, doctors, laboratory technicians and the rest, who have fewer job opportunities as a result of the Government's boom-and-bust policies on the NHS.

Mr. Hoban: My hon. Friend is absolutely right. It is interesting that while the Secretary of State for Health will focus on the number of redundancies that are being made, she will not talk about the number of posts that are being lost as a consequence of the changes in spending.

The hon. Member for Cheltenham (Martin Horwood) accepted, as we do, that the Budget was a tax con, not a tax cut. He pointed out some of the weaknesses in the argument that the effects of scrapping the 10p starting rate of tax would be offset by tax credits.

The hon. Member for Bishop Auckland (Helen Goodman), who is in the Chamber, spoke about child poverty. I was brought up in Durham, so I know her constituency, and I understand why she speaks passionately about her concerns. However, she must remember that the proportion of young people who are not in employment, education or training has risen since 1997, so the Government have problems in this area. We need to ensure that we focus on tackling both the causes and the symptoms of child poverty throughout the country.

My hon. Friend the Member for Broxbourne (Mr. Walker) made a contribution to the debate about the alleviation of child poverty and talked about the way in which the tax credit system draws people in. He also cited the bureaucracy and problems of the system. I will take his comments about increasing personal allowances as an early submission for our 2009 Budget.

My hon. Friend the Member for Braintree (Mr. Newmark) referred to the Chancellor's failings and his failure to produce a full picture of the Budget. He rightly highlighted the fact that green taxes have fallen as a proportion of tax revenue. He spoke about the proud record of Braintree district council on providing incentives for people who wish to improve the insulation of their houses. It was timely that he talked about the off-budget accounting of private finance initiative projects on the day when the Financial Reporting Advisory Board suggested a change to accounting policy to bring more of those projects on to the Government's balance sheet. The challenge for the Government will be whether they apply that policy retrospectively, as well as to future projects.

My hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) launched a debate about the future of coal in a way that he might not have anticipated at the start of his speech. It was important that we had such a debate because it allowed us to hear a range of views about the future role that coal can play. I heard the Economic Secretary say from a sedentary position that the Conservatives had closed the pits, but as the Secretary of State for Environment, Food and Rural Affairs will know from his constituency experience, a Labour Government closed three out of the four pits in South Shields—that fact was pointed out to me when I fought the seat in 1997. As the grandson of a miner and the son of a former colliery electrician, I understand the important role that coal has played in the history of energy generation in this country. I hope that we will find ways to allow it to play a role in the future, too.

My hon. Friend the Member for West Chelmsford spoke with eloquence and passion about the Budget and the Chancellor's failure to tackle the situation in the NHS. One of the recurrent themes in today's debate has been the question of where the money has gone. As the Government have said time and time again, there has been unprecedented investment in our public services. However, people in our constituencies often see a litany of lost posts, closed hospitals and school standards that are not rising as quickly as they should do, given the amount that has been spent. That fundamental point weaved through the speeches of many of my hon. Friends.

The clunking fist has hit hardest people on low incomes and the small businesses that are the backbone of the economy. When I was growing up in the Labour heartland of the north-east, I was always told that the Labour party was the workers' party, and that it stood up for those on low wages. On Wednesday, the clunking fist dealt a blow to that reputation. By doubling the tax paid on low incomes from 10p to 20p, the Chancellor made 3.5 million households worse off. A Labour party that boasts about the minimum wage has doubled the tax paid by the people who earn it. Is that what Labour Back Benchers were cheering last Wednesday—a hammer blow to people on low wages? Where are those Back Benchers now to defend the Budget? One thing is certain: I would not like to be a Labour MP defending the Budget on the doorsteps in the run-up to May's elections. How would I justify doubling tax for people on low incomes?

Many Labour Back Benchers may not have twigged what has happened, but my constituent, Jenny Whiffen, certainly has. She e-mailed me last week, and the Economic Secretary to the Treasury should listen to what she said, because there are many people like Jenny across the country. She said:

"As a retired person of 61 I am only entitled to a single person's tax allowance and will not be able to claim age related allowances for another 4 years.

[Mr. Hoban]

My total gross income for the next year will be £8300. By removing the 10 per cent. tax band I will be paying an additional £200 a year tax."

She also said:

"I have seen my standard of living fall as we struggle to pay ever increasing bills for council tax, water rates, rising energy costs...I have also had to start paying for private dental treatment which was something I had never anticipated I would have to do. So much for the promise of National Health dentists being available to all!"

Mrs. Whiffen has been hit by a double whammy of higher taxes and a higher cost of living. Just last week, it was announced that the retail prices index was at its highest level in 15 years. No wonder Mrs. Whiffen struggles to pay for private dental treatment. I bet the Chancellor did not have to think twice about how he would pay for his.

People on low incomes have been hit by the Chancellor's clunking fist, and so, too, have small businesses. The increase in the corporation tax rate for small companies hit the backbone of the economy. Small businesses are the lifeblood of constituencies such as mine. It is hard to understand the Government's strategy; they introduced the zero per cent. corporation tax rate to stimulate enterprise as recently as 2002 and then scrapped it just last year. Now they want to increase, in stages, the small companies rate to 22p, costing small businesses £1.2 billion over three years. Surely hard-working small business men and women deserve a break from the Chancellor's constant tinkering with the tax system.

The Treasury says that it will recycle the proceeds of the tax hike through higher capital allowances and research and development tax credits, but that does nothing for the small companies in the service sector that do not need to buy many assets—the caterers, the builders, the hairdressers. Even small manufacturing companies will feel the pinch under the Government's tax hike. The Chancellor did the right thing for large businesses by cutting the headline corporation tax rate, but he has hit small businesses hard. It is difficult to escape the conclusion that for businesses, last week's Budget was all about good headlines, not proper, well thought through tax reforms to benefit businesses regardless of size.

There is no clear direction in the Budget. It increases corporation tax for small businesses but cuts it for large businesses, and cuts capital gains tax for large businesses but increases capital allowances for small businesses. There is simply no logic in the Budget for business. It is no wonder that it has been greeted with scepticism by a number of people from across the business community. The Institute of Chartered Accountants describes the Budget as

"a piecemeal budget which tinkers with the system rather than starting the comprehensive reform which is so overdue."

The clunking fist has landed blows on small businesses and people on low incomes, but they are the innocent victims of the Budget. The Budget's purpose was clear: its real audience was not hard-working families struggling to keep pace with the rising cost of living, or people running small businesses, but the Chancellor's own Back Benchers, who were worried about how badly Labour will do under his leadership.

The Chancellor has used the Budget to discourage serious challengers from coming forward to make a real fight of the leadership election. It was a Budget for the Chancellor's future, not the nation's. The Budget could have marked an end to spin, an end to hiding the bad news in the small print, and an end to the cavalier treatment of the public and of the Chancellor's colleagues, but it was none of those things—there was no change. The Economic Secretary understood the impact when he wrote that book five years ago. Let me quote from it again.

Ed Balls: Oh no.

Mr. Hoban: The Economic Secretary should listen, because he will learn a lesson. He said:

"You can only fool people once. But once you have—the public and markets expect it again. And again."

For the 11th and final time, the Chancellor has tried to fool the people, but they expected it. Yet again, they have seen through it. They have seen through him as Chancellor and they will see through him as Prime Minister.

9.40 pm

The Economic Secretary to the Treasury (Ed Balls): This has been an interesting debate, characterised by speeches which, particularly in the early stages, were expert and, in the later stages, a little more passionate than expert. I should like to take the opportunity to respond to a number of them, including the speech by the hon. Member for Fareham (Mr. Hoban) who, I think, failed to mention the environment once, even though we debated it today.

I shall start with the environment, following the example of the opening Front-Bench speeches. As Sir Nicholas Stern said in his path-breaking report last autumn, unless the world takes urgent action to tackle climate change not only will the environment suffer but the global economy and the planet's poorest people will face catastrophe too. He is right. The global challenge that we face in dealing with climate change has never been starker; the case for action has never been so overwhelming; and the costs of doing nothing have never been so high. It is right to say that we all have responsibilities. Every section of society—individuals, businesses and Government—has a role to play. However—and this important point was stressed at the outset by my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs—the Budget has no truck with the false choice between action on climate change on the one hand and lower growth and greater unfairness and poverty on the other, whether in Britain or the developing world. The Stern report concludes that

"the world does not need to choose between averting climate change and promoting growth and development."

Those who argue that protecting the environment means that economic growth cannot continue or that open trade should be curtailed are seriously misguided. If we put in place the right global incentives to cut carbon and emissions, we can be both pro-growth and pro-green, and meet our international responsibilities to developing countries.

That is exactly what we have been doing over the past 10 years with action to shift the tax burden from "goods" to "bads", and with the work that we have done to support and, indeed, to pioneer international emissions control and trading. In the Budget, we have set out further actions to advance the environment agenda, including a renewed commitment to the EU emissions trading scheme; a new £800 million international window for the environmental transformation fund; a competition for Britain's first full-scale carbon capture and storage; the extension of the biofuels incentive; a time-limited stamp duty exemption for zero carbon homes; a fuel duty increase of more than inflation; and a change to vehicle excise duty to sharpen the environmental signals that it sends, alongside a higher landfill tax escalator and an increase in the aggregates levy. The environment package in the Budget demonstrates the Government's commitment to tackling climate change and other environmental challenges while taking account of wider economic and social objectives.

Mr. Graham Stuart: I am extremely grateful to the Minister for giving way.

Peter Luff: It gives him a chance to pause for breath.

Mr. Stuart: It is almost a pleasure to hear a pause in the House. If I were trying to defend a Budget that is bad for the low-paid and that has perpetuated the failure to provide properly for the environment I, too, would want to speak in an uninterrupted flow. Does the Minister accept that far from doing what the Government promised to do on coming to power—they said that they would move taxation from "goods" such as employment to things such as environmental "bads"—the percentage of tax on environmental "bads" has gone down under the Government, not up, and that that environmental failure is down to his boss?

Ed Balls: The Budget represents a net tax cut for families of about £2.5 billion on personal income tax, which is paid for, in part, by rises in environmental taxes on fuel duty and also in the other taxes that I set out. I was keen to describe the environmental measures in the Budget, before responding to the detail of the debate. I shall respond to the 12 or 13 speeches that we heard and to the hon. Member for Fareham.

The hon. Member for East Surrey (Mr. Ainsworth) made an interesting speech. We waited minute by minute for any new policy. The only new policy seemed to be a commitment to higher vehicle excise duty on the most polluting cars, on the basis that the vehicle excise duty rates that we introduced in the Budget were insufficiently tough. The proposal did not go down too well with other Conservative Members, but we look forward to clarification of that intention in due course.

The hon. Member for Eastleigh (Chris Huhne) started by welcoming the Budget and the Congo basin initiative, which I was pleased to hear. He asked what the overall effect of the Budget was on the environment. I refer him to the Chancellor's speech, in which he made it clear that many millions of tonnes of pollutants are being reduced as a result of the Budget.

My right hon. Friend the Member for Oldham, West and Royton (Mr. Meacher) is not in his place. I fear he may be on the campaign trail this evening and is therefore unable to be with us. He made an important call for us to sharpen up the European emissions trading scheme. I agree. His commitment to tackling poverty and inequality is genuine, even though I would not agree with the measures that he advocated. Unfortunately, I will not be one of the 44 Members signing his nomination form, but I wish him well. *[Interruption.]* Mine will not be one of the 44 signatures that he needs in order to stand in the leadership election. *[Interruption.]* He might or he might not; I have no idea.

My hon. Friend the Member for Islington, South and Finsbury (Emily Thornberry) made a powerful speech in which she called on us to act in the spending review to tackle the issues facing disabled children in our society, and particularly to increase the investment in language therapy in her constituency. She made a strong case that this is a progressive Budget which takes 200,000 children out of poverty, in addition to the 700,000 children who have been taken out of poverty since 1997, following the doubling of child poverty that occurred in the preceding 18 years. She argued forcefully that we would take no lectures from the Opposition on the subject of social justice.

The hon. Member for Mid-Worcestershire (Peter Luff) made an interesting speech. He started off by claiming that the Budget had two objectives—to secure the leadership and to embarrass the Tory leadership. I have no idea whether my right hon. Friend the Chancellor succeeded in the first. He undoubtedly succeeded in the second. It seems that the shadow Chancellor spotted my right hon. Friend's clear commitment to switching the 10p rate to the basic rate, but the fact that he failed to tell the Leader of the Opposition in advance of his speech is probably revealing.

The hon. Member for Mid-Worcestershire went on to say that the Chancellor was a lucky Chancellor. He clearly has not noticed that since 2000 France, Germany, Japan and America have all had recessions, and that Britain has bucked the international trend. He also called for a smaller public spending share of GDP and a halving of our corporate tax rates. I look forward to hearing from the Opposition Front Bench how that is to be paid for. There was an interesting contribution on renewables and a call for more action on stamp duty.

Mr. Hands: I read in the *Evening Standard* recently that the hon. Gentleman has been taking elocution classes. Can he answer this question clearly: why have stamp duty thresholds failed to keep pace with house price inflation or general inflation?

Ed Balls: Half of all first-time buyers pay no stamp duty at all, because in last year's Budget we almost doubled the stamp duty threshold. The idea that it has not kept pace with inflation since 1997 is nonsense.

My hon. Friend the Member for Bishop Auckland (Helen Goodman) made a powerful speech about tax credits and personal allowances in which she made two important points. First, the take-up for tax credits is very high—among families earning £10,000 or less, it is 97 per cent. Secondly, she pointed out to Liberal Democrat Members that action to target poverty through tax credits is far more powerful than action

[Ed Balls]

through personal allowances: if one spends £1 billion by increasing the threshold for the working families tax credit, on average it will provide a family with about £7 a week; if one spends £1 billion through the personal allowance, on average it will provide a family with just 68p a week.

Chris Huhne: What assumption is the Economic Secretary making about take-up?

Ed Balls: Those numbers are based on the take-up figures that I read out a moment ago.

The hon. Member for Broxbourne (Mr. Walker) made an interesting speech—in a way, it was the most intellectually and politically honest speech of the evening. However, I did not agree with it at all, and if he studies the detail, he will find that the tax cuts that he called for in an impassioned way would lead to rising poverty among children rather than falling poverty—I am happy to go through the numbers with him.

As always, the hon. Member for Braintree (Mr. Newmark) made a long speech, and it rivalled the Budget response by the Leader of the Opposition in its perceptiveness.

The hon. Member for Preseli Pembrokeshire (Mr. Crabb) made an interesting speech for which I commend him. His discussion of carbon capture and storage was very interesting. When he said that he had been at a meeting of the Conservative human rights commission, I was surprised to find out that it exists and would have thought that listening to its proceedings would have been more interesting. However, his call for action on carbon capture and storage was interesting. In my experience, we should be able to make progress on both coal and gas, and I hope that that will be looked at carefully when the competition is run.

Finally, I listened carefully to the speech by the hon. Member for Fareham. [HON. MEMBERS: "What about the hon. Member for West Chelmsford (Mr. Burns)?"] I referred to the importance of passion as well as of expertise in my opening remarks, and in doing so I covered his speech. There is still one question that neither he nor his Front-Bench Treasury colleagues will answer: will they match our spending plans? The Budget announced that total expenditure, which is £552 billion this year, will rise by £34 billion to £587 billion in 2007. It will then rise by £29 billion in 2008 to £615 billion, by another £29 billion to £644 billion in the next year and then by an additional £29 billion to £674 billion in the following year. That is extra spending on schools, hospitals, law and order, defence and climate change. Will the Conservative party match our spending—yes or no? I am happy to take an intervention.

The problem is that if one is committed to abolishing stamp duty at a cost of £4 billion, making a 1p cut in corporation tax, refunding the North sea oil companies and introducing a transferable married couple's allowance, one cannot match our public spending plans, which is revealed by the silence of Conservative Members. The reality is that the budget for schools, hospitals and law and order would be cut under Conservative plans.

The Leader of the Opposition has made things very clear, and our careful balance between borrowing, tax and spending is quite different from his proceeds of growth rule. He has said that he will split growth between taxation and spending. In May last year, he told the "Today" programme:

"as the money comes in...let's share that between additional public spending and reductions in taxes...That's a dramatic difference. It would be dramatically different after five years of a Conservative government."

He is absolutely right.

Peter Luff: Will the Economic Secretary give way?

Ed Balls: I will not, because I have only five minutes. The reality is that one cannot claim to support our goals of tackling child poverty and investing in public services and at the same time continue with the proceeds of growth rule.

Peter Luff: Will the Economic Secretary give way?

Ed Balls: I am not going to, because I want to turn to the environment. The whole House knows that the Conservative party, for all its rhetoric, stunts and opportunism, has consistently opposed the measures that the Government have taken to address climate change and to protect the environment. It has consistently voted against the climate change levy and opposed planning permission for wind turbines and renewable energy schemes. It also opposes, through its stridently anti-European stance, the efforts that we are making to reach agreement on the next stage of the European emissions trading scheme. To be fair to the Leader of the Opposition, he has now come forward with a policy.

Peter Luff: Will the Minister give way?

Ed Balls: I shall not. The policy is to demand that every family report to Ministers every time they take a flight on holiday and to impose VAT on airline flights. Before we get overexcited, I should point out that the details require further inspection.

Mr. Graham Stuart: Will the Minister give way?

Ed Balls: No, I shall not. The details require further inspection, not least for their cost and civil liberties consequences. As for the tax proposal, it would apply only to domestic flights, business would be able to claim back the VAT and, even by 2020, it would save in one year what we achieve in one week through the climate change levy. *[Interruption.]*

Mr. Peter Ainsworth: Why does the Minister not stop criticising the view of the Secretary of State for Environment, Food and Rural Affairs—that is exactly what he is doing now?

Ed Balls: I am not doing that at all. As the Secretary of State has said, we have worked very closely together on the full range of these tax policies. He made it clear in his speech that he has the same sceptical view of the tax on airlines as I do. *[Interruption.]*

Mr. Speaker: Order. The Chamber is getting very noisy, and I am finding it difficult to hear what the Minister is saying. I must be allowed to hear what he is saying.

Ed Balls: The Conservative policy is a gesture and a signal, but what signal does it send? Ordinary families will be taxed more for their domestic trips, whereas business travellers will be able to claim back the money and foreign holidays will be exempt.

The right hon. Member for Witney (Mr. Cameron) lectures the rest of us about things that clearly do not apply to him and his jet-set lifestyle. Over the past year, he has taken many flights both within the UK and abroad. I have no problem with that, but as his Register of Members' Interests makes clear, many of them were private flights on private aircraft or helicopters, and many of his trips were so short that by the time his plane was at cruising height, the flight crew were already prepared for landing. Only yesterday, we learned more about his private jet-setting and helicopter hops, which included a 20-mile trip one month and a 30-mile trip the next.

What signal does that send? It is like the signal of riding a bike to work while the chauffeur is driving behind with the shirt and shoes in the boot. The signal is that the right hon. Gentleman's gestures and stance are not backed by substance; in fact, it appears that the opposite is true. He tells us that people who ignore aviation

"can't be serious about climate change".

However, he is not prepared to follow that advice.

We are told by the Leader of the Opposition's office that such an approach is okay because the right hon. Gentleman carbon-offsets. That means that he takes his private flights and then writes a cheque to buy himself out of an awkward position. What does that mean in layman's language? It means do as I say, not as I do. Presumably his bike rides are also carbon offset; he must be the only cyclist in Britain who has to carbon-offset his own bike rides to work and pay the congestion charge for the limo driving behind.

Is there not a wider pattern? The environment is not the only area about which the right hon. Gentleman says one thing and then does the other. He claims in public to support popular goals, but to appease his Back Benchers he then has to offset that by nodding in the opposite direction. One might say that carbon is not the only thing that the he has been offsetting in recent months. He says that he will put stability first, but then backs a £21 billion a year tax cut proposed by the Forsyth commission. He says that he supports the national health service, but offsets that with a proceeds of growth rule that would mean a £20 billion tax cut. He claims concern about child poverty, but offsets that by saying that he would abolish tax credits and the new deal.

The fact is that it is the same old Conservative party. The public know that it is a party that cannot be trusted, and they also know that the Labour party has delivered record low inflation, record high employment, and falling child and pensioner poverty, and that it has led the world in tackling global emissions. The British public will not put all that at risk.

It being Ten o'clock, the debate stood adjourned.

Debate to be resumed tomorrow.

BUSINESS OF THE HOUSE

Ordered,

That, at the sitting on Wednesday 28th March—

(1) the Speaker shall put the Questions on the Motions in the name of Mr Jack Straw relating to:

(a) Communications Allowance;

(b) Notices of Questions etc. during September;

(c) Select Committees (Reports); and

(d) Parliamentary contributory pension fund

not later than two hours after the commencement of proceedings on the first Motion, such Questions shall include the Questions on any Amendments selected by the Speaker which may then be moved, proceedings may continue, though opposed after the moment of interruption and Standing Order No. 41A (Deferred divisions) shall not apply; and

(2) notwithstanding the provisions of Standing Order No. 16 (Proceedings under an Act or on European Union documents), the Speaker shall put the Question necessary to dispose of proceedings on the Motion in the name of Secretary Tessa Jowell relating to Betting, Gaming and Lotteries not later than three hours after their commencement, proceedings may continue, though opposed, after the moment of interruption and Standing Order No. 41A (Deferred divisions) shall not apply.—*[Mr. Heppell.]*

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(4) (Delegated Legislation Committees),

That the Construction (Design and Management) Regulations 2007 (S.I., 2007, No. 320), dated 7th February, be referred to a Delegated Legislation Committee.—*[Mr. Heppell.]*

COMMITTEES

Environmental Audit

Ordered,

That Emily Thornberry be discharged from the Environmental Audit Committee and Mr Shahid Malik be added.—*[Mr. Heppell, on behalf of the Committee of Selection.]*

Mr. Speaker: It may be convenient to the House to take motions 5 and 6 together.

Ordered,

Public Accounts

That Sarah McCarthy-Fry be discharged from the Public Accounts Committee and Derek Wyatt be added.

Finance and Services

That Mr Eric Martlew be discharged from the Finance and Services Committee and Mary Creagh be added.—*[Mr. Heppell, on behalf of the Committee of Selection.]*

PETITIONS

Tiverton and Honiton Hospitals

10 pm

Angela Browning (Tiverton and Honiton) (Con): I have two petitions on behalf of my constituents. At the end of last year, we lost services in two of our community's hospitals. The night-time small injuries units were closed and, in the case of Honiton, seven

[Angela Browning]

beds were closed without any prior consultation or warning. There has been great support in my constituency for urging the reopening of those services and seeking the reassurance that we are not going to see further closures of services in the coming year. On Friday, the primary care trust indicated that on Wednesday it will recommend to its board the reopening of the minor injuries unit, which I welcome. However, the petitions express the widespread concerns not only of patients but of medical professionals in my constituency.

The petitions state:

To the honourable the Commons of the United Kingdom of Great Britain and Northern Ireland in Parliament assembled.

The Humble Petition of:—

Janet R. Rendle and residents of the town of Tiverton, Devon and neighbouring parishes.

Sheweth that the decision by the Devon Primary Care Trust to close the night time small injuries unit at Tiverton Hospital up to 31st March 2007 has been to the detriment of patients.

Wherefore your petitioners pray that your honourable House urge the Secretary of State for Health to re-instate such services as of 1st April 2007 and that the PCT should give assurances as to the future of the Tiverton Hospital.

And your Petitioners, as in duty bound, will ever pray.

To lie upon the Table.

To the honourable the Commons of the United Kingdom of Great Britain and Northern Ireland in Parliament assembled.

The Humble Petition of:—

Roger William Boote and residents of the town of Honiton, Devon and neighbouring parishes.

Sheweth that the decision by the Devon Primary Care Trust to close the night time small injuries unit at Honiton Hospital, together with bed closures up to 31st March 2007, has been to the detriment of patients.

Wherefore your petitioners pray that your honourable House urge the Secretary of State for Health to re-instate such services as of 1st April 2007 and that the PCT should give assurances as to the future of the Honiton Hospital.

And your Petitioners, as in duty bound, will ever pray.

To lie upon the Table.

IVF Treatment

Motion made, and Question proposed, That this House do now adjourn.—*[Huw Irranca-Davies.]*

10.04 pm

Grant Shapps (Welwyn Hatfield) (Con): I am grateful for the opportunity to raise a subject that is dear to my heart and to that of many people throughout the United Kingdom—IVF treatment, especially that provided by the national health service.

In February 2004, the then Secretary of State for Health announced at the Dispatch Box that he was minded to accept recommendations by the then National Institute for Clinical Excellence to provide at least one cycle of IVF on the NHS for infertile couples throughout the country. I remember the announcement not because I sat here—I had not been elected at the time—but because my wife was pregnant with our twins, who were born through the IVF procedure. I turned to her and said, "This is great news. I'm so delighted by today's announcement." The anxiety caused by IVF treatment is roughly split into psychological effects—it is an enormously stressful time for women, and couples in general—and physical effects. It is a punishing schedule, what with all the drugs that have to be taken, the waiting and the invasive procedures.

The other element of IVF treatment is its financial aspect. I was delighted by the then Health Secretary's announcement simply because others would not have to go through some of the stresses and strains that we had to undergo in funding several IVF cycles. The twins came on our third cycle. We already had an older boy through IVF.

I therefore looked forward to couples not having to undergo at least the financial aspects of the stress and trauma. However, I was contacted last year by constituents in Hatfield, Mr. and Mrs. Smalley, who said that they had been trying to obtain IVF through the NHS and could not understand why the primary care trust was turning them down. I did not know the primary care trust's criteria, so I contacted it and got a copy. There were 12 different points that the Smalleys would need to fulfil to get IVF treatment through the NHS and I sent them to the couple. They came back to me and said that they believed that they qualified on all fronts. They went back to their doctor, were told that they indeed qualified on all fronts and applied again for IVF on the NHS. Again, they were told that there was none available through our PCT, which was the Hertfordshire primary care trust. That did not make sense, so I wrote to the chief executive to try to gain some clarity. He insisted that, as long as my constituents fulfilled the criteria, they could get the treatment. I told them, they returned to their doctor and the whole thing went round in circles again.

We are now at the end of March 2007, and Mr. and Mrs. Smalley have yet to receive any IVF treatment through the NHS, despite the fact that they appear to qualify on every count and despite the Secretary of State's announcement at the Dispatch Box three years ago that infertile couples could get at least one cycle on the NHS, within specific criteria, which Mr. and Mrs. Smalley happened neatly to fulfil.

I therefore decided to look further afield and discover whether we were considering an isolated case or whether it was a problem throughout the country. I undertook some research, which ended up in a report that I entitled, "The Messy Business of Conception". It deals with the picture throughout the country. I have the raw data, which now cover nearly 90 per cent. of PCTs. They have given us their list of criteria, such as the age groups they accept and whether a couple who already have children through their relationship or another can have IVF. The raw data make up the document, which I have subtitled, "How the Postcode Lottery in NHS IVF Treatment is Creating 'Baby Boundaries' for Childless Couples". Sadly, that is exactly what has happened three years after the Secretary of State announced to the House that everybody could have a cycle of IVF on the NHS.

Some stark examples illustrate that. A woman who happens to live in Luton and is 35 would probably be told that she is too old to have IVF. However, if the same woman lived in Hampshire, she would be told that she is too young to have the treatment. There are huge disparities between different areas.

Martin Horwood (Cheltenham) (LD): The hon. Gentleman raises an important subject, of which my constituents are acutely aware because Gloucestershire's PCT does not fund IVF routinely, as I hope that his survey reveals. How many other PCTs like mine made the decision as a result of short-term financial problems, not policy, despite the fact that, in Cheltenham's case, the original PCT did not have a deficit?

Grant Shapps: I am grateful to the hon. Gentleman, who may be interested to know that his primary care trust responded to our survey by saying that it is still providing IVF treatment.

Martin Horwood *indicated dissent.*

Grant Shapps: I have all the criteria here—whether people are 30 to 39 years old, and so on and so forth. The trust said that it still provides the treatment. I suspect that the hon. Gentleman's point is at the heart of the problem of establishing how many PCTs do, in fact, provide this treatment and how patchy or otherwise IVF provision is across the country.

The report officially names three PCTs that say that they do not provide IVF treatment. Subsequent to the report's publication, we found a further three that no longer provide it, either on a limited basis until the new Budget arrangements come through or perhaps on a permanent basis—we simply do not know yet. It is the first I have heard of Gloucestershire PCT, so I will check it out and add it to the list.

Mr. Peter Bone (Wellingborough) (Con): I am grateful to my hon. Friend for his campaign and for drawing national attention to the lack of treatment for IVF. Does he agree that it is even worse in Northamptonshire because IVF treatment was available last year, but is no longer available because of financial cutbacks? When it is introduced again next year, the age criteria will be tightened. It is in many ways worse when couples who thought they were going to get IVF treatment from the PCT do not get it.

Grant Shapps: My hon. Friend is right. Arbitrary rules and regulations that were originally designed to fit in with expert medical opinion have now been twisted to fit not with medical opinion, but with the financial realities of the PCTs. I suspect that that is exactly what happened in my hon. Friend's PCT.

That brings me to the wider picture of the patchiness of the service across the country. The survey reveals, as other contributions to this evening's debate have suggested, that rather than IVF moving forward by being more and more available throughout the nation, it appears to be moving in the opposite direction. It is a service very much in retreat, where PCT after PCT is no longer offering the service that constituents legitimately have a right to expect.

In fact, because of the Secretary of State's statement that IVF was going to be freely available across the country, people rightly expected to be able to visit their GP and receive the service. In reality, it might have been better if the Secretary of State had thought twice before making such a statement. I hope that the Minister will acknowledge the point—I say it with some personal experience—that if infertile couples' expectations are raised and they believe that they can go to their doctors for referrals to an IVF specialist, they will expect to receive the treatment. If they are unable to, it will leave them worse off than they would have been if the Secretary of State had not stood at the Dispatch Box and made it sound as if the service was to be universally available.

I am afraid that what we are probably talking about is simply the latest priority. Back in February 2002, it happened to be provision of IVF treatment, but it was piled on top of other priorities that changed again later. For example, I was studying the position of audiology treatment the other week and discovered that it took an average of 40 weeks for people to get hearing aids fitted. Then the Government issued their review and decided that there should be an 18-week target—*[Interruption.]* If the Minister listens, she will understand my point. What happens is that, week after week, month after month, new priorities are set from the Dispatch Box, but they are willed without the means to make them happen.

Before anyone suggests it, this is not a matter of my standing here calling for additional resources. What I am saying is that it is wrong falsely to raise the expectations of couples who are often in the desperate situation of wanting to have IVF treatment to help them have children, only to find, when it comes to it, that they are unable to get it.

As "The Messy Business of Conception" has revealed, the way in which the process is operating has set up baby boundaries across the country. In some areas, couples can confidently expect to receive IVF assistance, but in others, entirely arbitrarily, they will be unable to get that treatment. It is unfair for those couples to be treated in such way and sets entirely the wrong expectations. It is incumbent on the Government to do something about that, and I know that they are interested in doing so: the Secretary of State for Health has said that the Government will listen carefully both to my report and representations from Infertility Network UK, which is being funded to do work that I am sure that the Minister will tell us about.

[Grant Shapps]

That is all good stuff, but unless a framework is set that delivers the policy on the ground rather than handing it over to PCTs and piling on another target—and we have heard the Government say previously, "If they can't spend the money correctly, we can't help them"—baby boundaries and the NHS postcode lottery in IVF are set to continue.

10.16 pm

The Minister of State, Department of Health (Ms Rosie Winterton): I congratulate the hon. Member for Welwyn Hatfield (Grant Shapps) on securing the debate. The hon. Members for Cheltenham (Martin Horwood) and for Wellingborough (Mr. Bone) have also made significant contributions, and some important points have been raised. I agree that we all wish to see the considerable resources available to the NHS used, in part, to increase the provision of fertility treatment for those who would not otherwise be able to conceive. Certainly, the Minister of State, Department of Health, my hon. Friend the Member for Don Valley (Caroline Flint), gave the issue considerable attention, even before the survey by the hon. Member for Welwyn Hatfield was published.

In a number of areas, people's expectations of fertility services are not matched by the provision of those services. There is variation from locality to locality. Undoubtedly, local needs and priorities are issues, and it is right that PCTs take them into account when allocating resources. The NICE guideline does not rule out variation in provision and, unlike a NICE technical appraisal, is not mandatory, although we recognise that it is of great significance to those who have fertility problems.

The profile of fertility services was raised by the publication of the NICE fertility guideline in 2004, commissioned by the Government. No previous Government had taken such action on the matter. Disappointment remains in some areas, however, for some people with fertility problems. As I have said, some of that is due to PCTs considering local needs and priorities and making decisions accordingly. We certainly recognise, however, that there is room for improvement, and that enabling patients' voices to be heard in decisions about priorities is an issue.

The hon. Gentleman's survey refers to Hampshire as an area where provision is limited to couples in which the woman is in a specific age range. Not long ago, however, Hampshire provided no IVF treatment at all. Most PCTs are now funding a minimum national level of one cycle of IVF, although, as I have said, that is subject to some variation.

Mr. Bone: Will the Minister answer this question? Is it acceptable that Northamptonshire primary care trust provides no IVF treatment for the people of Northamptonshire?

Ms Winterton: We are trying to work with PCTs to ensure that there are improvements if provision is not meeting the guideline. It is right to say that bringing those services into line with the NICE guideline is taking longer in some areas than in others.

The hon. Member for Welwyn Hatfield referred to the NICE guideline and the Infertility Network UK project. When the NICE fertility guideline was published, we advised the NHS that those PCTs that were providing no IVF were to offer a minimum national level of one cycle of IVF, and that all PCTs should progress to full implementation of the guideline in the longer term. Opposition Members asked whether the NHS was ignoring that advice in some instances. It is true to say that there is room for improvement. One way in which we want to address that is to look at those PCTs that are successful in implementing the guideline and to learn lessons from them.

Grant Shapps: I believe that there is a sincere effort to improve the service, and the work that is being sponsored and done by Infertility Network UK is to be welcomed, but does the Minister agree with the findings of the report, and additional findings since, which suggest that the service is retreating? NHS provision of IVF probably got better initially, but it is now getting worse.

Ms Winterton: There is certainly variation. The purpose of the programme that we are trying to carry out is to address where IVF might have been given greater priority but, for one reason or another, problems have occurred, perhaps because of the local decision-making process. As I said, the Minister of State, as Minister with responsibility for public health, recognises that there are lessons to be learned from some PCTs. As the hon. Gentleman acknowledged, in 2005 she met a leading patient group, Infertility Network UK, and discussed the provision of IVF and what we could do to understand the difficulties in some areas and how we could get greater consistency. That is why she invited Infertility Network UK to work with the Department on a specific project to consider the strong areas of IVF provision and those that are not so strong, first, to identify good practice and, secondly, to share good practice between PCTs.

Infertility Network UK is working towards making the expertise developed by some PCT commissioners available to all. It will shortly be working directly with some PCTs to ensure—this is the crucial issue—that the patient's voice is heard at a local level and to look at best practice on the implementation of the guideline. It is right to say that the starting point for Infertility Network UK is that some PCTs give higher priority to IVF than others. There may be many complex reasons for that. For example, Cheshire and Merseyside PCTs carried out a major consultation exercise in 2005 on access to NHS-funded fertility services across their areas. A number of public meetings took place, and the outcome was the decision to provide two cycles of IVF in appropriate areas. We want to establish whether other PCTs have done the same and concluded after consultation that IVF is not yet a priority in the areas concerned, or whether there has been too little consultation. We are trying to identify the differences in approach, and how they relate to the differences in outcome.

Another aspect of the PCT project is also very important to prevention. I refer to Infertility Network UK, which will ask about PCT plans to implement the chlamydia screening programme which is being

introduced throughout all PCTs during the year. As the hon. Member for Welwyn Hatfield may know, untreated chlamydial infection may have serious long-term consequences, especially for women, in whom it is a well-established cause of pelvic inflammatory disease, ectopic pregnancy and infertility. Tackling the prevalence of chlamydia through the screening programme is one of the key commitments in the "Choosing Health" White Paper, and we are investing an extra £80 million in it. That is a clear signal of the Government's commitment, and supports our broader strategy to improve sexual health in the population as a whole.

Grant Shapps: Will the Minister give way?

Ms Winterton: I will, but only once more, because time is running out.

Grant Shapps: I am grateful to the Minister, who I think was agreeing with me that the IVF service may be somewhat in retreat, although it is trying to remedy its problems. Is she aware that Infertility Network UK itself agrees with my proposition that the service is in retreat?

Ms Winterton: Obviously the Infertility Network UK project is reporting back to Ministers, who will examine its findings carefully. That may arise in what I am about to say about how the project will work in practice.

As the first stage of the project, PCTs have been sent a questionnaire by Infertility Network UK to establish their current provision and practices. The figures are being analysed, and my hon. Friend the Minister of State will examine them closely. We will then convey them to the NHS, which will use them as a basis for assessing some of the variations in provision. I am happy to say that Doncaster PCT has responded to the questionnaire. Members may wish to ask their own PCTs whether they have done so as well.

The next stage of the project will involve direct contact between a member of the Infertility Network UK project team, with a patient and a clinician, and the NHS. In some areas that will mean visits to PCTs for more in-depth discussions about the situation and an exchange of information. We will emphasise the importance of patient involvement in the determining of local services, and ensuring a real focus on best practice in the local community.

The all-party parliamentary group on infertility has done excellent work in raising awareness of fertility issues. My hon. Friend the Member for Stockton, South (Ms Taylor), who chairs the group, met my hon. Friend the Minister of State recently, along with members of Infertility Network UK, to discuss how the project was going. We are trying to keep the group involved. My hon. Friend the Minister is aware of the differences in provision of IVF services and of issues raised by the hon. Gentleman relating to the application of social access criteria, and also of emerging information on different treatments and their effectiveness in terms of safety, value for money and success. It is important that we take all of those issues into account.

We are all aware that fertility problems cause great distress that is hard to bear for those affected. It is important that decisions are made at local level so that account is taken of local priorities. It is also important that we all do we can to raise awareness of fertility issues. We must all work towards achieving that, but we should also look into ways in which infertility can be prevented in some cases—not only through chlamydia screening, which I talked about, but also by addressing issues such as smoking, obesity and general sexual health, so that we can be sure that we are taking account of prevention strategies.

We have had a thoughtful discussion of some of the key issues to do with fertility, and I hope that I have been able to reassure Members that we take this matter seriously, and that we are taking specific action by examining whether, and how, we can eradicate some of the variations that have been mentioned.

Question put and agreed to

Adjourned accordingly at twenty-nine minutes to Eleven o'clock.

House of Commons

Tuesday 27 March 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

BROADS AUTHORITY BILL *(BY ORDER)*

Order for Second Reading read.

To be read a Second time on Wednesday 25 April at Four o'clock.

Oral Answers to Questions

SCOTLAND

The Secretary of State was asked—

International Development Fund

1. **James Duddridge** (Rochford and Southend, East) (Con): What discussions he has had with the First Minister on the Scottish Executive's international development fund. [128975]

The Parliamentary Under-Secretary of State for Scotland (David Cairns): I have regular discussions with the First Minister on a range of subjects. In 2005 the First Minister, in agreement with my right hon. Friend the Secretary of State for International Development, launched a fund that will provide £12 million over four years to help improve health and education, particularly in Malawi.

James Duddridge: I thank the Minister for that reply. In the same year of 2005, the Government signed the Paris declaration, whose stated aim was to eliminate "duplication of efforts" and to rationalise

"donor activity to make it as cost-effective as possible."

Does the Minister agree that on both counts, the international development fund makes a mockery of the UK's commitment to the Paris declaration?

David Cairns: No, I do not. If the hon. Gentleman had listened to my answer, he would have heard me say that the First Minister was in agreement with the Secretary of State for International Development. Staff of the Department for International Development sit on the expert group that advises how the fund is used, and that group is working in harmony. We will take lectures on international development from many quarters, but not from the party that cut international development spending year on year.

Ann McKechin (Glasgow, North) (Lab): May I draw to my hon. Friend's attention the fact that NHS Scotland is providing much expertise and training assistance to Malawi? When the International Development Committee visited last year, it was made clear that there was a real need to address the brain drain from that country, and its total lack of capacity. NHS Scotland and its partners in the rest of the UK are playing an important part in helping in that regard.

David Cairns: My hon. Friend speaks with great authority on the matter, as she is a member of the International Development Committee and has a connection with the all-party group on the great lakes region and genocide prevention. She is right to say that DFID and all the other agencies that we work with are operating in partnership in Malawi. DFID is recognised as being the gold standard when it comes to such work: that is why it is important, even though the fund being administered is small compared with the vast sums of money at DFID's disposal, to make sure that it does not suffer from duplication of effort. I am confident that it does not.

Pete Wishart (Perth and North Perthshire) (SNP): May I too urge the Minister to ignore anti-Scottish and anti-Malawian Tories, and to acknowledge Scotland's distinctive relationships and associations with sub-Saharan Africa? Has he seen the opinion poll carried out by the Scottish Catholic International Aid Fund, which shows that 76 per cent. of the Scottish people believe that decisions about Scotland's share of development funding should be made in Scotland?

David Cairns: The people of Scotland, through the country's membership of the UK, are making the most fantastic contribution to international development around the world. The policy of the hon. Gentleman's party is to break up the UK and take Scotland out of it, but that would do nothing to further the cause of international development. It is this Government—led, in this instance, by the Chancellor of the Exchequer's international leadership—who have led the way in cutting debt and helping the most heavily indebted poor countries. At Gleneagles, we brought together leaders from all over the world to set up an international finance facility. Scots should be proud of the role that Scots in the UK play to help the poorest in the world.

Digital Switchover

2. **Sir Robert Smith** (West Aberdeenshire and Kincardine) (LD): What recent discussions he has had with the chief executive of Digital UK on digital switchover in Scotland. [128976]

The Parliamentary Under-Secretary of State for Scotland (David Cairns): Most recently, I met the chief executive of Digital UK on 22 November 2006.

Sir Robert Smith: The Minister will be aware that people in vast areas of rural Scotland will not be able to receive through their aerials the full range of digital services that are available to the rest of the country.

What action will he take to ensure that rural Scotland does not receive a second-tier service for digital terrestrial television?

David Cairns: The hon. Gentleman raises an important matter that I have acknowledged previously from the Dispatch Box. Essentially, this is a matter of engineering. The full suite of programmes can be broadcast from the main transmission masts, but that cannot happen from the relay transmitters because the signal is weaker. That is where the two-tier element comes in. On Thursday, I am due to meet Vicki Nash of Ofcom Scotland at the organisation's office in Glasgow. I assure the hon. Gentleman that I will raise the matter with her, and that I will get back to him.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): I assure the Minister that that issue was raised at the borders digital forum last week—but may I draw his attention to another issue? Digital TV providers are rightly promoting early adoption of the technology required for digital switchover, which means that older people and people in vulnerable groups are already converting their sets ahead of the availability of the financial assistance scheme later in the year. Will he explain why his colleagues in the Department for Culture, Media and Sport do not support the provision of retrospective support for those who convert now and would otherwise have been entitled to that financial assistance?

David Cairns: The whole point about assistance is to help those who are experiencing difficulties converting. Obviously, if people have converted they might not have been eligible for that assistance—and the hon. Gentleman knows that there is always a problem with retrospective payments in such cases. However, I hope that he will be reassured to learn that I will add that particular point to the ever-growing agenda for my meeting with Vicki Nash on Thursday.

Taxation

3. **John Robertson** (Glasgow, North-West) (Lab): What discussions he has had on the effects of levels of taxation on Scotland. [128977]

The Secretary of State for Scotland (Mr. Douglas Alexander): I hold regular discussions with Cabinet colleagues and members of the business community on a range of matters, including fiscal matters. As part of the United Kingdom, Scotland continues to benefit from this Government's management of the economy, which has delivered stability, low inflation, low interest rates and high employment.

John Robertson: Does my right hon. Friend agree with Sir Peter Burt of the Burt commission that replacing council tax with a local income tax would be impractical, and that setting up a nationally set tax would cost the Executive £19 million and employers £60 million, and that it would have annual running costs as high as £55 million? If so, will he ensure that such a rise does not happen for Scotland or the Scottish people?

Mr. Alexander: Sir Peter Burt makes a powerful case. It would be very difficult for people to explain, whether at Westminster or from Holyrood, why it would be in Scotland's interest to become the highest taxed part of the United Kingdom. A recent success of devolved government is the reversal of the brain drain and an historic turnaround in the demographic challenge that we faced in Scotland. It is for others who want to make Scotland the highest taxed part of the United Kingdom to try to make sense of that policy, in the context of the real successes that are being enjoyed at the moment.

Mr. Alex Salmond (Banff and Buchan) (SNP): Given that the great Budget "tax cut" con trick has been well and truly exposed, the Red Book shows that oil revenues are rising, not falling as claimed by the Chancellor, and the Labour party has committed itself not just to keeping but to revaluing the hated council tax, causing misery to hundreds of thousands of Scottish families, is it any wonder that Cabinet Ministers cannot even remember the name of the First Minister, and that the First Minister has taken to calling the Secretary of State rude names in French? Who is responsible—*[Interruption.]*

Mr. Speaker: Order. The hon. Gentleman must take his seat. I do not see what the First Minister has to do with his question. It should be a bit more specific, and he must keep it tight. Just a few more words—nothing more.

Mr. Salmond: Who is responsible for the taxation position, and the shambles and negativity in the Labour Cabinet—*[Interruption.]*

Mr. Speaker: Order.

Mr. Alexander: The second intervention was no more worthy of the hon. Gentleman than the first, Mr. Speaker. As for tax con tricks, I am concerned about the suggestion by the Scottish National party that a 3p rise in income tax would be adequate to cover the large financial hole in its income tax proposals. The fact is that it is not the Government's policy to saddle every Scottish family with an additional tax bill of £5,000. It is not our policy to make the Scottish part of the United Kingdom the highest taxed part of the UK; that is the policy of the SNP.

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): My right hon. Friend will be aware that the consequences of 6p on income tax would be particularly severe in areas where incomes are higher than the Scottish average. Will he consider making an assessment of the impact of local income tax on different parts of Scotland so that we can see the full damage for ourselves?

Mr. Alexander: My hon. Friend makes an important point. It is the SNP whose sums do not add up, not the Government's figures. I would simply say that the dividing line is now clearer than ever: it is a 2p cut in the basic rate with the Government, or a 3p—or, indeed, 6p—rise with the Scottish National party.

Jo Swinson (East Dunbartonshire) (LD): One in five Scots will be hit by tax rises under the Chancellor's latest Budget—that is 1 million Scots who are already on low incomes. He has proposed increased tax credits to compensate, but take-up among some groups is as low as 20 per cent. How can the Government pretend to create a fairer tax system when the reality is that the Chancellor is acting like Robin Hood in reverse?

Mr. Alexander: With respect, in the middle of a debate about figures adding up, I am not sure that the Liberal Democrats are the most authoritative source. If the hon. Lady seriously wishes to address the issue of child poverty, she will welcome the child benefit rise to £20 a week. Child benefit was £575 a year in 1997, but by 2010 it will be more than £1,000. Before asking her next question, perhaps she should look at the Institute of Fiscal Studies report on the Budget, which stated that when those changes in the tax system and the tax credits system are taken into account, the poorest 20 per cent. will benefit most from the Budget.

Mr. David Marshall (Glasgow, East) (Lab): Does my right hon. Friend agree that quite apart from the substantial damage that would be done to the people of Scotland by any proposal to increase income tax by 3p, or to introduce a local income tax, such measures are totally unworkable except at tremendous cost? Does he further agree that they would also require the agreement of the Westminster Departments that would have to collect any such taxes?

Mr. Alexander: Of course, some people advocate a position called fiscal autonomy. For example, Crawford Beveridge argues that there should be a shift in the tax powers. Indeed that individual has been quoted a number of times by several Members, so it would be helpful for people to understand the consequences of such a change. On 29 October, Crawford Beveridge stated:

"I advocate the policy that Scotland should raise the money it spends. I know that could potentially plunge the place into recession, because it is unlikely that the total tax take would be as much as Scotland currently receives under the Barnett formula."

With friends like that, no wonder those people cannot make their figures add up.

David Mundell (Dumfriesshire, Clydesdale and Tweeddale) (Con): Although I might agree with the Secretary of State about the disastrous impact that the SNP's 3p tax rise might have, did he really think that anyone in Scotland would not see through a Budget that gave with one hand and took with the other? What does he have to say to people about that?

Mr. Alexander: First, may I say what a pleasure it is to welcome the hon. Gentleman to the House—not least because when he has important contributions to make to public debate in Scotland, he is so often busy with constituency events? None the less, the statement he has just offered us evidences the point that he made in his previous work as an MSP, when he stated that there was a "simple lack of thinkers" on the Scottish Conservative Benches.

On the hon. Gentleman's substantive point about the changes in both income tax and corporation tax, I would have hoped that he would welcome the cut in corporation tax and the cut in the basic rate of income tax. If, as part of the new modern Conservative party, he is seriously concerned with the distributional effects, I again refer him to the Institute for Fiscal Studies, which said that the poorest 20 per cent. would benefit most from the Budget.

David Mundell: At least I know the names of my colleagues in Scotland. The Secretary of State is as complacent about poverty in Scotland as he appears to be about the Scottish election campaign, which he is allegedly running. Is he aware that figures released today by the Department for Work and Pensions show that child poverty is increasing, inequality is rising, and the incomes of the poorest fifth are in decline? Is it any wonder that the people of Scotland are so determined to get rid of Labour in May?

Mr. Alexander: The reason why the hon. Gentleman knows the names of his colleagues is that they are all calling for his resignation. Frankly, with a question like that, is it any wonder that he is the only person in history—as far as I am aware—to be rejected as a parliamentary candidate by the Liberal Democrats? The fact is that over the past 10 years child poverty has fallen more rapidly in the United Kingdom than anywhere else in Europe, and child poverty is falling more rapidly in Scotland than in any other part of the UK. Of course there is work to be done, but the party that can be trusted to take it forward is Labour, not the Opposition.

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): Does my right hon. Friend agree that when we are trying to attract new talent to Scotland because of skills shortages, to have the highest taxation in the UK would not be appropriate?

Mr. Alexander: Yes. Perhaps unusually, I find myself in complete agreement with my hon. Friend.

Ferry Services

4. **Mr. Alan Reid** (Argyll and Bute) (LD): What recent discussions he has had with the European Commission on the effects of the European maritime cabotage regulations on Scottish ferry services. [128978]

The Parliamentary Under-Secretary of State for Scotland (David Cairns): Ferry services within Scotland are a matter for the Scottish Executive. The UK Government supported the Executive in making representations to the European Commission on matters relating to ferry services in Scotland, securing a number of important concessions.

Mr. Reid: The European rules on subsidised ferry services in Scotland are clearly a piece of useless bureaucratic nonsense. They have already forced the Scottish Executive to waste more than £15 million on a pointless tender exercise, and are putting at risk the future of vehicle-carrying services between Dunoon and Gourock. Will the Secretary of State, who represents the UK on the European Transport Council, go to Brussels, tell the Transport Ministers what nonsense the rules are, and get them altered before the Scottish taxpayer is forced to waste even more money,

and vehicle-carrying services between Dunoon and Gourock are brought to an end?

David Cairns: May I begin by declaring that the headquarters of CalMac are in my constituency? That allows me to say that I am aware of the concerns over this protracted tendering exercise, which is, as I have said, a matter for the Scottish Executive. Both the Executive and the UK Government agreed that we had to go through the tendering process, although it has led to some slightly ill-informed speculation, and comparisons with the Paris Metro. There is a different regulatory regime for the Metro system and the maritime system—and as far as I am aware, there are no boats on the Paris Metro. People who want to make that comparison should think twice before doing so.

Ms Katy Clark (North Ayrshire and Arran) (Lab): My hon. Friend is aware that I have the island communities of Arran and Cumbrae within my constituency. Has he given consideration to what more can be done to make the lifeline ferry services in Scotland affordable for Scotland's island communities?

David Cairns: Yes. I know those communities very well indeed, and I was pleased to be in Stornoway two weeks ago with the First Minister when he announced that, if he is re-elected as First Minister, there will be a ferry discount commitment. [HON. MEMBERS: "What's his name?"] I understand why Opposition Members do not want to hear about the ferry discount scheme that will benefit the lifeline communities in the islands in the west of Scotland, but they will have to. If re-elected, we are going to introduce a scheme that will give a 40 per cent. discount to inhabitants of the islands—not just the Clyde islands such as Arran and Cumbrae, but the western islands. The move to introduce that important ferry subsidy is due to the intense lobbying and great activity of Alasdair Morrison, the Member of the Scottish Parliament for the Western Isles, who, more than anyone else, has helped to bring this scheme about. Great tribute is due to him.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): Can the Minister properly explain why £15 million was wasted in the CalMac tendering? Was it because Scottish Executive Liberal Ministers did not get on with the Department for Transport? Yesterday we saw the reality of Labour's own co-operation between Westminster and Holyrood, when the Health Secretary did not know the First Minister's name. Some £15 million has been wasted—enough for three years of free travel to my constituency, and especially Stornoway. My constituents have been kept on tenterhooks. CalMac crews have not known is going on. Would it not have been much better for Scotland to have dealt directly with Europe on this matter, rather than involving imperialist Whitehall Departments—not least, to save money?

David Cairns: It is absolutely astonishing that when we are discussing a 40 per cent. ferry discount proposal that will benefit the hon. Gentleman's constituents, he does not even have the grace to welcome that announcement or say that he is going to support it. That is because he did nothing whatever to bring the announcement about. That stands in sharp contrast to Alasdair Morrison, the Labour MSP, who worked tirelessly on behalf of his constituents and who has secured this great victory for them.

Mr. Ian Davidson (Glasgow, South-West) (Lab/Co-op): Is the Minister aware—

Mr. Speaker: Order. Why not say, "No. 5"? That gets us started.

Unemployment

5. **Mr. Ian Davidson** (Glasgow, South-West) (Lab/Co-op): If he will make a statement on recent changes in unemployment levels in Scotland. [128979]

The Secretary of State for Scotland (Mr. Douglas Alexander): It is almost as if my hon. Friend had prepared his supplementary question in advance, Mr. Speaker.

The stability generated by this Government's management of the economy has delivered the strongest labour market in decades. Scotland has a higher employment rate than the rest of the United Kingdom and nearly all other countries in Europe. There is, of course, no room for complacency. Last week's Budget shows that work continues towards the long-term goal of employment opportunity for all.

Mr. Davidson: I apologise, Mr. Speaker. These events are just so exciting that I got carried away.

Does the Minister agree that under the benevolent guidance of the comrade Chancellor, unemployment in my constituency has fallen by over 50 per cent. in the last 10 years, youth unemployment is down by over 80 per cent. and long-term unemployment is down by over 90 per cent.? Is he aware that the major employers in my area are the National Savings bank at Cowglen and the Govan shipyards, both of which depend on customers in England and the rest of the United Kingdom for the vast bulk of their business? Is he aware that if bad people wrench the United Kingdom apart, there will be enormous unemployment in my area?

Mr. Alexander: I certainly am aware of the final point that my hon. Friend makes. I have campaigned on the issue of National Savings in Cowglen and on BAE Systems and the Govan yard and the Scotstoun yard, along with him. Independent research published by the Fraser of Allander Institute on 19 March concluded that the Clyde yards contribute more than £238 million to the Scottish economy and support almost 4,500 jobs across Scotland. The fact is that those yards—and the tradition of shipbuilding on the Clyde—have been sustained because of naval orders placed by the British Government. I leave it to the electors of my hon. Friend's constituency and across the west of Scotland to reach a judgment on whether, if there were not a United Kingdom, they would see those United Kingdom orders coming to the Clyde.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): Is the Secretary of State aware of the impact on unemployment of Ministers' decisions, especially regarding the loss of jobs in the Department for Work and Pensions and Her Majesty's Revenue and

Customs because of relocation away from such current offices as Wick? Will he ensure that when Ministers take such decisions, they understand their impact on remote regions?

Mr. Alexander: Of course, I am happy to examine the specific point that is of direct constituency interest to the hon. Gentleman. However, I can assure him that the DWP and other Departments are in the process of increasing the computerisation of systems that are inevitably and appropriately being upgraded in the light of continuing customer demand.

Rosemary McKenna (Cumbernauld, Kilsyth and Kirkintilloch, East) (Lab): Would my right hon. Friend care to comment on, or respond to, the fact that HMRC employs 1,000-plus people in my constituency, which has a good employment record? What would happen in the event of Scotland being ripped away from the rest of the UK?

Mr. Alexander: My hon. Friend is entirely right to recognise the risks that would be caused to jobs coming through the DWP, Customs and Excise and other Government agencies that employ people in the United Kingdom. Both the public and private sectors have made a contribution to the uplift in employment that we have seen in recent years. While, of course, we have seen more doctors, nurses and teachers, the private sector too is growing. That is why I welcome the recent statement by Andrew McLaughlin, the Royal Bank of Scotland Group's chief economist, in which he said:

"Growth in private sector job creation hit a new high in February."

Stewart Hosie (Dundee, East) (SNP): The Secretary of State will be aware of the support employment projects run at Falkirk football club and at Dens and Tannadice in Dundee, which take small groups of people and build them up with confidence, motivation skills and the soft skills that employers need. He might also be aware of the community project in Leith called Working Rite, which takes young unemployed people and gives them, pre-apprenticeship, one-to-one mentoring with journeymen and experienced tradesmen. All those projects have a massive success rate, so does the Secretary of State agree that for that group of people, who have traditionally found it hard to get into employment, such a one-to-one, soft-skill, motivation, mentoring and coaching process might be more applicable than the traditional one-size-fits-all approach on finding employment that Governments have historically taken?

Mr. Alexander: Of course, the challenge that we face on worklessness has evolved. When we were first elected in 1997, there were many people who had found themselves unemployed as a consequence of two recessions in as many decades. Now we are addressing people with specific needs, such as those who are not job-ready because of numeracy or literacy problems, or drug dependency. That is why it is important that a range of providers is working to offer the necessary assistance. In my constituency an organisation called Working Links is undertaking such work, and I welcome the progress that it has made.

David Mundell (Dumfriesshire, Clydesdale and Tweeddale) (Con): Perhaps there is one matter on which the Secretary of State and I can agree: Scotland's place in the Union has contributed greatly to employment levels in Scotland over the years. The commitment to the Union is absolute among Conservative Members, but does the Secretary of State really believe that bullying and scaremongering is the way to keep Scotland in the United Kingdom? Does he not agree that it is incumbent on all Unionists to make a positive case for the Union?

Mr. Alexander: I hope that there is common ground between us that the way not to make a case for the Union is to have a large group of students turning up with megaphones without batteries in them.

Inward Investment

6. **Mr. Mohammad Sarwar** (Glasgow, Central) (Lab): What recent estimate he has made of the level of inward investment in the Scottish economy; and if he will make a statement. [128980]

The Secretary of State for Scotland (Mr. Douglas Alexander): There are no official estimates of the level of inward investment in Scotland, but the most recent data produced by the Organisation for Economic Co-operation and Development showed that the UK was the world's largest recipient of inward foreign direct investment in 2005, while Ernst and Young's inward investment monitor showed that Scotland attracted more of that inward investment than any other part of the UK, apart from the south-east of England.

Mr. Sarwar: Does my right hon. Friend agree that the level of inward investment to which he referred is due to the United Kingdom's strong and stable economy? Does he further agree that on 3 May, if Scottish nationalists are given the chance to start divorce proceedings from the United Kingdoms, it will damage our—

Mr. Speaker: Order. That is out of order.

Mr. Alexander: I certainly agree that inward investment has a key role to play, and the competitiveness of the British economy and the Scottish economy is essential in attracting that inward investment. That is why I welcome the World Economic Forum's global competitiveness report of 2006, which ranked the UK 10th in its table of international business competitiveness. It is 11 places above Ireland, and it is above Norway, Iceland, Canada and France.

COMMUNITIES AND LOCAL GOVERNMENT

The Secretary of State was asked—

Affordable Housing (North Yorkshire)

16. **Miss Anne McIntosh** (Vale of York) (Con): What assessment she has made of the affordability of housing in North Yorkshire. [129830]

The Minister for Housing and Planning (Yvette Cooper): There have been significant increases in the number of home owners in North Yorkshire over the past 10 years. However, house prices have gone up, putting pressure on first-time buyers, and the number of homes being built in Yorkshire still falls short of the number of new households. That is why we are increasing investment in affordable housing in Yorkshire—but we need to build more homes of all kinds.

Miss McIntosh: Does the Minister share my concern that not only is the average cost of housing in North Yorkshire, and Yorkshire and the Humber as a whole, higher than the average price in the rest of England, but average earnings are lower, so there is a double effect? In addition, the impact of council tax increases has been stark, and in 2005 some 10,500 affordable homes were lost through the right-to-buy scheme. What exactly are her Government doing to promote affordable housing in North Yorkshire?

Yvette Cooper: The hon. Lady will be aware that we put in place a series of safeguards on the right to buy—a policy that, as she knows, her party introduced. We are doubling investment in affordable housing in Yorkshire, but she, and councils across Yorkshire, need to realise that we need to build more homes. Local councils can themselves do more, for example through section 106 agreements, which still deliver only a small proportion of the affordable homes across North Yorkshire.

Hugh Bayley (City of York) (Lab): House prices in York have increased faster than house prices across the country as a whole. They used to be lower than the average price nationally but now they are considerably higher, and young working couples are being priced out of their own city. York has built 600 homes under section 106 agreements, and could build more if it got more social housing subsidy from the Government. Will more Government subsidy be coming to York?

Yvette Cooper: My hon. Friend makes an important point. We need more affordable housing across Yorkshire. That is why we have already doubled investment in affordable housing in Yorkshire, as I said. We want to support the provision of more affordable homes through the spending review, but we think that local authorities need to do their bit. Certainly, across the northern regions fewer resources come from section 106 than in other areas, and we believe that by working alongside other programmes, we can do more to get those additional affordable homes.

Michael Gove (Surrey Heath) (Con): The Government are, crucially, responsible for key elements of housing supply in North Yorkshire and the wider Yorkshire and the Humber region. One respect in which Ministers are directly responsible for the area is through the millennium community scheme. Ten years ago, in 1997, the Government announced that they were creating seven new millennium villages. One of them, Allerton Bywater, is in Yorkshire. The scheme has so far cost a massive £131,565,732, but in Allerton only 44 houses have been built. Can Ministers explain why the scheme has been such an expensive failure? Where has all the money gone?

Yvette Cooper: I invite the hon. Gentleman to come to Allerton Bywater and see the huge progress that has been made in turning round a derelict pit site that needed considerable investment and remediation. That coalfield community had been abandoned by the Conservative Party for many years, but it is now receiving new investment in new facilities. There are major new programmes, in which homes are being built and new facilities provided for the local community, including community centres and new parks and spaces. He should come and see the impact of new investment, not only in Greenwich millennium village, but in Allerton Bywater millennium village and a series of villages across the country. He knows from reading the answers to his own parliamentary questions that he is utterly misrepresenting the figures. He should recognise the important benefits that are being created for communities, which he would be dishonest to ignore.

Inter-faith Forums

17. **Sarah McCarthy-Fry** (Portsmouth, North) (Lab/Co-op): What steps her Department is taking to promote inter-faith forums as a means of tackling religious extremism. [129831]

The Secretary of State for Communities and Local Government (Ruth Kelly): Inter-faith initiatives play a key role in tackling and isolating violent extremist activity. My Department supports the Inter Faith Network, which represents the collective voice of all main faith communities and helps regional and local bodies to contribute to community cohesion. The work of community groups is at the heart of our response to the challenge that we face from violent extremism.

Sarah McCarthy-Fry: I am aware of the good work done in Portsmouth with Portsmouth Interfaith Forum in building networks in hard to reach communities across the faiths, largely due to a full-time inter-faith co-ordinator. However, because of the vagaries of the faith communities capacity-building funding, what is funded in year 1 cannot be funded in year 2, so the work looks as though it may go to waste. Will my right hon. Friend agree to look into the matter for me?

Ruth Kelly: I congratulate my hon. Friend on the work that she is doing in championing the needs of her constituents. Clearly, I am not familiar with the particular programme that she mentions, although I am happy to look into that. She is right to draw attention to the work that inter-faith activity can do. The Department has invested £5 million this year, and the same last year, in that work. We are also working extremely closely with the Office of the Third Sector. In its review of voluntary sector activity, including faith communities, we are thinking about how we can ensure the sustainability of funding going forward, which I know is of huge interest to those involved in the field.

Mr. Ben Wallace (Lancaster and Wyre) (Con): Has the Secretary of State filled the post of director general, equality, in her Department, a post that is supposed to be in charge of leading the tackling extremism together strategy? If she has, why did it take over a year and a half, and thousands of pounds worth of advertising, to fill that space?

Ruth Kelly: Yes, we have. The reason we went through a search process was because the community cohesion element of the work that was with the Home Office came to the new Department for Communities and Local Government. It is right that it has done so, because now we are able to think about equalities in the round, taking account of the views of faith groups as we take account of the views of other equalities groups. That give us a huge opportunity, going forward, to think through how we make this country and this society a fairer and better place for people to live. We have a candidate of fantastic calibre in that job to take that work forward.

Keith Vaz (Leicester, East) (Lab): I welcome all the good work that the Secretary of State and the Minister for Women and Equality are doing on the equality agenda. On inter-faith activity, does my right hon. Friend agree that getting young people together in those forums is particularly important? Bridging the divide at an early age is crucial to tackling it later. What does she see as the role of the new commission in trying to achieve her stated ambition to make sure that the work is continued?

Ruth Kelly: My right hon. Friend is right to say that involving young people in inter-faith work and in joint and shared activity is vital to our future. Evidence shows that young people are particularly prone to the messages from violent extremists. If we are to ensure that they have the defences that they need and that communities are resilient to the threat posed by violent extremists, we need to engage as many young people as possible. The new Commission for Equality and Human Rights, to which my right hon. Friend referred, will have a particular role in making sure that people of all ages and across all faiths are able to have their voices heard. In the Muslim community especially, and also at local authority level, we face a challenge as a Government to make sure that the voices of young people and women are heard in the debate—voices that have for too long been neglected.

Local Democracy

18. **Sir Peter Soulsby** (Leicester, South) (Lab): What steps her Department is taking to encourage people to stand for election as councillors. [129832]

The Minister for Local Government (Mr. Phil Woolas): On 8 February, my right hon. Friend the Secretary of State announced the launch of an independent Commission on Local Councillors to consider the incentives and barriers to people serving as councillors and to make recommendations. The commission will consider a range of issues, including encouraging people who are able, qualified and representative to be candidates to serve as councillors. The commission is expected to report in the autumn.

Sir Peter Soulsby: I welcome the Government's move to establish the commission. I am sure that my hon. Friend is aware of the national census of local authority councillors published recently by the Local Government Association and others, and is therefore also aware of the scale of the task faced by the commission. The census shows that at present councillors are far from fully representative of the communities they serve, that their average age is in the late 50s, and that all parties are struggling to attract and retain council candidates of calibre. Does my hon. Friend agree that that is a challenge for the Government, for local government and for all political parties if those of us who care about the future of local democracy are to see it flourish?

Mr. Woolas: I agree with my hon. Friend, who served with distinction as leader of his city—one of the most diverse cities in our country—for, I believe, 18 years. He is right to draw this matter to our attention. I will not list the figures from the census, but Members will gather that the pattern across the country is that councillors are not as representative of communities as we would all like them to be—although I have to say that some parties start from a better base than others.

Robert Neill (Bromley and Chislehurst) (Con): Does the Minister agree that one of the biggest disincentives preventing people from becoming involved in local government is the feeling that their role makes no difference? Would not one of the best ways of making people feel they can make a difference as councillors be to give them back more control over local decision making and local spending, perhaps by supporting the Sustainable Communities Bill?

Mr. Woolas: I congratulate the hon. Gentleman on the ingenuity of his question, which is linked to Question 19. It is for exactly that reason that our proposals in our White Paper and in our Bill will rightly give councillors more powers—particularly in their role as ward councillors, which involves the implementation of measures such as the community call for action.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): The Minister will know that the number of councillors aged 45 or less has halved in the past 20 years, from 26 per cent. in 1985 to a paltry 13.5 per cent. last year. Obviously, the introduction of education for citizenship as part of the national curriculum will help, but what other initiatives can we pursue to encourage more young people to become councillors?

Mr. Woolas: I would not want to give my hon. Friend or, indeed, anyone else the impression that I was biased against people over 45—for obvious reasons—but his point is very important. Unless we can involve younger people in representing our communities, local government will not be as healthy as we would all like it to be. As well as the measures outlined in the announcement of the commission, the Government are taking a range of measures, particularly with the Department for Education and Skills, but also with other Departments, to pursue initiatives such as the Youth Parliament and other youth forums, all of which can help.

Alistair Burt (North-East Bedfordshire) (Con): Should not the Minister acknowledge the role that his Government have played in discouraging councillors over the past 10 years? Is it not the case that too many councillors up and down the land have expressed their despair at the fact that, through their manic culture of

targets, quotas and directives, the Government have completely distorted the relationship between national and local government?

In 2005-06, 5,091 circulars and directives were delivered to councils from the Government—50 per working week. The Local Government and Public Involvement in Health Bill, with which we have dealt recently, offered the Minister more chances to be permissive to councils in terms of their leadership structure, limitations on targets and the forced abolition of patient forums, all of which he turned down. Is it not the case that those standing as councillors and wanting to be free of such wretched Government control still do so more in hope than in expectation?

Mr. Woolas: I do not accept the picture that the hon. Gentleman paints. The comprehensive performance assessment has led to improvement in the quality of public services provided by local councils, but the new arrangements—part-heralded by the Bill on whose Committee the hon. Gentleman served—strip away many of those targets in the new regime and allow for the local decision making that we and the Local Government Association want.

Paddy Tipping (Sherwood) (Lab): While high standards and probity are important in the lives of local authorities, does the Minister accept that some of the activities of the Standards Board work against councils? Are not the long delays, and the fact that the Standards Board does not tell councillors about an initial complaint, worth investigating?

Mr. Woolas: It is because of such representations that changes have been made to the operation and logistics of the Standards Board and to the code of conduct upon which we consulted recently and which the Committee debated. I think that my hon. Friend will find the outcome to his satisfaction.

Sustainable Communities Bill

19. **Gregory Barker** (Bexhill and Battle) (Con): What plans she has to discuss the Sustainable Communities Bill with local government. [129833]

The Minister for Local Government (Mr. Phil Woolas): The Sustainable Communities Bill is, of course, a private Member's Bill. I understand that representatives of the Bill's supporters recently met the Local Government Association to discuss it, as I will shortly.

Gregory Barker: The Minister will be aware that more than 400 Members from both sides of the House, including not only the whole Conservative party but half the parliamentary Labour party, are supporting the Bill. Can he explain why the Secretary of State is the only Member to have refused to have local meetings in her constituency, having turned down a whole range of possible dates? Is not that very worrying? Can he give the House an absolute assurance that the Government will do nothing to block or impede the Bill when it returns to the House?

Mr. Woolas: My right hon. Friend the Secretary of State has met the supporters of the Bill, as have I. Indeed, last night we had a very interesting and successful rally about the themes of the Bill in Central Hall, Westminster, at which the right hon. Member for Witney (Mr. Cameron) spoke. I was able to point out to him and to others that the Government are supportive of the goals of the Bill, as I told the House when it was debated. However, whatever its virtues, those who claim that it will solve every problem in their constituencies are sadly mistaken.

Alan Simpson (Nottingham, South) (Lab): One of the great attractions of such legislation is that it would give local authorities in the UK the same powers and entitlements that they have in other parts of Europe—in France, Germany, Denmark, the Netherlands and Italy—including the right to set energy generating and water recycling standards so as to exceed national targets rather than follow them. Will the Minister look again at the proposals that are being made for policy planning guidelines to give UK local authorities the same across-the-board entitlements as their counterparts in Europe?

Mr. Woolas: My hon. Friend will know that we have our goal of zero carbon homes. We will indeed be considering the points that he raises. Many of the measures already contained in legislation before the House move towards substantial powers being held locally, particularly through the local area agreement process. I am pleased to tell the House that by the end of this week every local authority in England will have a local area agreement.

Andrew Stunell (Hazel Grove) (LD): Given that the Prime Minister wrote to the Secretary of State on 9 May last year charging her with providing radical devolution to local communities, can the Minister explain why he has such a hang-up about the Sustainable Communities Bill, which would do precisely that? Can he now throw his weight, and get his Department to throw its weight, behind the Bill and set local authorities free to achieve what the Prime Minister wanted the Secretary of State to achieve?

Mr. Woolas: The measures that the Government have brought before the House on sustainable communities strategies, local development frameworks, local area agreements and the new statutory framework move the relationship substantially from the centre to local areas. As regards the Sustainable Communities Bill, my colleagues and I will make it better and make it workable. I would have thought that that would be welcomed by Members, such as the hon. Gentleman, who are supporting it. It would not be right or responsible for a Government to agree to pass a Bill in the knowledge that their legal advisers and parliamentary counsel had pointed out deficiencies in it. That is why I am adopting the approach of tabling amendments, as the hon. Gentleman will know if he is following the debate.

Mr. David Drew (Stroud) (Lab/Co-op): I congratulate my hon. Friend on what he said last night. Does he agree that the best way to scrutinise the Bill properly is to get it into Committee? There have been

many negotiations behind the scenes and I greatly appreciate what my hon. Friend has done to make that happen. However, we need the Bill to come into Committee so that we can properly discuss how to move forward with that important measure.

Mr. Woolas: My hon. Friend is right. Of course, the measure is a private Member's Bill and its promoter, the hon. Member for Ruislip-Northwood (Mr. Hurd), who cannot be here today, is entering into constructive discussions with the Department and me about the way in which we can ensure that its goals and objectives are met in a manner that improves existing legislation and the measure. However, the Bill is the property of the House.

Mrs. Caroline Spelman (Meriden) (Con): Last night, we all enjoyed the Minister's company before a rally of more than 1,000 people. However, the campaigners were disappointed to hear his view that the Sustainable Communities Bill is superfluous because its spirit and letter are covered by other Government measures. Where, in legislation, is the requirement to publish in full all the taxpayers' money spent in a locality and the discretion for local authorities to spend it as they see fit?

Mr. Woolas: The hon. Lady does not accurately reflect my comments at the rally last night. I did not use the word "superfluous" and it is wrong to try to portray the Government's attitude in that way. It is also wrong to tell constituents and the public in general that passing the Bill, virtuous though it is, will stop every pub, shop and post office closing and bring nirvana to our constituencies. It will not. It is, frankly, misleading to suggest that. I agreed with one thing—I emphasise "one"—that the right hon. Member for Witney said, which is that it is no good people saying one thing and doing another. I would have thought that the party of the free market wanted a level playing field, not the use of planning laws for centralised control—

Mr. Speaker: Order.

High Hedges

20. **Dr. Doug Naysmith** (Bristol, North-West) (Lab/Co-op): What guidance her Department gives to councils that impose charges to deal with complaints under the high hedges provisions contained in part 8 of the Anti-Social Behaviour Act 2003; and if she will make a statement. [129834]

The Parliamentary Under-Secretary of State for Communities and Local Government (Meg Munn): Our advice on fees under the high hedges legislation is in the guidance document "High Hedges Complaints: Prevention and Cure." It states that each local authority is responsible for deciding whether, and at what level, to charge for dealing with complaints about high hedges.

Dr. Naysmith: I thank my hon. Friend for that reply. She knows that I have tried to highlight the unfairness associated with the policy for some time. I cannot understand why there should be any difference between investigating a planning violation or a noisy neighbours problem and a high hedges complaint. Yet action on one is free but action on other costs more than £600 in some local authorities. Some of my elderly constituents cannot afford the £320 that it costs in the Bristol area. I have been assured by some of my hon. Friend's predecessors that the matter is kept under constant review. Does she anticipate any results from that constant scrutiny?

Meg Munn: As my hon. Friend will remember, the subject of high hedges was tackled initially in a private Member's Bill and then taken up by the Government. Essentially, we enabled the existence of a system to deal with private matters, which concern only the individuals directly involved. That is different from antisocial behaviour such as noise nuisance. We have made it clear that local councils are in a position to determine what they should charge. If they so chose, they could charge less for people who are on low incomes or over a certain age.

Mr. Philip Hollobone (Kettering) (Con): Has the Minister undertaken an estimate of the total amount of money raised through complaint charges since the Act came into force?

Meg Munn: No, we do not collect centrally the data on the operation of high hedges legislation, so that information is not available. To respond further to the question asked by my hon. Friend the Member for Bristol, North-West (Dr. Naysmith) about a review, we consider it too early to reach a conclusion on these matters. We are not receiving a great deal of complaints about how the 2003 Act is operating, so we do not believe that there are many problems with it. We will review it in due course, but not yet.

New Homes

21. **Mr. Ian Austin** (Dudley, North) (Lab): How many new homes she estimates are needed to meet current demand. [129835]

The Minister for Housing and Planning (Yvette Cooper): The analysis in the Barker review showed that we should aim to deliver about 200,000 new homes a year to prevent future problems with affordability. The level of house building has increased from around 130,000 to 180,000, but we need to go further.

Mr. Austin: My constituents want to know that they have a Government who are on their side, helping people who are working hard on limited incomes to get on in life. What more can the Government do to help people earning perhaps £10,000 or £12,000 a year who are keen to start a family, but want to wait until they have got on the housing ladder and can buy or rent a home of their own?

Yvette Cooper: We will be helping 160,000 families into shared ownership programmes by 2010, but, frankly, we also have to get serious about building more homes. My hon. Friend will know that there is continued opposition, including from the Opposition

Benches, to building more houses. Early-day motion 519 of the last Session stated that the Government's housing proposals would

"lead to unacceptable overdevelopment in Surrey and other parts of the South East".

It was signed by the hon. Member for Surrey Heath (Michael Gove) and, frankly, that shows an irresponsible attitude towards the first-time buyers of the future.

Bob Russell (Colchester) (LD): Will the Minister follow up her comment about irresponsible decisions by estimating how many of those new homes will be built on natural floodplains?

Yvette Cooper: The hon. Gentleman will know that housing developments around natural floodplains have been in place over our history. Many developments in the city of York and elsewhere are in natural floodplains, but he will also know that we have tightened the planning guidance in that area. In particular, we set out new planning policy guidance before Christmas in order to prevent inappropriate development in flood areas and ensure that homes are sustainable for the future.

David Wright (Telford) (Lab): Do we not need to target more new housing specifically at young people, particularly those who are homeless, or about to be homeless? Will the Government develop a strategy to promote the building of foyer projects in each town throughout the country?

Yvette Cooper: My hon. Friend is right to highlight the good work that foyer projects do. We have set a target to end the use of bed and breakfast for young homeless people, as we think it inappropriate. Foyer schemes are one way of doing things, but there may be other ways of providing supported housing for young people in communities. My hon. Friend is right to say that it should be a priority. We have made great progress helping families out of homelessness and now we want to do more for young people.

Kelvin Hopkins (Luton, North) (Lab): Thirty-three years ago, I was vice-chair of housing in Luton when we had a housing waiting list of 4,000 families. We simply built and bought thousands of homes and housed all on that waiting list. Our housing waiting list is even bigger now and the majority of people on it cannot contemplate home ownership, as it is simply beyond them. I suggest that my hon. Friend should look again at what we used to do in the '70s and perhaps replicate it now.

Yvette Cooper: My hon. Friend will know that the housing market has changed substantially since the 1970s, and that we now have far more home owners than we did then. He will also know that it is right to increase market housing, along with more shared ownership and social housing. I think that councils need to play a stronger role in that process as part of the investment in new housing for the next few years.

Landlords

22. **David Taylor** (North-West Leicestershire) (Lab/Co-op): What assessment she has made of the merits of further regulating landlords. [129836]

24. **Mr. Stephen Hepburn** (Jarrow) (Lab): What steps she is taking to tackle unscrupulous landlords. [129838]

The Secretary of State for Communities and Local Government (Ruth Kelly): The mandatory licensing of high-risk houses in multiple occupation and discretionary powers for local authorities to license other private rented accommodation were introduced in April 2006. From 6 April this year, we will introduce a scheme to protect tenancy deposits.

David Taylor: There has certainly been excellent short and medium-term progress at the bottom end of the market in the schemes for HMO licensing and tenancy deposit protection, but does the Secretary of State agree that we need some long-term reforms in this sector—either by licensing rented property or by encouraging landlords to sign up to minimum management standards, greater security of tenure and linking rent rises only to inflation? That would make private sector renting much more attractive and guarantee a lot more tenants decent homes. Does my right hon. Friend agree?

Ruth Kelly: I agree with the thrust of my hon. Friend's comments. We should have a dual approach. First, we should encourage minimum standards and the spread of good practice across the sector. We are doing that by supporting accreditation schemes, whereby local authorities work with landlords to drive up standards across the sector. Secondly, we should give local authorities the powers that they need where management and landlords are clearly failing in their duties. If we take that two-pronged approach, we will avoid a situation in which hundreds and thousands of tenants throughout the country face the consequences of extraordinarily poor management on occasion, and insecurity in their tenure as well.

Mr. Hepburn: Will my right hon. Friend examine the grave situation on Tyneside and further afield, where people who find themselves in debt, such as my constituents Anthony and Gillian McCluskey, are enticed to sell their property at far below its market value to unscrupulous property companies on the assumption that they can rent the property back, only to be given notice to quit very shortly afterwards?

Ruth Kelly: I will certainly look into that issue. I thank my hon. Friend for drawing it to my attention; I understand that he has raised it before in this House. It is vital that anyone who is considering a sale and leaseback arrangement takes good quality legal advice. I know that my hon. Friend is working with his local citizens advice bureau to make sure that potentially vulnerable people are given the best possible advice and steered in the direction of legal advice, so that they can take out appropriate arrangements.

Darfur Asylum Seekers (Removals)

3.31 pm

John Bercow (Buckingham) (Con): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 24, to discuss a specific and important matter, namely,

"the removal by the Home Office to Khartoum of failed asylum seekers from Darfur."

The immediate pretext for my request is the fact that the Home Office is minded tomorrow to remove no fewer than three such people on flights to Khartoum, and there are plans for further removals next week. One example that illustrates the argument comes to mind: Mohammed Abdulhaddi Ali is a black African from the Zaghawa tribe who has demonstrated outside the Sudanese embassy in London and who is a known opponent of the Sudanese Government. I submit to the House that he would be at risk of persecution if he were returned to Khartoum.

The Government have signed up to the principle of non-refoulement—they accept that they have a responsibility not to return people to states in which there is a serious risk of those people being subject to the death penalty, torture, inhuman or degrading treatment or punishment. The burden of the Government and Home Office argument is that it is unsafe to return people to Darfur but safe to do so to Khartoum.

My contention to this House is that there are a number of reasons why it would not be safe to return people to Khartoum. There is sporadic but intense fighting between the Government and a variety of rebel forces. It would not be safe to return people to Khartoum, where the national intelligence and security service is based and where it is constantly on the lookout for returnees. It would not be safe to return people who bear tribal scars and who are immediately identifiable by hostile authorities. It would not be safe to return people when we know from the published evidence of the Aegis Trust of a great many cases of people who have been returned only to be subject to intimidation, harassment or substantially worse.

"Safe as Ghost Houses", which was published last year by the Aegis Trust and authored by Sarah Maguire, is explicit on the issue. The evidence is on the record, and the Government have not issued an intelligible or coherent response to it. It is unsafe to return people when the Sudanese embassy is hand in glove with the Home Office to get people out, with God knows what consequences for those vulnerable people. It is not safe to return people such as those whom I saw last year. I saw video evidence about a man who was returned from this country and who was then brutally attacked and tortured by the Sudanese authorities.

I put it to the House that we have responsibilities—the country has a responsibility, the Government have a responsibility and this House has a responsibility to very vulnerable people. To kick them out would be wrong and precipitate. The matter must be debated, and debated urgently.

Mr. Speaker: I have listened carefully to what the hon. Gentleman has said. I must give him my decision without stating any reasons. I am afraid that I do not consider that the matter raised is appropriate for discussion under Standing Order No. 24, and I cannot therefore submit the application to the House.

Points of Order

3.35 pm

Andrew George (St. Ives) (LD): On a point of order, Mr. Speaker. I seek your advice in respect of an answer that I received during Health questions on 6 February from the Minister of State, Department of Health, the hon. Member for Don Valley (Caroline Flint), in response to a question about the activities of and payments to private treatment centres, which are being paid irrespective of whether they complete their work. At column 703, she is recorded as having said:

"the Plymouth and Bodmin treatment centres are on target for up to 100 per cent. capacity."—[*Official Report*, 6 February 2007; Vol. 456, c. 703.]

Yet following a freedom of information request to the local PCT, it now appears that the private treatment centre at Bodmin—which is represented by my hon. Friend the Member for North Cornwall (Mr. Rogerson), who is assiduous in pursuing the issue—has fulfilled only 45 per cent. of its target in the first six months of this year and 65 per cent. in the second six months, not the 100 per cent. claimed. I am sure that the Minister had no intention to mislead me or the House, but I seek your advice as to what sanctions are available to ensure that inaccurate or misleading information is properly and quickly corrected by Ministers on the Floor of the House.

Mr. Speaker: As the hon. Gentleman said, the information given was probably inadvertently misleading. The beauty of being able to table questions is that he can table another question today, which might tie up with the freedom of information answer that his colleague received. That is the way to resolve the matter.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): On a point of order, Mr. Speaker. From listening to and watching the news on television over the past three or four days, it has become clear that almost everybody in Britain has been discussing and worrying about the kidnapping of our soldiers and sailors by the Iranians. So far, we have not had a statement of the official position from Her Majesty's Government. Have you received a request to make such a statement, as it would be remarkable if the one place in Britain where the matter was not being discussed was this Chamber?

Mr. Speaker: My understanding is that the Leader of the House announced that there would be a statement this week. I hope that that is helpful to the right hon. Gentleman.

Andrew Selous (South-West Bedfordshire) (Con): On a point of order, Mr. Speaker. I seek your guidance as to how it might be possible to question orally a Minister from the Department for Communities and Local Government on the written statement about local government reorganisation. None of the questions on the Order Paper was appropriate for raising the matter just now. In the county of Bedfordshire, there is confusion and consternation about the written statement. It is not at all clear what will happen to local government, particularly in the middle and southern part of Bedfordshire. Chief executives of local authorities do not know what to tell their staff about whether they will still be in jobs. My constituents deserve better. It is impossible to take forward important local matters when we do not know what councils will exist in future. The House rises in two days, and it is too late for an Adjournment debate. How can I question a Minister orally on the matter?

Mr. Philip Dunne (Ludlow) (Con) *rose—*

Mr. Speaker: If the hon. Member for Ludlow (Mr. Dunne) will let me answer the hon. Member for South-West Bedfordshire (Andrew Selous), he might need not need to raise a point of order. I understand that at least three months of consultation will take place with the community at large, which will allow the hon. Member for South-West Bedfordshire to make representations. I agree that we are about to enter a recess, but one of the advantages of that is the Easter recess Adjournment debate, in which the hon. Member for South-West Bedfordshire could raise the matter on the Floor of the House. If the period involved is three months, he will have the opportunity of tabling further questions and of seeking an Adjournment debate, in which the Minister concerned would appear at the Dispatch Box. Does that help, Mr. Dunne?

Mr. Dunne: Further to that point of order, Mr. Speaker. In connection with the announcement in the written statement by the Minister for Local Government today, the allegation was made that there has been a broad cross-section of support in the county of Shropshire for the unitary authority proposals. The Minister seems to have completely ignored the ballot of opinion in Shropshire, which was overwhelmingly opposed to a unitary authority. I seek your guidance as to whether we can get Shropshire struck out from the proposals.

Mr. Speaker: I do not comment on the cases that Ministers make. It is for hon. Members to rebut the case that a Minister has made.

BILL PRESENTED

Northern Ireland (St. Andrews Agreement) (no. 2)

Mr. Secretary Hain, supported by the Prime Minister, Mr. Secretary Prescott, Mr. Chancellor of the Exchequer, Secretary John Reid, Secretary Des Browne, Mr. David Hanson, Paul Goggins, Maria Eagle and David Cairns, presented a Bill to modify the effect of the Northern Ireland (St. Andrews Agreement) Act 2006: And the same was read the First time; and ordered to be read a Second time, and to be printed. Explanatory notes to be printed [Bill 84].

Flexible Working

3.40 pm

Lorely Burt (Solihull) (LD): I beg to move,

That leave be given to bring in a Bill to extend the right to request to work flexibly to parents of children up to the age of 18; to make provision for the encouragement of employers to offer flexible working arrangements; and for connected purposes.

As Liberal Democrat spokesperson for women and equalities and for small businesses, I often have to balance the needs of both groups when looking at policy. It might be thought that flexible working is a topic that would require such balancing. I introduce this Bill, however, in good conscience that I am serving the interests of equality and good business.

I am indebted to Mrs. Susie Ankrett, who is both a constituent and a small business owner, for suggesting this Bill to me. Mrs. Ankrett runs an award-winning recruitment agency, Plum Personnel, and is well placed to understand the issues from all sides—as indeed am I, having had my own small business and brought up my family at the same time. Even if someone is Superwoman, doing such things while developing a career is tough. That is the dilemma facing so many families today. Women begin their career with roughly equal status with men. I say "roughly", because women graduates still earn on average 14 per cent. less than men at the start of their careers, and by the time they reach the age of 35 to 40 the gap has widened to 40 per cent.

What happens? It starts when children come along. For me, having my daughter was the most wonderful experience of my life bar nothing, and I am sure that many women feel the same. I am also sure that being a father carries the same sense of privilege for many men. Men want to exercise that privilege, but there is a problem. In many companies there is a long-hours culture—I call it "presentism"—under which someone's worth is valued more by the number of hours that they are at work than by the economic contribution that they make. So when baby comes along, the option of both parents taking their share in the caring is often not feasible. One partner has to make a career sacrifice and take the lion's share of the child care. That is often gladly and willingly done, but the trouble is that the parent who makes that sacrifice will pay the price in future career advancement—and, let us face it, that is usually the mother.

The mother will, therefore, often take part-time work far below her skill level to fit in with school hours and holidays, and when she wants to return to work full-time she finds that the boys have raced ahead. She still takes the main responsibility for the children, and she is unattractive to employers as a result. The equalities review published only a few weeks ago found that, in the recruitment stakes, women with children under 11 are 45 per cent. less likely to be employed than men. Employers are, therefore, missing out on a wealth of talent that they could be tapping into for fear that a mother will need time off to exercise her caring responsibilities. She has hit the glass ceiling, and they are losing real ability, loyalty and a much stronger economic contribution to their company.

In the home, the husband often sees too little of the children. He continues to work long hours because the economic responsibilities have fallen to a disproportionate extent on his shoulders. The inequality of the relationship is reinforced by the economic divide, but it does not have to be that way. Flexible working can rescue the situation for the employer and the family.

Research into flexible working by the Department of Trade and Industry in the 2003 work-life balance study discovered that employers who provided flexible working found that that had a positive impact on employee relations, enhanced employee commitment and motivation, reduced labour turnover, and had a positive effect on recruitment, absenteeism and productivity. Two thirds of respondents to a survey by the Work Foundation said that flexible working helped to reduce absenteeism, and research has shown that flexible working practices have enabled small businesses to recruit and retain higher-quality staff. DTI research in 2000 found that some small businesses saved up to £250,000 through reduced staff turnover, simply by adopting flexible working policies.

For businesses small or large, flexible working can bring benefits. Let us consider Microsoft, some 85 per cent. of whose UK employees work flexibly. Need I say more? In fact, I do need to, because there are many situations where flexible working would not work for some employees. There are good business reasons for companies to say no, and everyone understands that. Under the current legislation, no employer is forced to accede to a request for flexible working if there is a business case not to. I know that some small businesses feel that employment legislation puts them at a great disadvantage. Small business people want to put their energies into building their businesses, rather than getting bogged down in worrying about falling foul of Government legislation, or acting as an unpaid revenue collector for the Government.

Maternity leave is a bête noire for many small companies. When one employee constitutes 25 per cent. of the work force, losing them on maternity—or paternity—leave obviously causes a problem. How much better it would therefore be if such an employee could work flexibly, continuing to contribute—albeit in a more limited way—instead of being lost altogether for a period.

Employment legislation should act as a facilitator for a fair business relationship between employee and employer, not as a dictator. Flexibility works both ways; when there is appreciation of the needs of each party, the situation works to mutual advantage. I would therefore like to see more flexibility in the implementation of Government legislation, allowing mutual agreements that are in the spirit of accommodating the needs of both parties.

I have talked about businesses, but let us consider fathers for a moment. Again, research supports what is common sense: the more time a dad spends with his child, the less likely that child is to experience developmental problems. That is a benefit to society, as well as to the father. A more balanced home/work life also means that the father is less likely to suffer the stress that damages productivity and increases absenteeism. For women, flexible working could help to raise that glass ceiling, enabling them to enjoy a career and a family without having to be Superwoman to achieve both.

[Lorely Burt]

Existing legislation provides for parents of children up to the age of six to have the right to request flexible working. In my view, there is a business and a social case for extending that right to all workers, which the Equal Opportunities Commission and the Minister for Children and Families, the right hon. Member for Stretford and Urmston (Beverley Hughes), have called for. I would like to see a definition of flexible working wide enough to accommodate the needs of all parties. However, before such a step is enshrined in legislation, I want to see a full economic impact assessment, and a pilot study to assess the effects post-implementation, as well.

Today, I want simply to pave the way for this enhancement, which extends the right to request flexible working to parents of children up to the age of 18. I submit that parents of children aged between six and 18 have just as important a parenting role, and just as many trials, tribulations and challenges—and triumphs—to face. How much better it would be if mum and dad could still be around, particularly at stressful times such as when their children change school, or at exam time?

I leave the last word to the right hon. Member for Witney (Mr. Cameron), the leader of the Conservative party, who in a recent speech to the Working Families charity said:

"Flexible working is good for families, business and society".

Question put and agreed to.

Bill ordered to be brought in by Lorely Burt, Susan Kramer, Jo Swinson, Annette Brooke, David Haworth, Stephen Williams, Lynne Featherstone, Danny Alexander, Jenny Willott, Sandra Gidley and Dr. Evan Harris.

Flexible Working

Lorely Burt accordingly presented a Bill to extend the right to request to work flexibly to parents of children up to the age of 18; to make provision for the encouragement of employers to offer flexible working arrangements; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 85].

Northern Ireland (St. Andrews Agreement) (No. 2) Bill

Ordered,

That the following provisions shall apply to the proceedings on the Northern Ireland (St Andrews Agreement) (No. 2) Bill—

Timetable

1.—(1) Proceedings on Second Reading, in Committee, on consideration and on Third Reading shall be completed at this day's sitting.

(2) Those proceedings shall be brought to a conclusion, if not previously concluded, three hours after the commencement of proceedings on the Motion for this Order.

Timing of proceedings and Questions to be put

2.—(1) As soon as the proceedings on the Motion for this Order have been concluded, the Order for the Second Reading of the Bill shall be read.

(2) When the Bill has been read a second time—

(a) it shall, notwithstanding Standing Order No. 63 (Committal of bills not subject to a programme order), stand committed to a Committee of the whole House without any Question being put;

(b) the Speaker shall leave the Chair whether or not notice of an Instruction has been given.

3. On the conclusion of proceedings in Committee the Chairman shall report the Bill to the House without putting any Question and, if the Bill is reported with amendments, the House shall proceed to consider the Bill as amended without any Question being put.

4. For the purpose of bringing any proceedings to a conclusion in accordance with paragraph 1 the Speaker or Chairman shall forthwith put the following Questions (but no others)—

(a) any Question already proposed from the Chair;

(b) any Question necessary to bring to a decision a Question so proposed;

(c) the Question on any amendment moved or Motion made by a Minister of the Crown;

(d) any other Question necessary for the disposal of the business to be concluded.

5. On a Motion so made for a new Clause or a new Schedule, the Chairman or Speaker shall put only the Question that the Clause or Schedule be added to the Bill.

Consideration of Lords Amendments

6.—(1) Any Lords Amendments to the Bill shall be considered forthwith without any Question being put (and any proceedings interrupted for that purpose shall be suspended accordingly).

(2) Proceedings on consideration of Lords Amendments shall be brought to a conclusion, if not previously concluded, one hour after their commencement; and any proceedings suspended under paragraph 6(1) of this Order shall thereupon be resumed.

7.—(1) This paragraph applies for the purpose of bringing any proceedings to a conclusion in accordance with paragraph 6.

(2) The Speaker shall first put forthwith any Question already proposed from the Chair and not yet decided.

(3) If that Question is for the amendment of a Lords Amendment the Speaker shall then put forthwith—

(a) a single Question on any further Amendments of the Lords Amendment moved by a Minister of the Crown, and

(b) the Question on any Motion made by a Minister of the Crown, That this House agrees or disagrees with the Lords in their Amendment or (as the case may be) in their Amendment as amended.

(4) The Speaker shall then put forthwith—

(a) a single Question on any Amendments moved by a Minister of the Crown to a Lords Amendment, and

(b) the Question on any Motion made by a Minister of the Crown, That this House agrees or disagrees with the Lords in their Amendment or (as the case may be) in their Amendment as amended.

(5) The Speaker shall then put forthwith the Question on any Motion made by a Minister of the Crown, That this House disagrees with the Lords in a Lords Amendment.

(6) The Speaker shall then put forthwith the Question, That this House agrees with the Lords in all the remaining Lords Amendments.

(7) As soon as the House has agreed or disagreed with the Lords in any of their Amendments, or disposed of an Amendment relevant to a Lords Amendment which has been disagreed to, the Speaker shall put forthwith a single Question on any Amendments moved by a Minister of the Crown and relevant to the Lords Amendment.

Subsequent stages

8.—(1) Any further Message from the Lords on the Bill shall be considered forthwith without any Question being put (and any proceedings interrupted for that purpose shall be suspended accordingly).

(2) Proceedings on any further Message from the Lords shall, if not previously concluded, be brought to a conclusion one hour after their commencement; and any proceedings suspended under paragraph 8(1) of this Order shall thereupon be resumed.

9.—(1) This paragraph applies for the purpose of bringing any proceedings to a conclusion in accordance with paragraph 8.

(2) The Speaker shall first put forthwith any Question which has already been proposed from the Chair and not yet decided.

(3) The Speaker shall then put forthwith the Question on any Motion made by a Minister of the Crown which is related to the Question already proposed from the Chair.

(4) The Speaker shall then put forthwith the Question on any Motion made by a Minister of the Crown on or relevant to any of the remaining items in the Lords Message.

(5) The Speaker shall then put forthwith the Question, That this House agrees with the Lords in all the remaining Lords Proposals.

Reasons Committee

10.—(1) The Speaker shall put forthwith the Question on any Motion made by a Minister of the Crown for the appointment, nomination and quorum of a Committee to draw up Reasons in relation to the Bill and the appointment of its Chairman.

(2) A Committee appointed to draw up Reasons shall report before the conclusion of the sitting at which it is appointed.

(3) Proceedings in the Committee shall, if not previously concluded, be brought to a conclusion 30 minutes after their commencement.

(4) For the purpose of bringing any proceedings to a conclusion in accordance with sub-paragraph (3) the Chairman shall—

(a) first put forthwith any Question which has been proposed from the Chair but not yet decided, and

(b) then put forthwith successively Questions on motions which may be made by a Minister of the Crown for assigning a Reason for disagreeing with the Lords in any of their Amendments.

(5) The proceedings of the Committee shall be reported without any further Question being put.

Miscellaneous

11.—Paragraph (1) of Standing Order No. 15 (Exempted business) shall apply in so far as necessary for the purposes of this Order.

12.—The proceedings on any Motion made by a Minister of the Crown for varying or supplementing the provisions of this Order shall, if not previously concluded, be brought to a conclusion one hour after their commencement and paragraph (1) of Standing Order No. 15 shall apply to those proceedings.

13.—Standing Order No. 82 (Business Committee) shall not apply in relation to any proceedings to which this Order applies.

14.—No Motion shall be made, except by a Minister of the Crown, to alter the order in which any proceedings on the Bill are taken or to re-commit the Bill; and the Question on any such Motion shall be put forthwith.

15.—No dilatory Motion shall be made in relation to proceedings to which this Order applies except by a Minister of the Crown; and the Question on any such Motion shall be put forthwith.

16.—(1) This paragraph applies if—

(a) a Motion for the Adjournment of the House under Standing Order No. 24 (Adjournment on specific and important matter that should have urgent consideration) has been stood over to Seven o'clock, but

(b) proceedings to which this Order applies have begun before then.

(2) Proceedings on that Motion shall stand postponed until the conclusion of those proceedings.

17.—If the House is adjourned, or the sitting is suspended, before the conclusion of any proceedings to which this Order applies, no notice shall be required of a Motion made at the next sitting by a Minister of the Crown for varying or supplementing the provisions of this Order.

18.—Proceedings to which this Order applies shall not be interrupted under any Standing Order relating to the sittings of the House.

19.—The Speaker shall not adjourn the House until—

(a) any Message from the Lords on the Bill has been received;

(b) he has reported the Royal Assent to any Act agreed upon by both Houses.—*[Mr. Hain.]*

Northern Ireland (St. Andrews Agreement) (No. 2) Bill

Order for Second Reading read.

3.51 pm

The Secretary of State for Northern Ireland (Mr. Peter Hain): I beg to move, That the Bill be now read a Second time.

I thank the House for its indulgence in allowing, at very short notice, planned business to be disrupted. I am especially grateful for the co-operation of the Opposition parties.

I wish to begin by congratulating the leader of the Democratic Unionist party, the right hon. Member for North Antrim (Rev. Ian Paisley), on his courage and his leadership. When he sat for the very first time alongside the leader of Sinn Fein, the Member for Belfast, West (Mr. Adams), in Parliament buildings at Stormont yesterday, they took Northern Ireland closer to a final political settlement than anyone has ever before thought possible. Their pictures together resonated around the world, a graphic manifestation of the power of politics over intolerance, bitterness and horror.

Those implacable foes have individually and collectively said that now is the time for Northern Ireland to move forward into a new era. They have together taken charge of the process from the British and Irish Governments. As a result, the political settlement that will emerge will be far stronger and more robust than anything imposed by Government, precisely because it is grounded in local agreement. That is where we have wanted to be since before the Good Friday agreement was signed almost nine years ago: locally accountable politicians taking responsibility for the future; locally accountable politicians showing that whatever their differences—and it is hard to imagine two parties with greater differences—they can work for the common good without sacrificing either principle or integrity.

I do not need to remind this House of the tortured history of Northern Ireland over four decades, or of all the attempts by the Government, working closely with our Irish counterparts, to bring peace and stability, or—especially—of the courage of SDLP leaders, such as John Hume, and Ulster Unionist party leaders, such as David Trimble.

We have seen enormous progress, especially since the Good Friday agreement. The security situation has been transformed. The IRA has declared its war over and decommissioned its weapons. It has closed down the criminal activity that used to fund the conflict, because there is no conflict to fund. Sinn Fein has committed to the active support of the police and criminal justice institutions. There has been a new beginning to policing and the rule of law, stretching right across the communities. There is peace, and there are more jobs and more prosperity than ever in Northern Ireland's history. The final piece in the jigsaw is long-term political stability. That has proved to be elusive.

Patrick Hall (Bedford) (Lab): My right hon. Friend will have encountered the understandable deep caution and occasional cynicism of the people of Northern Ireland, after what they have had to put up with over the past decades. In the vital weeks ahead, what will he do to give them confidence that, at long last, this is a time for them—and us—to hope?

Mr. Hain: I welcome my hon. Friend's support. This is a tremendous time for hope and progress, as I shall explain.

There have been numerous attempts by both Governments working together to broker a deal that would stick. In our view, the best—and possibly the last—hope in the foreseeable future to bring about that deal came after the talks at St. Andrews last October.

Lady Hermon (North Down) (UUP): The Secretary of State will know that thousands of people voted at the ballot box on the understanding that his words had some meaning when he promised that devolution would happen on 26 March—that is, yesterday. What confidence can the people of Northern Ireland have that the right hon. Gentleman will ever keep his word to them again?

Mr. Hain: I pay tribute to the hon. Lady's role in the peace process over many years, and I shall explain why the situation has developed as it has.

The St. Andrews agreement, with its twin pillars of support for policing standing alongside the commitment to share power, provided the basis for a lasting settlement. Last November, during the passage of the St. Andrews legislation, I made it clear that, if a power-sharing Assembly and Executive did not result, it would be a considerable time before an opportunity like it ever came round again. That was quite simply because I, and many others, thought that the parties themselves would never agree a way forward on their own. I am delighted to have to revise that view in the light of the extraordinary events of the past few days.

I turn now to the point raised by the hon. Member for North Down (Lady Hermon). The House will recall that the legislation set in statute the date for the restoration of devolved government in Northern Ireland. That date was 26 March— yesterday. The legislation was explicit: if an Executive were not formed on that date, the Assembly would dissolve. As a consequence, Members' salaries and allowances would stop. Water charges would come into force, academic selection at age 11 would go, and partnership with the Irish Government would deepen.

Everyone knew the position when the election was held on 7 March. I said more than once that 26 March was a deadline that would not move, and that failure to meet it would have consequences. There would only ever be one set of circumstances in which progress outside that framework could be made and that would be if the parties, for the very first time ever, formed a consensus around an agreed way forward.

It is axiomatic in Northern Ireland that there is not a political wire down to which the parties do not go. There were those who said that we were bluffing, that deadlines come and go and that, if we got close enough to a deal, extra time would be claimed. With my right hon. Friend the Prime Minister, we made it clear that there would be no extension to the deadline in the absence of an agreed way forward brought to us by the

parties. When we were asked by the Democratic Unionist party last Wednesday to grant an extension we said no, because we could not credibly return to this House and ask for more time unless the DUP could persuade the other parties that there was a credible reason for doing so. We were asked again last Friday. Again we said no—unless the DUP managed to get other parties, including Sinn Fein, to agree.

Had we not been resolute, we would not have had the historic agreement yesterday—and the significance of that agreement cannot be overestimated. It is for that reason that this Bill, which will have the effect of moving the date of the restoration of devolution to 8 May, is before the House today. Both the DUP and Sinn Fein have agreed on that date, and both have asked that the introduction of water charging be deferred until the Executive are formed. I have agreed to both requests, and I ask for the support of the House in that.

I know that there will be many victims of the troubles, including Members of the House, who will find this moment especially painful, but we have reached a turning point in the history of Northern Ireland. There are many here and in another place, and from both sides of the House, notably John Major, who have played their part over the years to bring peace and stability to Northern Ireland. That we are where we are today is a tribute to them.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): The right hon. Gentleman said that we have reached a turning point, and no doubt that is true. Would it be even more of a turning point if Sinn Fein Members who were elected to the House took their place? Does he agree that one way in which we can facilitate that is to change the Oath so that they can take an oath that is acceptable to them?

Mr. Hain: The right hon. and learned Gentleman makes an interesting point, but it is not a point for us today.

That we are where we are today is a tribute to all those people, especially my right hon. Friend the Prime Minister. He has brought a forensic understanding of the politics of Northern Ireland—and, allied to it a fierce tenacity and a level of commitment—as has no other Prime Minister.

Mr. David Anderson (Blaydon) (Lab): Does the Secretary of State agree that while it is right and proper to praise both John Major and the present Prime Minister, we should praise the ordinary people—in fact, the extraordinary people—on the ground, who did not stop working across sectarian barriers? Trade unionists and public service workers stood through 40 years of the troubles, and never ever gave up on their belief in peace.

Mr. Hain: I could not agree more strongly with my hon. Friend about the role played by the trade union movement, and the role that it continues to play in bridging the divide between the communities, pressing ahead with a policy of social justice across the divide and making sure that the interests of the people of Northern Ireland, especially the employees of Northern Ireland, are always to the fore. He is absolutely right, and his own trade union—Unison—has done a tremendous job, and continues to do so.

Rev. Ian Paisley (North Antrim) (DUP): I hope that the Secretary of State does not leave out the people who keep the shops going when they are bombed and destroyed, and who do not shut down—"Business as usual tomorrow". Those people kept Ulster sane in that time of terrible trial.

Mr. Hain: The right hon. Gentleman is absolutely right. There have been tens of thousands, if not hundreds of thousands, of heroes and heroines over the generations who have stood for decency and justice. I singled out the trade union movement for the remarkable role that it has played, as within its ranks there are people of widely divergent views, from republicans to loyalists, working together for the common good.

Mr. Jim Devine (Livingston) (Lab): May I place on record my appreciation for the work that my right hon. Friend has done in bringing about what is without doubt an historic achievement? In today's press, we saw the picture to which he referred of the right hon. Member for North Antrim (Rev. Ian Paisley) and the hon. Member for Belfast, West (Mr. Adams), who were described in the *Irish Independent* as the "darling buddies of May". One hopes that that can continue.

Mr. Hain: I think that I will leave that description to the newspapers, with my hon. Friend's assistance. However, I thank him for what he said, and I thank everyone for the way in which they have worked together on the process, particularly my ministerial team: my deputy, my right hon. Friend the Minister of State; the Under-Secretary of State for Northern Ireland, my hon. Friend the Member for Wythenshawe and Sale, East (Paul Goggins), who is responsible for security; the Under-Secretary of State for Northern Ireland, my hon. Friend the Member for Liverpool, Garston (Maria Eagle), who is responsible for education; and, of course, the Under-Secretary of State for Northern Ireland, my hon. Friend the Member for Inverclyde (David Cairns), who doubles up as the Under-Secretary of State for Scotland.

Keith Vaz (Leicester, East) (Lab): I do not want this to sound like a love-in, but the Secretary of State has been described during this process as "Hain the pain". Has the pain been worth the gain?

Mr. Hain: I have to say yes. In a republican area of Belfast there is graffiti saying "Hain is insane". *[Interruption.]* The hon. Member for East Antrim (Sammy Wilson) raises his thumb to that. In a loyalist area of Belfast, there is graffiti saying "Sinn Hain", so obviously there is universal support for my work as Secretary of State, just as there is among Government Back Benchers.

Mr. Ronnie Campbell (Blyth Valley) (Lab): It was great to see the politicians come together yesterday, but does my right hon. Friend not agree that the most important thing in Northern Ireland is bringing the communities together?

Mr. Hain: I very much agree with my hon. Friend. There have been signs of progress in that direction for a number of years, especially over the past nine years. For example, late last year I opened the first integrated housing estate, a social housing project near Enniskillen. That is a sign of progress and there are many others.

One of the achievements of our Labour Government of which my right hon. Friend the Prime Minister should justly be most proud is the way in which we have brought peace, stability and progress to Northern Ireland. The work he has done with Taoiseach Bertie Ahern has been quite simply remarkable. We have been backed up by some of the most dedicated and outstanding civil servants I have ever worked with, from the Prime Minister's chief of staff, Jonathan Powell, to my own staff in the Northern Ireland Office.

I also want to pay tribute to the political parties in Northern Ireland. I have not always seen eye to eye with them and I have not always agreed with their analysis, but I have never doubted their commitment to work tirelessly for the people they represent. Now they have the opportunity to discharge their responsibilities to their voters, and to do so in their own way. That is as it should be, and to hasten that day I commend the Bill to the House, signifying as it does the triumph of peace over conflict.

4.5 pm

Mr. David Lidington (Aylesbury) (Con): On the Conservative Benches we welcome the Bill and it will have our support this afternoon. The Government's decision for a further delay of just a few weeks was a sensible and pragmatic response to the dramatic events of the past couple of days.

Like the Secretary of State, I congratulate the leaders of all the Northern Ireland parties on a major step forward towards the longed-for enduring political settlement for Northern Ireland. I want in particular to pay tribute to the generous words spoken by the right hon. Member for North Antrim (Rev. Ian Paisley) during his momentous joint press and public statement yesterday. As the Secretary of State said, yesterday's agreement was the fruit of many years of work by officials and Ministers of various Governments both in this country and the Republic of Ireland, and in the United States of America under successive Administrations.

Today, it is right that I particularly acknowledge from the Conservative Benches the commitment that the Prime Minister has made. He took forward the process begun by John Major and he has invested unprecedented amounts of both time and energy in the pursuit of peace in Northern Ireland. It is no great secret that there have been occasions when we disagreed with the Prime Minister, and even with the Secretary of State—sometimes vehemently—about particular decisions that they had taken. When the history books are written we shall find out who was right. One might say that the earthly reputations of all of us as politicians are, in the last resort, in the hands of history, but it is true to say that without the Prime Minister's unremitting personal commitment the political process in Northern Ireland would not be within sight of the success that we can see today.

However, although this is an occasion for hope, optimism and looking forward, it is not yet a moment when we can indulge in euphoria, and least of all in complacency. This morning, I noted that a number of newspaper commentators made a comparison between the events at Stormont yesterday morning and the famous meeting between Yitzhak Rabin and Yasser Arafat on the lawn of the White House—but we know now that the hopes that Prime Minister Rabin and President Arafat held then lie in ashes. Although we should unite in welcoming what was achieved yesterday, we must be unflinching in facing up to the huge problems that still confront Northern Ireland and stand in the way of reconciliation.

On policing, there is no doubt that Sinn Fein's belated and long-overdue decision to support the Police Service of Northern Ireland and the courts made an agreement yesterday possible, but we will continue to look for demonstrable evidence that that declaration of support is indeed bearing fruit locally. Bogus distinctions between so-called civic and so-called political policing will undermine the credibility on this issue that the Sinn Fein leadership seeks to achieve. It is easier to decommission guns than criminal livelihoods. Support from all the political parties in Northern Ireland is essential if Northern Ireland is finally to be rid of the scourge of organised crime and particularly that run by paramilitary gangs.

Mr. Hain: I completely agree with the hon. Gentleman. In that respect, I am encouraged by a whole series of initiatives that the Sinn Fein leadership has taken. Following representations by the right hon. Member for North Antrim, after an attack on Councillor Brush, a former Ulster Defence Regiment soldier, the local Sinn Fein Member Michelle Gildernew said that she would encourage anyone with any information on the matter to co-operate with the Police Service of Northern Ireland. That is further progress of the kind we need to see.

Mr. Lidington: I am grateful to the Secretary of State. Like him, I am encouraged by those demonstrations of support. The more of that we see, the better the chance of moving beyond the appalling divisions and violence of the past towards a genuinely shared future in Northern Ireland.

Lady Hermon: I am sure that the hon. Gentleman will be well aware that his colleague, the right hon. and learned Member for Rushcliffe (Mr. Clarke), today published a pamphlet—I take it that it is a policy statement from the Tory party—on how to increase confidence in politicians and how to encourage people to vote. Does the hon. Gentleman agree that one of the greatest casualties yesterday was trust in the entire Northern Ireland ministerial team, who gave undertakings and commitments in the House that there would be no emergency legislation to break through the 26 March deadline?

Mr. Lidington: Unlike the hon. Lady, I have not yet had the pleasure of reading the report by my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke). It is a treat that I shall look forward to. I can reassure her on one point: it is not a formal policy statement on behalf of my party; it is a report from the

vigorous policy commission on the revival of democracy, which my right hon. and learned Friend heads.

In response to the substance of what the hon. Lady said, we expressed doubts about the deadline at the time. To be honest, I suspect—I claim no scientific knowledge—that the general feeling in Northern Ireland will be one of relief at what was achieved yesterday and that there will be a desire to move forward from arguments about deadlines in the House to practical arguments about policies that really matter to people living in Belfast, Bangor and elsewhere in Northern Ireland.

Mr. Jeffrey M. Donaldson (Lagan Valley) (DUP): Is the hon. Gentleman aware that the Democratic Unionist party has been inundated with messages of support from right across Northern Ireland—from every constituency, including that of the hon. Member for North Down (Lady Hermon)? People who are relieved and delighted by what has happened are supporting what we have done. We have had offers of investment from right across the globe, from people who want to have a stake in the future of Northern Ireland.

Mr. Lidington: I suspect that the calls to the DUP's headquarters are probably a reflection not just of their supporters—who, it has been clearly demonstrated, support what the right hon. Member for North Antrim did yesterday—but of the longing of people in Northern Ireland, whether nationalist or Unionist, to move away from the abnormal situation that we have been in for decades towards what everybody in England, Scotland and Wales would consider to be normal political debate.

Mrs. Iris Robinson (Strangford) (DUP): Does the hon. Gentleman agree that the hon. Member for North Down (Lady Hermon) appears to be so hung up on a date that she would prefer academic selection to have been done away with and for bills for water charging to drop on the mat of each constituent throughout the Province?

Mr. Lidington: I hope that the hon. Lady will forgive me if I do not intervene in that particular battle on the Unionist Benches.

All Northern Ireland parties have a responsibility to show that they are there for all the people of Northern Ireland, not just one community or another. One of the most hopeful signs in yesterday's public statements was the clear commitment by the right hon. Member for North Antrim and the leader of Sinn Fein to work on behalf of everyone in Northern Ireland.

Mr. Hogg: I entirely agree with what my hon. Friend says about the responsibilities of the Northern Ireland parties. May I put to him a point that I made to the Secretary of State? It would be a very good thing if Sinn Fein Members were to take their seats in this place. If there are artificial barriers that stop them, such as the Oath, would we not be wise to see whether we could take reasonable steps to make it easier for them to sit here?

Mr. Lidington: I would be pleased if Sinn Fein Members dropped their policy of abstention. When I made that point to leading members of Sinn Fein, they told me that it is not the Oath that stops Sinn Fein Members from taking their seats, but their belief that this Parliament should have no say in governing any part of the island of Ireland. Until they are prepared to move on from that firm and regrettable ideological position, the sort of proposal that my right hon. and learned Friend makes would be a largely academic exercise.

The sad truth about the situation in Northern Ireland today is that despite all the encouraging signs of movement towards political normality, the so-called peace lines—the high metal fences that divide residential estates in north and west Belfast—are higher and stretch longer today than they did before the IRA ceasefires of the mid-1990s. It is when those divisions start to heal and both the physical and psychological barriers between communities start to come down that we can truly believe that the dreadful conflict that scarred the history of Northern Ireland for much of the 20th century has come to an end. The Bill marks an important milestone along that slow and difficult road.

4.18 pm

Rev. Ian Paisley (North Antrim) (DUP): This is a good day for the House, a good day for our United Kingdom and a good day for the whole of the people of Ireland, whether north or south, for it is a day when there has risen at last in the darkness a star of hope. However, it is only a star of hope, and we must remember that. We are not near across the river, and we have some very hard things to do and great sacrifices to make in order that this start will not be like many other starts. I was accused of not shaking hands with the leader of the Sinn Feiners and I said, "Why should I?" All the people who shook hands with him are gone—do you want me to go, too? I have no intention of going.

We must face up to the fact that the Democratic Unionist party and I are in a strange position today, because we seldom got any credit for what we stood for and what we did. When the first agreement was signed, I remember that they celebrated with songs, handshakes, dancing—and kicking me, for I happened to be there. I was well kicked by them all and cursed as well. Then the Secretary of State at the time, Mo Mowlam, got me wrongly arrested, and the Assistant Chief Constable had to come and get me out. I have been through all that, but people who know me will realise that I am not saying that just to bring back the old bitternesses. Let us get the old bitternesses away. As I said to the leader of Sinn Fein, it is not a love-in but a work-in that we are engaged in, and when the people start to work for the things that they need, we will find a cure for some of the terrible problems that are still there; that is when we will get those bitternesses away.

I agree fully with the hon. Member for Aylesbury (Mr. Lidington) that many things are not there yet. I trust that they will be put in place, and that we will have full deliverance on policing. I might add that at the meeting, we raised not only the matter of which the House has been informed by the Secretary of State, but a matter concerning a man from Sinn Fein's own

[Rev. Ian Paisley]

district in Belfast, Mr. McCartney. We raised that issue again, and we said that we felt that it would be a great opportunity for Sinn Fein to do something about Mr McCartney's death. We got a promise that something would be done, and we look forward to something being done.

I must say that the Secretary of State really brought himself to feel the cane on the matter of the date of 26 March. He was belligerent with us all; he warned us and told us. I said to him, "You can argue with Ulster people, and you can present your arguments strongly. You can even be stern with them, but if you bully them, you'll get nowhere." He did not believe me, but he believes me now; the proof of the pudding is in the eating. I do not think that we should rub that in. *[Laughter.]* Perhaps I have done enough rubbing already. All I am saying is that I am glad that Ulster people, whether they be Sinn Feiners or Unionists, will, at the end of the day, have some say in how they are governed. When that is established, this whole movement will take a leap forward.

I thank the House for what has been said. I trust that it will realise that we do not have a magic wand, and that there will be hard work, difficulties, fights, tough talking and rough riding, but we should keep before us what I said yesterday—that after all, all the elected representatives of Northern Ireland have an onus of responsibility to all the people. I am not here today to say that I will represent Unionists; I am here to say that I want to see achieved whatever is good for the people of the whole of Northern Ireland.

4.23 pm

Lembit Öpik (Montgomeryshire) (LD): Having listened to the contribution of the right hon. Member for North Antrim (Rev. Ian Paisley), I think that I can speak for the House when I say that I feel the hand of Paisley on my shoulder, not least because he is sitting right behind me. I have covered Northern Ireland issues for the Liberal Democrats for 10 years now, but I have lived with Northern Ireland politics for 40 years. I remember the feeling of fear and, frankly, hopelessness of the 1970s, when politics in the Province was measured more in lives lost than votes won. Even as a teenager, the hate that I observed seemed as endemic as the violence—and back then, it probably was.

What has changed is that there seems to be a willingness to give peace a chance, and to turn a clichéd but hopeful slogan into a fledgling political partnership, even though we know that partnership needs real proof of good faith to become more than just an act of provisional trust. I congratulate the Government for getting as close as they have done. I have known the Secretary of State for Northern Ireland for many years, and I regard the measures that we are discussing as his greatest political achievement. I share his vision for a stable and sustainable Stormont Assembly and a shared future for the people of Northern Ireland. The right hon. Gentleman has the right to feel a sense of gratification that his endeavours have helped to achieve it.

In regard to the Prime Minister, who may indeed be looking for a legacy, it is true to say that he should reasonably regard the developments in the Northern Ireland peace process as a proud and legitimate element of that legacy.

When we debated the previous emergency legislation in November 2006, I said that I believed the St. Andrews agreement could bind the DUP into a commitment to assume power alongside Sinn Fein. I was optimistic enough to believe it could happen, even though others were not. I am glad to say that it is a testimony to the optimism of the Secretary of State that we have come this far.

When Sinn Fein's ard fheis and its leaders encouraged supporters to co-operate with the Police Service of Northern Ireland, I said then and I say now that it was a momentous move forward. Again, the optimists were right and I praise the journey that Sinn Fein and the IRA have taken. Others doubted that this would be so, but I never did. My confidence in the republican movement was based on the people I met, and I judged them to be sincere. They have proved that faith in their positive intentions was not misplaced, though of course it must now result in action.

In yesterday's momentous meeting, the DUP categorically committed to entering a power-sharing Government with Sinn Fein on 8 May. That is six weeks from now. The right hon. Member for North Antrim has taken a very strong position throughout and his conditions have been met. It is important to recognise that. His party said that it was condition-led. He has achieved what he laid out as his goals in the previous two Assembly elections. In large part it is thanks to his contribution that the restoration of devolved government is now just weeks away. So we must recognise the potentially historic significance of the statement yesterday.

However, I am disappointed that the deadline of 26 March, as set down by the emergency legislation passed last November, has not been met. We are faced with yet another delay, yet another piece of legislation on Northern Ireland rushed through Parliament, despite Government assurances that there was no time to do that. I understand the reasons for this. I understand why the Minister has felt the need to let deadlines come and deadlines go, reassuring us almost every time that there was no plan B—and always, of course, there was. The most reliable insurance policy to guarantee that 8 May will be the date for the restoration of the Assembly comes not from the Government, but from Sinn Fein and the DUP. It is their deadline that I choose to believe.

It follows that if for any reason 8 May does not work out, there is no point in the Government pretending that they have any leverage left to threaten anybody in this place, in another place or in Northern Ireland with deadlines again. They have put all their cards on the table, for reasons that I understand. When it comes to deadlines, they have no more cards to play.

Mr. Paul Goodman (Wycombe) (Con): I thought that I heard the Secretary of State say earlier—I may be wrong—that he had always been prepared to extend the deadline if the parties could find an agreed way forward together. Did I hear the Secretary of State say that? Is the hon. Gentleman convinced that that was the case?

Lembit Öpik: I will leave the hon. Gentleman to check *Hansard* with regard to his former question, but on the latter, I am in no doubt at all that the Secretary of State told the House that the deadline was immovable and absolute. As I say, I understand why he has taken this position, and thus I do not condemn him for it. Instead, I make an observation about the future, rather than about the past. The future allows the Government no leverage with regard to deadlines, so we must hope that on this occasion it works.

There are many people who remain sceptical about the ability of the DUP and Sinn Fein to produce genuine power sharing. However, it is those two parties who primarily have been entrusted by the electorate with the mandates and responsibility to govern. It is up to them to rise to the challenge, and it is up to others, including my sister party, the Alliance party, to hold them to account and to provide constructive opposition as and when necessary. I am determined to ensure that the next six weeks are used to their full advantage. There are discussions going on about an entire programme for government, including the Treasury's financial package. I hope sincerely that the details are hammered out. Unless they are, we will have trouble ahead.

My colleagues in the Alliance party—including David Ford, who I think I can suggest is a First Minister in waiting in Northern Ireland politics—

Sir Patrick Cormack (South Staffordshire) (Con): He will have a long while to wait, I fear.

Lembit Öpik: However long or short a time that may take, I believe it will happen.

My colleagues in the Alliance party say that about £1 billion is wasted in Northern Ireland every year on managing a divided society, through implicitly providing separate services for different sides of the same community. Resources would be much better spent on providing quality public services for the entire community, rather than providing services a few hundred metres and a physical or psychological wall apart in a fashion which, in 2007, is out of date. After all, if Sinn Fein and the DUP can do business together in the dining hall of Stormont, surely Catholics and Protestants can exercise together in the sports halls of Belfast and the Province.

The segregation that is ending in politics must also end in the community, but it will take the expenditure of some resources in the short term to release money. Northern Ireland currently receives a larger subvention than any other region in the United Kingdom—a position that is not sustainable. I hope that the Government will work in the weeks ahead, before 8 May, to ensure that there is a clear programme of economic government to accompany the political changes that are taking place.

The mutual respect that I want to see in the community must also apply to political parties. There are many in Stormont who have been loyalists to the cause of a shared future, a cross-community approach to the governance of the Province. They were shown attention when the Government needed them and ignored when the Government did not. That is disrespectful, thoughtless, and ultimately a betrayal of a decade of good faith.

I want the Government to commit themselves to ensuring that all parties will be involved in the brokerage of solutions in the six weeks ahead, because if anything does go wrong, there will be no good will left for the Government to fall back on from those allies who feel ignored. What plans have the Government to offer briefings to all parties going into government and into opposition, and how will the unique arrangements of statutory committees be reflected in such briefings? It is important for any restored Assembly to be given the chance to make a difference and to prove its worth. We hope that the legislation we are pressing today achieves what we want to see: a stable and long-lasting settlement in Northern Ireland.

Mr. Hain: I agree with what the hon. Gentleman is saying, and I think that the leadership shown by the right hon. Member for North Antrim (Rev. Ian Paisley) and his party in meeting all the parties yesterday was intended to do precisely that.

The parties are now taking charge of the process. It is not for me to prepare for government; it is for them to prepare for government. That is what they are doing, and that is what has transformed the situation.

Lembit Öpik: I am pleased to hear the Secretary of State's words, but I can tell him that there are individuals who have acted in good faith for many years and have bailed out the Government and the devolution process on at least one occasion. I am thinking of David Ford and his colleagues in the Alliance party, who have repeatedly felt passed over at times of great importance in Northern Ireland political debate, only to see the Government returning cap in hand and asking for support at times when they have found themselves in a difficult corner.

Sir Patrick Cormack: I think the hon. Gentleman is being a little unrealistic and a little churlish. I also think he should recognise that the Alliance has the number of members it has because people voted for that number of members.

Lembit Öpik: Indeed. Contrary to all predictions in the Chamber—apart from mine—the Alliance increased the number of its seats. I have made that point, and the Minister knows exactly what I mean. It it is to the credit of the DUP at this stage that it has been consulting all parties, but the consultation must be meaningful. It must not consist simply of the relating of decisions made to the exclusion of the minority parties.

Rev. Ian Paisley: I assure the hon. Gentleman that we met all the parties, and have agreements with them on how we will meet and continue the dialogue.

Lembit Öpik: I am encouraged to hear that. It is symptomatic of the positive changes that have taken place this year. I am sure that members of minority parties in Northern Ireland who are listening will accept the right hon. Gentleman's comments in good faith, and with the positivity that I consider appropriate to the important strategic statement that he has just made.

[Lembit Öpik]

There has been talk of stopping Stormont Assembly Members' salaries. While there are those who are still frustrated by many years of paid silence in the corridors of power in Stormont, perhaps we can now leave that aside. I am sure that no reasonable suggestion about future financial arrangements would be refused, but let us be clear about this: if for some reason things do not happen on 8 May, I will sincerely expect the Minister to be true to his word and stop paying individuals for not delivering on devolution.

The Liberal Democrats have always been friends of the process, and I have always sought to be a friend, albeit sometimes a critical friend, to successive Secretaries of State as they have stumbled to find their way through the mire of political quicksand that has sometimes threatened to engulf them. Unlike others, I have never allowed political expediency to get in the way of what is right for the processes of peace. Even when criticised by other parties, we have done our best to support the Government.

Those of us who have helped the Government in good faith expect good faith back in return. The process is not yet over, although I sincerely hope that we are in the endgame. Until we have finished the discussions of the next six weeks, my advice is that the Government had better take care of their friends, because there are many who offer good will, but expect the good will to be returned.

4.35 pm

Mark Durkan (Foyle) (SDLP): Thankfully, unlike much of the tortuous process of past years, what we have in front of us today is short and simple, in the form of this Bill.

The Secretary of State will recall that some of us predicted that we would be here in late March facing more emergency legislation, probably providing for a date in May. When we honestly offered that as our best surmise about what was likely to happen, we were rubbished by the Secretary of State and others. To that extent, our judgment and assessment has been vindicated, but it included the assumption that we would have the required arrangements at least by May.

Some of us have always believed in power sharing and have stuck with that belief since the 1970s, in the darkest days of the troubles. Stars of hope arose in the past when parties got together and promoted power sharing, but those stars were shouted down and shot down by people in parties such as the DUP and by people in the provisional republican movement. The unswerving belief by parties such as the Social Democratic and Labour party and others that power sharing, partnership, co-operation and shared institutions that deliver a shared future—not only in the north but on a north-south basis—are the way to create a future for forthcoming generations has absolutely been vindicated by recent developments.

I have observed before that our peace process has carried more people on more roads to Damascus than the Syrian bus fleet, and we saw that again yesterday. Not only did the DUP and Sinn Fein agree power sharing—in different ways, they can say that they have previously agreed that—but in meeting as they did, they entered into a sort of political compact. That is very positive. The fact that they were able to present the option of a new date for devolution on 8 May and to make the commitments that they did is a much more hopeful sign of how things are going to work than what we legislated for in this House previously, when we had to remove, at the DUP's insistence, the provision for the joint election of the First Minister and Deputy First Minister because it was said that they could not be jointly elected under the Good Friday agreement, and that it should be done separately. Now that people are prepared to engage in this sort of compact, we will be able, under the review of the workings of the agreement, to revert to joint election in future.

I pay tribute to the right hon. Member for North Antrim (Rev. Ian Paisley) and to the hon. Member for Belfast, West (Mr. Adams) for, as the right hon. Member for North Antrim has said, meeting the other parties yesterday. The president of Sinn Fein met the other parties, not in a series of bilaterals, but at least in order to share some thoughts about certain issues with other parties.

If we are to make things work it is important that we make the most of the next six weeks, and the least of whatever difficulties might arise in that period, so that we can, in turn, make the most of all the devolved institutions when they return.

The hon. Member for Aylesbury (Mr. Lidington) referred to some of the comparisons made in the newspapers between yesterday's meeting and, for example, the Rabin-Arafat meeting. There is a big difference. We do not have two leaders who are setting out on a voyage to try to discover arrangements and devise institutions. We already have agreed institutions, which were previously established and have proved themselves. All parties, whether they voted for them or not, could work well within them. We need to remember that, in the past, those institutions were brought down and destabilised, not because they could not function or suffered from structural problems and procedural and partisan tensions, but because of issues outside. We therefore have cause for more hope and a bit more confidence than some hon. Members suggest.

I hope that the Bill, which has been introduced in emergency mode, is the last Northern Ireland emergency measure that the House has to tackle. We know that we cannot have 100 per cent. confidence in that, but I do not want to join the hon. Member for Montgomeryshire (Lembit Öpik) in spreading too much doubt about 8 May. We would do better to leave that aside and concentrate on all the other issues about which we want to create certainty and build confidence.

The developments of recent days have vindicated those of us who always believed in power sharing and consistently believed in the Good Friday agreement. In the aftermath of the agreement, some of us argued that the institutions would allow people to sit down in partnership and co-operation—not only Unionists and nationalists, loyalists and republicans, but those who voted yes and those who voted no. Again, some people doubted that. Yesterday's events help prove that those of us who argued for that were correct.

Yesterday vindicates not only those of us who stood by the agreement but those of us who helped negotiate it and made specific choices during the negotiations. It vindicates those of us who resisted the pressures from.

among others, the Prime Minister and George Mitchell, not to go for an Executive model of power sharing, to duck deciding whether there would be Ministers and an Executive and to abandon the principle of inclusion. We insisted on the principle of inclusion because we wanted to ensure that, when the agreement came to be endorsed nobody would have the excuse for voting against it, because that would have created a form of government that included some parties and excluded others. We therefore succeeded in maximising the endorsement in the referendum, but we also wanted to ensure that even those who voted against the agreement would not, by virtue of that, be excluded from its institutions but could participate in them to the extent that they saw fit. We saw that as part of the healing process and as a means of breaking down barriers. Again, that judgment has been vindicated by the progress that we have made. Although changes have been made to some of the decision-making mechanisms under the agreement, the broad architecture remains essentially the same and I believe that we can make things work.

I want to make it clear that when the right hon. Member for North Antrim and the hon. Member for Mid-Ulster (Mr. McGuinness) take up their responsibilities as joint First Ministers, they can enter that office free from the sort of harassment and hassle to which parties that previously took that course were subjected. I want to assure them that as they undertake work, not in the interests of their parties but—in that office and working with others in the Executive—on behalf of the entire public, they will have my party's understanding, good will and, every time it is deserved or necessary, our support. That is the only way in which we can take matters forward. I am no less a believer in the institutions of the agreement just because my party is weaker in them than it was. The level of our party support has not determined our judgment.

In yesterday's statements by the leader of the DUP and the president of Sinn Fein—and in some of the remarks made today—people have rightly referred to the past. As on other occasions when there is much talk in the media of progress and a lot of hype and spin, victims are left with very mixed feelings, as the Secretary of State has rightly said. There is an added twist of futility that adds to the hurt that they have carried when they see people settling for power-sharing institutions, which Sinn Fein previously denounced so many times as equivalent to surrender and a sell-out. Even in the weeks running up to the Good Friday agreement, Sinn Fein was saying, "No return to Stormont," and was insisting that because we were canvassing models for power-sharing institutions in the north and structures for north-south co-operation, the SDLP was a neo-Unionist party.

Similarly, the DUP and others within Unionism totally opposed power sharing and set their face against any attempts at it in the past. When people see parties that then rejected those concepts settling for and embracing them now, they have to wonder whether we needed to go through the suffering, the hurt, the political stalemate, the stagnation and the divisions that we went through—and the answer is that we did not.

In recent times in this process—perhaps because of our tolerance, patience and generosity—my party has lost seats, but I can live much more comfortably with lost seats than with what other parties have to live with: lost years, lost opportunities and lost lives. We could have been and we should have been where we are now far sooner. If it is our destiny now, it was always our destiny. If it is the only way forward now in circumstances of peace, then surely it was the only way forward in circumstances of difficulty, division, violence and ongoing suffering.

I also want to join the Secretary of State in offering thanks to his predecessors in that office and, of course, to the Prime Minister—and, indeed, the previous Prime Minister, who contributed so much in unlikely circumstances to the process. The Secretary of State knows that we have been frustrated many times about how the process was handled, and we believe that if the Government had been firmer and fairer in the earlier years after the agreement, we would have got further faster. A certain destabilisation of the institutions was allowed and was tolerated—at the expense, we believe, of the long-term process.

The Government could have shown better authority in the immediate years after the agreement by making two things clear: first, that decommissioning was absolutely a requirement of the Good Friday agreement and had to happen by May 2000; and, secondly, that decommissioning was not a precondition of the establishment of the institutions. If the Government had shown good authority on those two basic points, we would not have had the running instability that led to delays in establishing the institutions and then the various suspensions and subsequent difficulties.

I do not want to pretend in the warm glow of expectation that we now feel that those frustrations and criticisms are not still felt, but we have to recognise—and the House has to recognise—that were it not for the Prime Minister, there would not have been a Good Friday agreement. We ensured that it was a better agreement than perhaps he suggested in the faxes that he sent us in the weeks before its negotiation, but if it were not for him and his ministerial colleagues, I do not believe that we would have had the agreement. I believe that we could have had a better agreement, and more from it sooner, if different approaches had been followed, but the agreement is still there and we are essentially returning to it. It is a case of back to the future on 8 May.

An observation was made in the American context—that irony in politics is just hypocrisy with panache. There were ironies in some of what went on yesterday, and, to give credit where it is due, there was certainly panache as well. I will leave it at that. What we have to do now is make the most of the opportunity and the responsibility—and a real sense of responsibility certainly came through yesterday. We want to take things forward: we have to refit our economy, rebuild and renew our public services and completely upgrade our infrastructure. I believe that all the parties will set their faces to that task—not just in the work with the Chancellor, but in the decisions and choices that will be made, some of which, when devolution returns, will be hard. Then we will move from divided grievances to shared government, and complete the journey from paying the price for growing apart to reaping the rewards of growing together in both the north and the

[Mark Durkan]

south. As we do that, we will build a new country and a new society, and we will restore faith in politics—a new belief. Northern Ireland will be known for positive things. We will start to appear at the right end of the league tables rather than always being at the wrong end. We will no longer be a byword for instability, stagnation, political difficulty and political crisis. This generation will have the chance to write its own history in a very positive light.

I welcome the fact that people have belatedly embraced the point that the only way forward is power sharing and inclusion. We can put up with six weeks. Although I sympathise with some of what the hon. Member for North Down (Lady Hermon) has said, the Secretary of State would not have been in a strong position if he had come here today and said, "I have kept my word, but I have lost my marbles." We know what the deadline was for—it was to ensure an outcome—and I hope and believe that we have that outcome, so let us get on with it.

4.51 pm

Sir Patrick Cormack (South Staffordshire) (Con): We can all agree with the last words of the hon. Member for Foyle (Mark Durkan).

I have gently chided the Secretary of State about the deadline, and he knows that I would rather that it had been slightly more elastic—for example, it could have been "the end of April". However, we are here today because he was insistent. I do not want to be churlish—this is not a time for churlish speeches; this is a time for hope and determination. I pay tribute to the Secretary of State, with whom I have always been able to talk confidentially and properly about events in Northern Ireland. In my experience, he has never betrayed a confidence. He has not always done the things that I would have liked him to do, but he has always been determined to see the day that we now see. I pay tribute to him and to the Prime Minister. As my hon. Friend the Member for Aylesbury (Mr. Lidington) said in a splendid speech from the Front Bench, we would not be here today without the Prime Minister. I also pay tribute to John Major, because the personal chemistry between John Major and Albert Reynolds helped to get the show on the road. There are many people whom we can thank, such as previous Secretaries of State and previous Prime Ministers—Baroness Thatcher played her part—but this is a day for Northern Ireland.

I pay particular tribute to the right hon. Member for North Antrim (Rev. Ian Paisley), the First Minister designate who will soon be First Minister. I hope that he will have many years in office and that he will be able to lead, with the other parties at his side, the people of Northern Ireland to a brighter future. The best memorial that the right hon. Gentleman could have will be the pulling down of those strangely called peace walls in Belfast and Londonderry. If he can lead the people of Northern Ireland towards that consummation devoutly to be wished, then he will earn the undying gratitude of the people of the Province of Northern Ireland.

I wish the right hon. Gentleman well. He spoke with real statesmanship today, as he did yesterday. I remember sitting on the Government Benches in the summer of 1970, when we came to this House as new Members. I literally sat under him, and I almost had to send for earplugs, so resonant was the voice. In a spirit of charity and friendship, I say to him that he has moved a long way since then. He is now the elder statesman of Northern Ireland politics, and so much depends on him. We wish him and all the others, including, although it sticks a little to say it, the hon. Member for Belfast, West (Mr. Adams) and his colleagues, well.

I entirely approve of what the right hon. Member for North Antrim said about the handshake. A handshake is a gesture, and there is always a time for gesture; but what he and the hon. Member for Belfast, West must do is work together. They come from different backgrounds and have different legacies, but if they can work together alongside the other political parties in Northern Ireland—the Ulster Unionist party and the SDLP, for which I have a lot of time—there will indeed be true hope, and a real chance of taking Northern Ireland to a condition of real normality alongside the other parts of the United Kingdom.

The right hon. Member for North Antrim is, understandably, a great one for biblical texts, and one thinks of beating spears into ploughshares and lions lying down with lambs, although he is certainly not a lamb. One also thinks of another First Minister, although differently designated, who stood on the steps of a certain house and read the prayer of St. Francis. We all need to remember the context of that prayer, because it applies to Northern Ireland. We need a time of determination and a time without bitterness, which is the most corrosive of all emotions. There is plenty that one can be bitter about: there are those in Northern Ireland who have lost loved ones and suffered, and we have discussed that many times in the House. Like the hon. Member for Foyle (Mark Durkan), I wish that we had reached this stage a few years ago, but we are here now, and we must therefore look forward.

Most of all, we must not be euphoric, as my hon. Friend the Member for Aylesbury said. This is a time for determination, and a time when we must hold in our hearts—and if we so believe, in our prayers—all those who are working for the good of Northern Ireland. We must recognise that the road ahead will not be easy. There will be moments of verbal conflict and raging rows, when people will feel like throwing in the towel, slamming doors and walking out. I say to the right hon. Member for North Antrim and to all my colleagues in Northern Ireland that the temptations to turn their back must not be succumbed to. The greater good of the greater number must be recognised as the goal for all. It matters not whether a man or woman's background is Protestant or Catholic, or which part of Northern Ireland they come from. Each one is individually important, and each one must be able to look to the power-sharing Executive as representing them, irrespective of their own political views and prejudices, of which we all have both.

There is a yearning in Northern Ireland for true peace and normality. I have had the good fortune to chair the Select Committee on Northern Ireland Affairs for almost the past two years. When we conducted our inquiry into organised crime, we saw the

black side. When we conducted our inquiry into tourism, we saw the bright side. We toured Northern Ireland, and saw what an incomparably beautiful part of the United Kingdom and the island of Ireland it is. The people who live there deserve—no less than the people who live in England, Scotland, Wales or the Republic— a bright future. It is my earnest hope that they will have a brighter future now.

We look to the right hon. Member for North Antrim and all his colleagues from all parties to help to deliver that bright future. We in the United Kingdom have a moral responsibility to do all that we can to assist. The Government have a real role. It must be possible for the people of Northern Ireland to determine the future of their education system, as they want it. It must be possible for the people of Northern Ireland to decide how the vexed question of water charges will be worked out. If we truly believe in devolution and in giving responsibility, we must give responsibility to those who have now shown themselves to be willing, and big enough, to take it. When that is done, that part of the United Kingdom will truly be as normal as the rest of it.

I again offer my congratulations to all who have brought us to the point that we have now reached, but most of all I offer my good wishes to those who will lead us into tomorrow.

5 pm

Mr. Mike Hall (Weaver Vale) (Lab): I add my congratulations to those of other Members for everyone who was involved in the discussions that led to yesterday's historic agreement at St. Andrews, so that we are now passing emergency legislation to ensure that we consolidate the peace process in Northern Ireland.

My interest in Northern Ireland dates back to when I was first elected to this House. Members will recall that in March 1993 the IRA tried to blow up gas holders in Winwick road in Warrington. That is my home town, and I was Member of Parliament for Warrington, South. Fortunately, the IRA failed on that occasion. I would not like to speculate on how many casualties there would have been if it had succeeded. Sadly, two weeks later on 21 March—the day after mothers' day—the IRA set off two bombs in Bridge street in Warrington. They immediately killed a young boy called Johnathan Ball, and on 25 March Tim Parry's ventilator was switched off after he had been injured by the explosions in Bridge street.

Wendy and Colin Parry are very close friends of mine. They have made a unique contribution to the Northern Ireland peace process. They never dwell on the past and on the tragic death of their son. I should add, for the record, that Bronwyn Vickers, who was also injured in the explosion, died some time later. Colin and Wendy Parry never look back. They always look forward and they have striven to contribute to the peace process in Northern Ireland. Through the Tim Parry Johnathan Ball peace centre in Warrington, they have established and developed links with the communities in Northern Ireland and the Irish Republic and attempted to take forward the reconciliation process.

Colin Parry said today that he invited the Member for Mid-Ulster (Mr. McGuinness) for dinner at the peace centre in Warrington, but that he found it very difficult to sit opposite Martin McGuinness and to eat food with him. However, he also said that if it was possible for him to do that, it should be possible for the right hon. Member for North Antrim (Rev. Ian Paisley) and the Member for Belfast, West (Mr. Adams) to sit down and play their part in taking forward the peace process in Northern Ireland. He congratulates them both on reaching yesterday's historic agreement.

My hope for the peace process is that the next six weeks are used positively, that we reach the deadline of 8 May and that power sharing once again takes place in Northern Ireland, so that we can use that and build on the foundations of the peace process that were laid by John Major in a previous Government, and then taken forward by our Prime Minister and by those on all sides of the divides in Northern Ireland who have sought to reconcile their differences. I hope that we consolidate the peace process. To borrow Colin Parry's words, if that happens, the death of his son Timothy and the death of Johnathan Ball will not have been in vain.

5.3 pm

Mr. Peter Robinson (Belfast, East) (DUP): There is one certainty in politics: when there is an historic moment of progress and promise there will be at least two reactions, one of which is that persons and parties attempt to justify the positions that they have adopted, and the other is that there will be those who seek to ensure that no one forgets the role that they played in events. My right hon. Friend the Member for North Antrim (Rev. Ian Paisley) and other Democratic Unionist party Members of Parliament care nothing about those issues. The only important factor in any agreement that is reached is the benefit that it will bring to the people of Northern Ireland.

In saying that, I take nothing away from all who have contributed, not least those who have been involved with us in negotiations since we became the largest political party in Northern Ireland in 2003, including the Prime Minister and the Secretary of State and all of their officials. It is proper that that is put on the record. We have spent many hours on this; I cannot imagine how many drafts of sections of legislation we have looked at. It has been a very long road.

I want to make one point. I am told—I did not hear it myself—that the suggestion was made that the Home Secretary had in some way intervened, and that the DUP had made some agreements with him behind the back of the Secretary of State. I have not been asked to make any remarks on this, so my word will, I hope, be all the more sincere and genuine. No such agreements were ever reached with the Home Secretary. He is one of those Cabinet Ministers who would never pass one in the corridor without having a word—I have often had to console him about the defeats of Glasgow Celtic—and he has an abiding interest in Northern Ireland matters. From time to time, of course, we talk about progress that is being made, but at no stage did the Home Secretary interfere in any way in the responsibilities of the Secretary of State. Lest there be any tension between the two Cabinet Ministers, let me put that on the record.

I want to say something about the position of my party. The DUP reached a decision on its own. It

[Mr. Peter Robinson]

decided what the consequences might be. It was not bullied into that position by anybody. No threats from the Secretary of State, the Prime Minister or anyone else would have altered the considered opinion of the DUP. We put our position forward to the Government publicly, as we have in the past, publicly, making it clear that this was what the DUP believed to be the right thing to do. I shall not remind people in any detail of the debate that we had on the Northern Ireland (St. Andrews Agreement) Act 2006 and the amendment that we put forward, which suggested that there should perhaps be some flexibility on the date of 26 March. If our amendment had been passed, we could have saved ourselves some time tonight and got on with the business of the Budget.

The reality is that deadlines are much less important than agreements. Let us consider the reality for Northern Ireland if we had proceeded yesterday to set up an Executive without all the essential preparatory work that is required. We saw that in our meetings with the political parties yesterday, as we stacked up the issues that we had to deal with between now and May, with barely enough time between now and then to complete those preparatory tasks. It was abundantly clear that to do the job properly and to bring the community with us, we needed that additional time. The substance of what will happen in future will be much more robust because we have that additional time, irrespective of the deadlines.

I have heard what the hon. Member for North Down (Lady Hermon) has said. She seems to be disappointed that agreement has been reached about the six weeks to a greater extent than she would have been if things had collapsed yesterday. That is sad and disappointing, and she needs to reconsider her position because it certainly is not the position held by her constituents. Indeed, with the same attitude, the leader of her party said yesterday, "Isn't it a pity—all this could have been done nine years ago." Of course it could not have been done nine years ago. Nine years ago, the IRA was still killing people. Nine years ago, it still held on to its illegal weapons. Nine years ago, it still continued with its paramilitary activity. Nine years ago, it still continued with its criminal activity. Nine years ago, it gave no support to the police, to the courts, to the rule of law. Nine years ago, there were no accountable structures under which we could operate. Nine years ago, legislation had not gone through this House ensuring a triple lock on the devolution of policing and justice—ensuring that if ever a policing and justice Minister were put forward, he had to be somebody who could command the support of the Assembly.

So, nine years ago this could not have been done. Indeed, nine years ago, without those things being done, some people did enter into government, and it was followed by suspensions, by crisis after crisis and, ultimately, by collapse. It will be no good to the people of Northern Ireland if we simply go for a deadline to get things moving. We need to get things right, and that was the slogan that this party adopted in the elections. However long it took, it was necessary to get things right.

I will be honest with the House: there was no joy in the hearts of members of this party at having to take the step that we took yesterday. There are people on these Benches who have suffered considerably at the hands of Republicans. There are people on these Benches who have lost members of their families—some many members of their families. There are people on these Benches whom the IRA has attempted to kill—and everyone on these Benches has had constituents butchered by the IRA. So there was no joy or enthusiasm in going forward in those circumstances.

It was a difficult decision to take; no doubt it was too difficult for some. I understand that it will be too big a decision to bear for some in the Democratic Unionist party. I accept their decision. I wish that they continued to walk with us. I wish that they could continue to use their talents for the benefit of the community in the only way that they can properly do so now, given the party sizes and structures in Northern Ireland. I am sad that people will leave and I hope that in time they will see that the decision that we have taken has been vindicated, but I recognise that many will find it too long a step to take.

There has been much history in Northern Ireland and the House has seen many events unfold over the years. The responsibility that we have, which was outlined by my party leader yesterday, was to ensure that no matter how great our own personal sadness about, or loathing of, all those events, we did not allow that sadness or loathing to become the stumbling block to ensuring that there is peace and stability in the future.

We have taken a decision based on our own judgment as to how we can move forward, but that is based entirely on all parties keeping the commitments that they have made, including an end to all paramilitary and criminal activity; to exclusively peaceful and democratic means; to the support of the police, the courts and the rule of law in every tangible way; and to demonstrate that in their daily lives and to encourage others to do so as well.

We have given our commitment to enter into an Executive, and when the Democratic Unionist party gives its word, the Democratic Unionist party keeps its word. Therefore, we will move between now and 8 May to ensure that all of the necessary work is completed. In that respect, I say to the Secretary of State that when we were working in the transitional Assembly, in the Programme for Government Committee, the members of that committee sought details from the Departments about the present circumstances on several issues, but the answers were less than forthcoming. If we are to do our job properly in the preparatory period, the Secretary of State must give instructions to ensure an opening up of the inside details of each Department—

Mr. Hain: I welcome the hon. Gentleman's speech and the eloquence with which he makes his contribution. I wish to give him, from the Floor of the House, an absolute and categorical assurance that I discussed yesterday with the head of the civil service, Nigel Hamilton, exactly the terms that the hon. Gentleman asks, which have also been requested by other parties. We will make our officials available. Whether the parties choose to indicate which individuals might assume ministerial posts or just wish to put individuals forward, they will be able to have access to the Departments so that they may properly

prepare for government without hindrance. They will be able to discuss with ministerial colleagues any joint decisions that might come up in the future, so that they are not taken unilaterally by the present Government, but with consensus on them from the incoming ministerial team.

Mr. Robinson: I am very grateful to the Secretary of State, whose intervention will be welcomed by all the parties that will form the Executive. We trust that we can have the unusual relationship that he described in the weeks that lie ahead—although I am not sure whether it means that we will be blamed for some of the decisions that will be taken in the next few weeks. However, it will be helpful to have a greater knowledge of the position in each of the Departments.

I do not want to burst the bubble of enthusiasm in the House and outside it about the events that occurred yesterday. However, my right hon. Friend the Member for North Antrim said that there would not be a love-in—I think that that was his term—but a work-in. Those who know the different backgrounds of the two lead parties in the Executive will recognise that there is a massive difference between them in their ideology and goals, and in how they see the political future of Northern Ireland.

Gerry Adams once said that an Executive with Ian Paisley would be a battle a day. I was attacked during the recent elections for agreeing with him, but that does not mean that we will be thrust into conflict over every issue that arises, as all the parties will be able to agree on many of the matters that come up. However, nothing changed yesterday in Gerry Adams' desire to bring to an end the Union between Northern Ireland and Great Britain, and neither did anything happen to alter the determination of my right hon. Friend the Member for North Antrim that that link should be retained and strengthened. With two such constitutional opposites in an Executive, there is bound to be tension. If Gerry Adams really believes that there should be a united Ireland, that is what he will work towards. It will be the job of all Unionists in the Executive to ensure that Northern Ireland goes in exactly the opposite direction.

I believe that Northern Ireland's best interests remain with the UK, and the DUP will continue to put that at the forefront of all its policies and strategy. I recognise that some do not share that view, but the big difference now is that the blood of people who disagree will not be spilled: instead, we can deal with such matters politically and allow the electorate to make their decisions in a democratic fashion.

5.17 pm

Mr. Eddie McGrady (South Down) (SDLP): The hand of history seems to have touched the people of Northern Ireland once again and another historic day has been marked on the calendar. We have had many historic days and, depending on one's perspective, many times has the hand of history touched us on the shoulder, poked us in the back or walloped us in the ear.

However, the generosity and all-encompassing nature of the statements made yesterday—and again today in this Chamber by people such as my hon. Friend the Member for Foyle (Mark Durkan), the right hon. Member for North Antrim (Rev. Ian Paisley) and the hon. Member for Belfast, East (Mr. Robinson)—are a great ray of hope, both for me and for the people whom I have had the privilege to represent here for the past 20 years.

In fact, my memory goes back even further. Despite my youthful appearance, I have been involved in this process for more than 40 years, as I was first elected in 1961—almost half a century ago. In that time, the transition undergone by the people of Northern Ireland has been slow but remarkable. It may sound like a cliché, but the reality is that they have had to cope with a legacy that is many centuries old. Today, the orange and the green—the men of extreme violence and words—are joining together to promise a future that will embrace all the people in Northern Ireland and the island of Ireland. That is a day that I have long sought and long hoped for, and sometimes even prayed for. The communities of Northern Ireland have suffered greatly—I need not repeat that there have been 3,000-plus deaths, 30,000 maimed, and many, many maimed mentally for life as well, and we are still suffering the consequences of an enormous suicide rate. The divided communities are still there, with high walls between them. It is a huge challenge to translate the good will and the getting together from the hierarchy of political parties into the ghettoes that, unfortunately, are still to be found in some parts of Northern Ireland.

We need not be pessimistic, because the process is ongoing, and it has enabled this momentous occasion to take place. I know—I hope—that the agreement made yesterday between the two primary parties and the other parties will sustain us into a much more peaceful, tolerant and prosperous society than we have ever had in my lifetime. That is a huge dream to fulfil in many ways, and I hope that I will not be disappointed in any respect. I remember many years ago in the House when the first ceasefire was announced, and I know that we cannot expect a sudden switch-off of violence and attitudes of hatred. It will be a slow process and the new arrangements will be tested—perhaps, unfortunately, on the streets on the Northern Ireland. I hope that that does not happen, but the political will of the major parties and all the parties in the Assembly will be hugely tested.

While we have a Government primarily of two parties that were at the extremes—hopefully, they have moved from that position—there is a huge dichotomy in their policies. On 7 March, the people elected combatants rather than Governments, because never before in these islands or, indeed, in Europe, have people gone into an election where the Prime Minister has already been appointed from one party and the Deputy Prime Minister from another. The Governments, the media and everyone have encouraged people to involve themselves in what was a gladiatorial political contest. We have a result—and, yes, the people have spoken—but it was a contest of strength rather of policy.

There is a huge dichotomy in most of the major areas of social and economic development in Northern Ireland. Water rates were used as a weapon by the Government to persuade people that they must move, but in fact, in my constituency, there is a firm belief that water rates were a red herring, as the Government

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did not have the capability to collect them from 1 April onwards. I am only too happy for those rates to be shelved and used as a carrot for the parties coming into power. They will be shelved for one year, and it is their problem thereafter. There is a huge question, too, about the review of public administration. Sinn Fein wants seven super-councils, and the other parties are roughly united on a figure between 11 and 15. That must be resolved because it directly affects every aspect of life in Northern Ireland, perhaps for the next two decades. In education, one of the major parties supports the concept of selection for secondary education, but other parties do not.

Those huge differences have to be ironed out, hopefully before 8 May—although that may not be possible—so that people who committed themselves to the new partnership have a vision of where they are going and so that their problems can be addressed. It has taken a long, long time to arrive at this point, and if it is the final resolution of our problem it truly is an historic day not only for the north of Ireland, but for Ireland and the UK. Indeed, our diaspora throughout the world is taking solace from what has happened in Northern Ireland; perhaps we can even apply some of the lessons in conflict resolution in other areas. That may be presumptuous, but we have some experience.

I wish the parties involved every success. They will have our support. I want to put on the record my thanks to the Secretary of State, the Prime Minister, the British Government, the Taoiseach and the Irish Government for their unswerving commitment in trying sometimes to knock heads, sometimes to cajole, but more often to bribe. The bribery has been very effective.

5.23 pm

Mr. Jeffrey M. Donaldson (Lagan Valley) (DUP): I welcome the opportunity to participate in the debate this afternoon. May I say how much we appreciate the words that have been spoken by many in the Chamber, including the remarks just made by the hon. Member for South Down (Mr. McGrady)? Whatever our differences across the Chamber, we recognise him as a man of honour who has made a positive contribution to politics in Northern Ireland. Although he is no longer a Member of the Chamber at Stormont, he still has a contribution to make and we thank him for his comments.

What happened yesterday, difficult though it was for many, was a good day for Northern Ireland. It offers the prospect of a better future for all our people and, as my colleague and leader, my right hon. Friend the Member for North Antrim (Rev. Ian Paisley) said, what we are trying to do—what we want to do—is for the benefit of all the people in Northern Ireland. It would be easy simply to act in a sectional interest; it would be easy to do what the loudest voices might want us to do, but leadership is about making tough decisions and displaying courage and vision, and my right hon. Friend's comments yesterday demonstrate that he has done so in the best interests of the people of Northern Ireland.

I am sure my right hon. Friend will not mind me saying that the Democratic Unionist party made a collective decision. Our party executive met on Saturday. We had a good, constructive debate and more than 90 per cent. of the membership of that body backed the resolution proposed by the party officers. I believe their view represents the view in the country. As I said earlier, we have received many messages from across the community and across Northern Ireland supporting the leadership of our party in what we have done.

I am sure that there were people who were disappointed that government did not happen on 26 March, but the overwhelming majority—even those who voted for parties that were committed to 26 March—recognise that it is better to get it right. That is what we stood for in the election. That was our campaign slogan, but it was more than a slogan, more than mere words, more than a façade. We mean it. We want to get this right. The people of Northern Ireland have seen too many false dawns. How many times have we been here before? How many times has there been the prospect of a breakthrough and delivery of the peace for which we hoped, only for those hopes to be dashed? We do not want to do that. We do not want to build up people's hopes only to see them falter and fall. That is why we want to get it right. We have worked hard to get it right and we are committed to getting it right.

With respect, I say to the hon. Member for North Down (Lady Hermon): surely we have moved beyond the point of getting hung up on dates and allowing our disappointment to override our good judgment about what is best for the people of Northern Ireland?

Lady Hermon: May I remind the House that in the recent Assembly elections the Democratic Unionist party had only 30 per cent. of the vote on changing the deadline? However, DUP Members were not going to be calendar-led—not until today when they picked the date, and in fact we will be calendar-led, so they have changed that policy. More than 60 per cent. of the electorate voted for parties—including Sinn Fein—on manifestos that committed all the parties to sit in Government yesterday and to be paid yesterday. If Assembly Members are not sitting in a devolved Assembly, people at home are entitled to know why they will be paid for the next six weeks. That question has been raised with me in Northern Ireland, so let us find out.

Mr. Donaldson: The hon. Lady has missed the whole momentum and tenor of this debate. Her nit-picking and pettiness do her no good whatsoever. With the news that people will not be getting water charge bills through their door, that academic selection will remain in Northern Ireland—the good grammar schools in North Down will benefit from that—and that we are going to get a Government on 8 May, I do not believe that the people of North Down are sitting wondering whether it is right or wrong that their Assembly Members are getting paid. Those Members will now engage in preparatory work and will be working day and night, as we have been, and as the hon. Lady has not been, on this issue. We have been working long hours—well beyond midnight on many evenings—trying to resolve these issues and to make progress.

I do not think that anyone in my constituency is going to question whether I earn the much-reduced

salary that I and my colleagues on these Benches—as both Members of Parliament and Members of the Northern Ireland Assembly—receive. Nor do I believe that the people who were elected in North Down will be any less worthy of the salaries that are paid to them, because we are preparing for the return to government. We are still a condition-led party.

Lady Hermon: Will the hon. Gentleman give way?

Mr. Donaldson: The conditions need to be right. That is why we are continuing the discussions with the Government about the financial package and why we want to ensure that there are commitments on everyone's part to supporting the police and the rule of law. Our resolution makes that absolutely clear: no one must go back on the commitments that they have given. So conditions are still very important to us, but we believe that by 8 May the conditions will be right, and that is why we have taken this decision. I will give way.

Lady Hermon: That is very generous indeed of the hon. Gentleman. He has just exemplified the generosity of spirit and the great charm of the DUP that mean that I, and thousands like me, will never vote DUP.

Mr. Donaldson: With the greatest respect to the hon. Lady, that is not the message that we are getting from traditional Ulster Unionist voters who have been contacting the Democratic Unionist party in the few hours since yesterday. With that kind of attitude, they will be switching their allegiance—and have been doing so. If she looks at the voting figures in North Down, she will see that the Democratic Unionist party is now the largest party in her constituency. What does that say about her representation when it comes to the people in her constituency? If I was sitting in Lagan Valley and another party was taking over as the leading party, I would not attack that party and make churlish remarks like the ones she has just made. I would try to do something to ensure that this process works, because that is what the people of North Down want.

Rev. Ian Paisley: Is it not a fact that the election is over? The people have made a decision. The party of the hon. Member for North Down (Lady Hermon) did not want an election. It fired its arrows into my heart and said, "Imagine him daring to ask for an election." I asked for the election. I felt that all the people of Northern Ireland had the right to say what they said. They did not say it in the way that she wanted it said, but the election is over. We have to go forward to fulfil the obligations that are put upon us by what the electorate said.

Mr. Donaldson: I thank my right hon. Friend for that intervention. He is absolutely right. I believe that the hon. Member for North Down will be eating her words, because the DUP has been consistently increasing its support. One of the reasons why I left the Ulster Unionist party was that it has become so embittered towards fellow Unionists and so tied up in its inward-looking attitude that it cannot see the wood for the trees. I think that traditional Unionists will be glad of what happened yesterday, as are all hon. Members, with the exception of the hon. Member for North Down. She might reflect on why she is alone on this Bench as the only Ulster Unionist Member and wonder whether the attitude that she is displaying today is part of the reason for that.

It is time to look forward. I welcome the Bill because it offers the prospect of real progress. However, I also realise that some people have difficulties with the measure. This morning's edition of the Belfast *News Letter* includes comments made by William Harpur, a disabled former police officer who survived four IRA attempts on his life. He is unhappy with what has occurred. I respect Mr. Harpur's opinion and understand where he is coming from. However, I say to him and many others like him that the reason why we want to build the new future for Northern Ireland is so that no other policeman has to be the subject of terrorist attack and so that there is a genuine end to terrorism.

The date of 12 August 1970 is etched on my mind because it was the day on which the politics of Northern Ireland first came into my life, with the murder of Samuel Donaldson, the first Royal Ulster Constabulary officer to be murdered by the IRA in the troubles. He was my cousin. I can well remember the day that my uncle came to our front door to deliver the news of his death at a place called Crossmaglen in south Armagh. I am glad that we have the prospect that his death and the others that have occurred in Northern Ireland might be the last of the deaths of gallant officers who have stood at the front line to serve and protect the community of Northern Ireland. If the price that I have to pay to ensure that that happens is to swallow hard, look to the future and perhaps face difficult and challenging decisions, I am prepared to pay it, and so are my colleagues. We want to be sure that when people say that they support the police, they actually do support the police, and that when they say that they want to uphold the rule of law, that is precisely what they do. We have taken the extra time—not just the six weeks, but the time since 24 November, when we had the last deadline—because we want to get this right. That is important for everyone in Northern Ireland.

In six years, people will look back at these events. Will those people who feel that an extra six weeks is too high a price to pay really remember those six weeks if we get economic stability in Northern Ireland after years of underinvestment, neglect and the troubles, when our economy has been put under enormous pressure? If we have a peaceful society, will they reflect that it was not worth taking the extra six weeks so that we could secure that future for them and our children? I do not believe that they will. I do not think that anyone will remember much about 26 March as a deadline. They will remember it as a day that offered hope for the future.

As my right hon. Friend the Member for North Antrim and my hon. Friend the Member for Belfast, East (Mr. Robinson) said, we recognise that the road ahead will not be easy. There are many difficulties and challenges to overcome. There are battles ahead, but at least we have the hope that the differences between us in Northern Ireland will be resolved by peaceful means alone, not by resorting to violence. That is what we have fought for and it is the position in which we have always wanted to be. As the hon. Member for Foyle

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(Mark Durkan) commented, we could say that this might have happened several years ago. Perhaps things could have happened sooner, but, unfortunately, the men of violence have taken so long to make the transition that it has taken until now to achieve what we hope is being achieved.

I look to the future with hope, but I recognise that there is still pain in our community. As my right hon. Friend the Member for North Antrim said yesterday at the Parliament building, Stormont, we do not forget those who have lost and the victims who still carry the pain, the hurt and, like Mr. Harpur, the disabilities that are the result of our conflict and the violence. We will not forget those people. They will receive support and the recognition that they deserve. They will not be left behind. We need to bring them with us into the future, just as we need to bring everyone in Northern Ireland with us into the future. That will not be easy. There are people on both sides who have doubts—and why would not they have doubts, after so many years of false dawns and dashed hopes? However, perhaps this time there is a real prospect of moving forward. This House and Parliament have a role to play.

Today, I am proud to be a Member of the Parliament of the United Kingdom, because I believe that my place in the Union is secure. I believe that Northern Ireland has come through the troubles and the worst of times, and has emerged, although perhaps not as a better place. However, we have learned, and I hope that we have learned enough to know that violence is not the way to resolve our differences. Parliament can continue to make a real contribution. Later this evening, we will wind up the debate on the Budget, and as well as looking to the Northern Ireland Office to help us on our way forward with the administrative arrangements, we look to the Treasury to help us with the financial arrangements, but we are not holding out a begging bowl. Our objective is to rebuild our economy so that we can pay our way in the United Kingdom, because we are a proud people, and we do not want to be dependent on others. We want an economy that enables us to be fully part of the UK, and we want to be capable of securing our place by paying our way and playing our full role in this United Kingdom.

5.41 pm

Mr. David Anderson (Blaydon) (Lab): A lot of people present in the Chamber have come a long way to get where we are today. I was just thinking about some of the things that I have gone through since I first got involved in Northern Ireland politics. In 1988, a group of 11 parents came across to north-east England to tell us about the children whom they had lost because of plastic bullets. We went with them to Brock's fireworks factory in Sanquhar in south-west Scotland, where the plastic bullets were made. They were pilloried by local people for going there and for asking, "Will you please stop making these weapons, because they are killing our children?" It was a salutary lesson for me about man's inhumanity to man, and particularly about inhumanity towards young people.

Later that same year, I attended a demonstration in Glasgow to speak against the restrictions on freedom of speech that had been imposed on Sinn Fein. It was not that I necessarily approved of what Sinn Fein was doing, but I disapproved of silencing people, as that is the wrong thing to do. Again, we were met with howls of protest, and the demonstrators faced real and present danger in the streets of Glasgow. Thankfully, we have come a long way since then, but even so, there have been milestones and setbacks.

In the early 1990s, I was involved with a group called the Agreed Ireland Forum. Its members, who were from virtually every part of Irish society, first came across to this country for a meeting, and then went back to hold meetings in Ireland to try to take things forward. I was pleased to be able to organise a conference in Newcastle, County Down, just a few days after the bombing of Canary Wharf. People from every political party in Northern Ireland bar one—unfortunately, it was the Democratic Unionist party—came to that meeting, as well as people from the ethnic minorities, a growing group whose needs must be taken care of in the new Northern Ireland. The meeting was opened by the President of the Republic of Ireland; that was a very strong statement, all those years ago. It said, "Yes, we can work together."

In an intervention on the Secretary of State, I mentioned the work of the trade unions. I am proud of the fact that I worked with trade unions in Northern Ireland that tried to ensure normalcy when their members were working in chaos. Their members were threatened every day by people trying to jump queues and abuse public servants and public services. I was convinced and guided by people on both sides, including a branch secretary at a hospital in Belfast, who had served time as a young man for robbing banks to fund the loyalist cause, and civil rights marchers on the Republican side who have carried the flame from the 1960s to the 1990s and beyond, to try to develop peace in Northern Ireland. I was attacked by so-called London Irish representatives of my own union, who said that we should not even be organising in Northern Ireland, despite the fact that we were by far the largest trade union in Northern Ireland, and despite the fact that 30,000 people wanted to be members of my union. I am very glad that we ignored those voices.

We developed structures that crossed sectarian barriers and we said, "If it's wrong, it's wrong. It doesn't matter where you went to school. It doesn't matter where you go to church. It doesn't matter what your name is. If you're being treated badly, the union will stand up and oppose that." I probably had more problems in the trade union movement with people arguing among themselves than we had in arguments about the country's politics.

I supported the work of my Government and of my party before it got into government. My union was responsible for funding much of the work that Mo Mowlam did before she went in as Secretary of State. That meant that as a Minister she was able to confront civil servants and wipe them out of the way, so that she could sit down and talk directly with the politicians on the ground who were developing a way forward that was not blocked by the stagnant, cold hand of the civil service in Northern Ireland.

In the short time before April 1998, that helped to move forward the Good Friday agreement. When it was up and running, yes, the first Assembly sat for only

72 days, but in that short time the work of people like the hon. Member for Foyle (Mark Durkan) showed that despite the opposition from outside the Assembly, there was a chance to make progress. People did get together and work positively. After suspension, the Assembly returned. All the arguments and problems were described earlier by the hon. Member for Belfast, East (Mr. Robinson). We went from crisis to crisis to collapse.

There has been much talk today about deadlines. I wish I had a pound for every deadline that has been set and broken. The real worry in the past was that when a deadline failed, a vacuum followed. The history of Northern Ireland is that if a political vacuum occurred, the terrorists filled it. I wish the deadline had not passed yesterday, but there is no vacuum. Instead, people are working their socks off to try and pull things together and make the agreement work. That is a massive change.

Since I entered the House two years ago, there have been enormous frustrations. We have sat down and worked together for hours, and it has been pointless, going forwards, then backwards. We sat for 27 hours on one Bill. The Secretary of State had to come to the House and acknowledge that it was not working. He had egg on his face that day, as well as yesterday. That was frustrating for those who wanted to see the process move forward.

While people in the political world in the House and in Northern Ireland have to some extent been talking to each other, in Northern Ireland the people's world has moved forward massively. It is unrecognisable, compared with what it was 10, 20 or 30 years ago. In every sense it is a much better place, and we should all be proud of that. The Northern Ireland Assembly is to be led by probably the two most polarised parties anywhere in Europe, if not the world, and there will be ideological problems, but in a democracy that must be accepted.

Since I entered the House, I have worked closely with the hon. Member for South Staffordshire (Sir Patrick Cormack) on the Northern Ireland Affairs Committee. Twenty years ago I was ideologically opposed to his Government, and I still am. As a miner, I was ideologically opposed to what his party was trying to do to my community. That has not stopped us, along with other Members with similar experiences, working together for the betterment of the people whom we represent and for the people of Northern Ireland. That demonstrates the possibilities for the people who will take up responsibility.

We now have a date for restoration. The positive things that were said yesterday not only by the DUP, but by Sinn Fein, about being serious and making the agreement work, have set an agenda. Collapse is no longer an option. Yes, there will be crises. That is part and parcel of the democratic process, but walking out, deliberately undermining the process because one group cannot get their own way, is not on. That would be a betrayal of the people whom they represent, of the House and of the trust that the House has placed in them. It would also betray the people of Great Britain, who for 40 years have supported the people of Northern Ireland in every sense and want to continue to do so. I take on board what was said earlier—that nobody in Northern Ireland wants to be the recipient of handouts. I accept that totally, because I know what proud people they are. The fact is, however, that what has happened over the past 40 years has caused economic disadvantage to Great Britain, and that when we get rid of that disadvantage it will be to the benefit of us all.

We will betray the futures of our children and our children's children if we do not make the system work this time. I am not naïve. I know that it will not be easy, and I know that this is very much a beginning and not an end. Democracy is not easy; it is much easier to move in the other direction. But I plead with all who will run the Assembly in Northern Ireland not to abuse the chance that they have been given.

5.50 pm

Mr. Ben Wallace (Lancaster and Wyre) (Con): It is interesting to follow the hon. Member for Blaydon (Mr. Anderson). I am sure that throughout my time in the 1980s and 1990s our views on the position in Northern Ireland would have been diametrically opposed, but we certainly agree today.

I was an Army intelligence officer in Northern Ireland in 1994. I therefore had a unique insight not only into the thinking of the Government of the day and the efforts that they were making towards peace, but into what was going on inside the terrorist organisations. It is right to pay tribute at this time to the men and women of the Royal Ulster Constabulary's special branch, the military and the security services, who not only worked to achieve justice and catch criminals and terrorists, but had worked towards peace for many years before the 1994 ceasefire. They continue to work towards peace, whatever their titles are today, because we always worked not just to catch members of the IRA or the loyalist paramilitaries but to achieve a settlement.

Ministers will be aware, although they may not be allowed to say it in a public forum, of the work that has taken place, and is taking place today, to ensure that the Government of the United Kingdom are in the best position to use information to achieve peace. There was no great conspiracy to make war and continue conflict; the conspiracy was only to achieve a good resolution for peace.

I must give some credit to a man to whom it is not easy for me to give credit. I must give credit to Gerry Adams, and to Sinn Fein. I know from experience, from members of Gerry Adams's organisation and indeed from the IRA, how much horror and murder was inflicted by some of those individuals, but I must give Gerry Adams credit for what he has achieved in persuading a terrorist organisation to come to the table to talk and, moreover, commit itself not just to a ceasefire but, apparently, to a permanent ceasefire. The constitution of the IRA army council has always denied any form of peace. It was a military organisation, and what Gerry Adams has achieved deserves some credit in this arena.

I can say that because I have had many experiences of Gerry Adams's organisation, none of them jolly. Indeed, I think I remember arresting his cousin at some stage, or possibly his nephew. I have not met him in the House to ask him which it was, but I do know that we are here today partly because of that organisation's

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actions. I can say that in memory of people such as Tim Parry and others who lost their lives on this side of the argument.

More importantly, I want to pay tribute to the right hon. Member for North Antrim (Rev. Ian Paisley) and the DUP. Throughout the process people were keen to say, "Appease, concede, give in, make the gesture, go for peace," and every time it was said the right hon. Gentleman responded, "Not until we achieve the best deal for our constituents, our electorate: not until we are sure that these people mean peace." Actions speak louder than words in Northern Ireland. They always have, to Ulstermen. Those who forget that may find themselves in the position of the Secretary of State today. I believe that the slipping of the deadline was probably nothing more than an Ulsterman's wish to have the last word. That is very much the way of Ulster. The Secretary of State may have thought that he was in charge of all the blackmail and the bullying, but in the end the Ulstermen will tell him when they want to start the process. So I pay tribute to the DUP, which stuck to its guns.

I never agreed with all that the DUP said in my time. I remember stopping the right hon. Member for North Antrim one day; he was not a Member of Parliament at the time. It was a Sunday, so he would not speak to me, a member of the security forces. He was on his way to do God's bidding. When I saw the press trying to interview the party leader on yesterday's television news, I knew that nothing would be said on God's day. The right hon. Gentleman has stuck to his guns, and I believe that without that, Sinn Fein would never have recognised the Police Service of Northern Ireland or worked with the forces of law and order. No doubt it will be tested by the DUP in the Assembly, to establish that its words mean actions.

We should not, however, forget the efforts of the United Kingdom Government under this Prime Minister and those of a number of previous Conservative Governments to ensure that we achieved what we have achieved today: a peace process with, hopefully, a conclusion. Last March I went to Northern Ireland and stayed in Headquarters Northern Ireland. I remember it as a pulsating citadel of the power of the United Kingdom, under threat sometimes, and sending men and women out to risk their lives—but it was a ghost town. Much of it was empty: many of the places that I recalled having purpose and function no longer existed, because there was no longer any purpose or function.

I went to visit my old bases, but I could not do so because they are now housing estates. In Cookstown there are a number of houses and no base, which is ironic because it was in Cookstown, in 1994, at the time of the first ceasefire, that I made the decision to close two vehicle checkpoints for a couple of hours. That was interesting, because the habit among the population of that town was to stop at the checkpoints; they were not used to being able to drive on. As a result there was a traffic jam, although no soldiers were present.

I think that others are sometimes quicker to kick the habit of violence and recrimination than our politicians are. During my visit last Easter, I rang for a taxi from Headquarters Northern Ireland. I asked in the guardroom how I could book an "approved" taxi. In my day, to risk a taxi that had been booked by telephone might be to take one's life in one's hands, if the taxi had been booked from the wrong part of town. I was told, "There is no approved list. Just dial a number." I dialled a number, a taxi duly appeared at the gates of Headquarters Northern Ireland—I was not used to that either—and I was driven to the centre of the city.

I did not look at the driver's tattoos, terrified lest I catch sight of the Red Hand of Ulster, "God Loves the UVF", a tricolour or "IRA" on his arms. Instead, I engaged him in conversation about what he thought of the current peace deal, or peace process. He did not mind—he wanted it to happen—but he was most aggrieved by the fact that politicians were receiving allowances for doing nothing. If anything could have told me that normality was arriving in Northern Ireland, it was that. It sent a signal that the *Daily Mail* might have a circulation in Northern Ireland in future—that people were obsessed with, and angry about, the fact that politicians were wasting time rather than dealing with the issues of the day.

There is a challenge for the Assembly. As a former Member of the Scottish Parliament, I have seen devolution in action, and I am not opposed to it. I have also seen nationalists in action, on a far better footing than I have in Ulster. The challenge for the Assembly and the Assembly parties is not to become bogged down in petty squabbling. If on day one the parties in Northern Ireland become involved in discussing whether they should have green, orange or blue tablecloths, or whether there should be lilies in the hall of Stormont, they will betray not only themselves but the electorate who sent them there.

When at a time of peaceful politics the nationalists' agenda is to exploit such difficulties—such tiny, petty differences—for their own ends, my advice will be to ignore it. The best way in which to counter nationalist pettiness is to say, "You can argue about whether the cross of St. Andrew or the Union flag should go on top of a Government building all day long, but it will not give people a better health service, a better education or a better transport system." That type of real politics usually puts the nationalists down. I advise people not to play into the nationalists' hands if that is what they set out to do—and I am sure everyone knows from what happened the first time that that is exactly what some of them set out to do. I say, "Be better and bigger than that, and I believe that the electorate of Ulster will, in the end, reward you for it."

The role of the Northern Ireland Office must change. With devolution a success, it must give up the bullying and the blackmail that has sometimes characterised trying to get the Ulstermen to the table. It needs to become the strong voice of Ulster in Westminster, not Westminster's voice in Ulster. It needs to be at the top table of the Cabinet and to say, "We need a fairer corporation tax so that Northern Ireland can compete better with the south of Ireland." If it is the champion of Ulster in the constitutional environment of Downing street and the House of Commons, the electorate will again be less tempted to move towards a nationalist agenda. If it does that, the symbol that we are all chasing—a handshake—will become a reality.

Stormont will become a lasting, successful settlement, and in the end peace will be achieved. Then the electorate, who have throughout this put up with death, murder and threats, will be able to focus on what is really important in Northern Ireland—education, health, industry, business and a future for the Province, which, as a Unionist, I hope will remain in the United Kingdom.

6 pm

Dr. Roberta Blackman-Woods (City of Durham) (Lab): I am grateful for the opportunity to participate briefly in this debate.

I want to start by congratulating the Prime Minister on his dogged determination in sticking with the peace process in Northern Ireland, and the Secretary of State on the sensitive way in which he has applied himself to resolving some of the outstanding difficulties in Northern Ireland. However, I would say to the Secretary of State and his ministerial team that they might still have some way to go in explaining to the younger generation how we ended up with the meeting that took place yesterday. My teenage daughter, who was born in Northern Ireland, wanted to know why, if all it took to get devolution in Northern Ireland was to threaten to send out water rates bills, it had not been done many years ago.

Of course, we all know that it is much more difficult and complex than that. That is why I pay my main tributes to the right hon. Member for North Antrim (Rev. Ian Paisley) and to the hon. Member for Belfast, West (Mr. Adams) for the truly extraordinary meeting that happened yesterday. I congratulate them not only because the meeting took place—it was certainly an historic event in itself—but because of the measured and careful language that they used in the statement that was given to the press. Great care was taken to acknowledge each other's histories and the positions that they had come from. I very much pay tribute to them for doing that, because it gave all of us, particularly those of us who grew up in Northern Ireland and were used to hearing very different language, hope that things might be different, and better, in future. I suspect that when the Assembly is up and running, comments will not always be so measured. However, it is good that the difficulties of Northern Ireland will be played out across a chamber, with disputes settled through political discourse, not through violence on the streets of Northern Ireland. That is what we all hope will happen.

As a frequent visitor to Northern Ireland to see my family and friends, I know that there is enormous thirst, particularly among the younger generation, for things to change there. They want real leadership from their politicians, and they saw that yesterday. They want to grow up in a country where decisions about Northern Ireland are made in Northern Ireland, particularly about bread and butter issues.

Perhaps more than most people here, I am aware of the difficult road that Members in all parts of the Chamber have travelled to get to yesterday's meeting. Most of us in Northern Ireland have lost relatives and friends. It is very hard to put that anxiety and grief behind us and move forward, but we all know that it has to be done if Northern Ireland is to have the prosperous and peaceful future that we all want to see. Again, I pay tribute to the right hon. Member for North Antrim and to the hon. Member for Belfast, West, because theirs is an extraordinary journey. I hope that they bring other people with them on that journey so that people in Northern Ireland can have their devolved Assembly and a peaceful future.

Sir Nicholas Winterton (Macclesfield) (Con): The hon. Lady is making a very gracious speech and adding a great deal to the debate, much of which I have had to watch from my office. Will she support me in saying that a major contributor has been the right hon. Member for North Antrim, who, through his leadership, consistency and courage, has led a majority of the population of Northern Ireland to support him and his party in this agreement?

Dr. Blackman-Woods: I do indeed agree with those comments. I have already paid tribute to the right hon. Member for North Antrim, but we must also recognise what an enormous journey it is for the hon. Member for Belfast, West, who has contributed a great deal to the peace process as well.

I hope that the next six weeks are used constructively to get positive feedback from the people of Northern Ireland about how they would like the Assembly to be constructed. I wish Members every success in that endeavour.

6.6 pm

Dr. William McCrea (South Antrim) (DUP): Members come to this debate with many different emotions and feelings. Some are full of elation and praise. There was once a song about Barry McGuigan called, "Thank you very much Mr. Eastwood", because he was always thanking people. Some are full of excitement because of the possibility of devolution in the month of May. There is a wide breadth of opinion in any political party. A party is always stronger, and democracy is always stronger, for that. I am exactly who I am; I am not going to be somebody else. That sometimes pleases and sometimes does not.

I came to this House way back in 1983, representing the constituency of Mid Ulster. The hon. Member for Lancaster and Wyre (Mr. Wallace) mentioned Cookstown. I was educated in Cookstown, and we lived just outside it. I represented that constituency for some 14 and a half years. It was ravaged by IRA terrorism and was for a considerable period known as the killing fields of Northern Ireland. Today, I represent another constituency on another side of the Bann. Many constituencies had different experiences during the years known as the heart of the troubles in South Antrim.

Some hon. Members feel excited because we were able to drive a coach and horses through the Secretary of State's magic deadline of 26 March. He said that it could not be changed under any circumstances and that no legislation would be brought before this House. With one stroke of the pen, he promised that on 26 March it would be devolution or dissolution, one or the other, with no clouding of the issues or equivocation; it was black and white, and the people of Northern Ireland had better realise that. In my opinion, there was a despicable plan to blackmail the

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people and politicians of Northern Ireland into accepting 26 March. I am glad that that plan has been thwarted and that once again a message has gone out that it will not be possible to carry out such blackmail, and that whenever Unionist politicians take a principled stand, they will stand by that principle. That message should exercise the minds of many. I believe that a message has been conveyed for the future: Unionist politicians will not yield in the face of threats and blackmail.

Others are excited because they believe that every hurdle has been overcome. Let me remind hon. Members of the reality of delivery. The Democratic Unionist party made it abundantly clear in its resolution at the executive that it will accept no regression on the issues already determined, and that we will press to ensure delivery by Government and Sinn Fein and make it a reality. On the St. Andrews declaration, we said that no delivery means no deal.

There is still a need for delivery—for example, by the Chancellor. The Government must provide an adequate financial package to ensure that any Administration in Northern Ireland have the finances to meet the challenges. Promises that have been made are inadequate and will only undermine devolution when it comes. Let us consider corporation tax and the challenge of getting the engine of industry going again. We are not spongers, as Harold Wilson once said. We are a proud people, as my hon. Friend the Member for Lagan Valley (Mr. Donaldson) rightly said. We are a people with dignity and we want to provide for the future and for the prosperity of our children, but we are confronted with challenges just over a land border that we, as political people, must face and tackle. We can do that only when a sufficient financial package is in place.

For years, water and sewerage infrastructure has been left to decay. When the Government on this side of the water in the United Kingdom decided to privatise, they increased the standard of and modernised the infrastructure before doing so. Unfortunately, in Northern Ireland, they used the budget and the money given through taxation—there was taxation through the regional rate for that infrastructure—for other purposes. Our infrastructure was left to decline and was being destroyed. For many years, the people of Northern Ireland paid for infrastructure that they never got. The Chancellor and the Exchequer owe it to the people of Northern Ireland to restore—not as a handout—the money that they paid for that infrastructure.

The other side of the deal and of delivery is Sinn Fein. We said and we say—we have not changed our minds—that Sinn Fein must unequivocally support the Police Service of Northern Ireland, the courts, the rule of law, a complete end to paramilitary and criminal activity and the removal of terrorist structures. That is where we stand today. The apex of those structures is the so-called army council. There is no need for an army council when there is no need for an army to threaten the people of Northern Ireland. It must therefore be dismantled.

The Government stressed before, during and after the St. Andrews talks that there were twin pillars for agreement. One was DUP support for power sharing and the other was Sinn Fein support for policing. The DUP election manifesto provided for the first pillar. Our executive endorsed that on Saturday at a meeting that I chaired. However, Sinn Fein must prove beyond doubt that it is capable of fully delivering the second pillar.

Councillor Brush was attacked four times by the Provisional IRA, which tried to murder him. The Secretary of State quoted Michelle Gildernew, who is absent from this House but was elected to it—her party gets an awful lot of money for not coming here from the Government, who talked about Assembly Members getting paid for not doing their full work. The Secretary of State was selective in his quotation. He said that Michelle Gildernew said that she would give information to the police. That certainly constitutes movement—I will come back to that. However, she also said that no republican attacked Councillor Brush and, in the same article, that the attack was not sectarian. Councillor Brush and the people of that area believe that it was a deliberate sectarian, republican attack, but Michelle Gildernew has decided that it is neither. She was asked whether, if she knew of weapons in dissident terrorist hands, she would report it to the police. She said that she would not. That is not what was demanded of Sinn Fein. There was to be unequivocal support for the PSNI, the courts and the rule of law, and a complete end to paramilitary and criminal activity.

Weapons in the hands of a terrorist organisation are there to threaten, kill, and destroy the peace and stability of a community. It is therefore abundantly clear that it is important to take such weapons from those who have them. For example, I am led to believe that last week, dissident republican groupings brought in a cache of arms. That fact has been hidden; it has not yet been published. A cache of arms was brought into republican hands. What for? What will the Government do about it? If Sinn Fein wants to call itself completely democratic, it must declare that any terrorist uprising, irrespective of the proponents, must be crushed, and that the organisation must be stopped in its tracks and face the full rigour of the law.

My hon. Friend the Member for Belfast, East (Mr. Robinson) and my right hon. Friend the Member for North Antrim (Rev. Ian Paisley) acknowledged the difficulties for hon. Members of having to meet Sinn Fein, and the fact that no one was jumping up and down about it. As far as I am concerned, the idea of Sinn Fein in a Government is obnoxious. It makes me sick to the pit of my stomach. My thoughts are with the innocent victims, Protestant and Roman Catholic, throughout the community, who have been slaughtered by the IRA and so-called loyalist terrorist organisations. Neither has a place in a democratic society.

Many people will find it difficult to forgive those who brutally and callously murdered their loved ones. Last week, I believed that Martin McGuinness was a terrorist with blood on his hands. I believed that he had been a murderer. I have to tell the House that I believe that this week, because he is the same person. Irrespective of a person's position, in a democratic society everyone is equal under the law, equally subject to the law and must, therefore, face justice. I do not

believe that I have a right to ask for that for the republican community if I do not ask for the same for the Unionist community. If there is failure to meet justice under any political climate, those guilty will never evade the justice of Almighty God, who knows the murders that have been committed. Until the wrong is acknowledged, there cannot be healing.

I know what it is for my children to look over their shoulder every day and for my wife to look under her car every day. I have known what it is for many years to stand with my constituents and look into coffins nearly daily. Many of those coffins did not hold bodies, but only pieces of them when terrorists had finished with them. We cannot live in the past. We have to build a future—but a future that is just, honourable, democratic and has a solid sound foundation.

Hon. Members have already mentioned the day on which Sinn Fein Members may come to this House. There is nothing to stop those Members who are elected to this House from coming to it. That is their right and it has been their right for years: they have failed to represent their constituents in this House.

Are we looking at a new dawn? I earnestly hope that a new dawn in Northern Ireland will be proven to be true, for bitterness eats into the hearts of individuals. In fact, it hurts the individual that carries it more than those who just walk away untouched and unconcerned. I yearn for an honest genuine peace and a brighter future. Are we to be given the opportunity for it to happen? It will happen only when those responsible for crimes face justice and only when we build a solid foundation on democratic principles alone. I pray that Northern Ireland can enjoy that future.

6.21 pm

Jeremy Corbyn (Islington, North) (Lab): First, I apologise for not being here at the start of the debate. I was attending events in my constituency, but I wanted to take the opportunity to say a few words in this debate, representing a constituency that is home to a large number of Irish people from both the north and the Republic.

Last week, I attended an Irish pensioners event in my constituency and met people who had been driven to London by the poverty in Ireland. We briefly discussed the situation and they looked forward to today with some trepidation and concern, as they thought it might never happen. But it has actually happened and I would like to place on record my tribute to the Secretary of State and his ministerial team for their efforts towards achieving yesterday's very important meeting. Previous Secretaries of State over the past 10 years should also be praised for doing so much over that time to bring about some kind of resolution to what was seen to be a wholly intractable problem.

I agree with my hon. Friend the Member for Weaver Vale (Mr. Hall) that many people who have suffered grievously must have very mixed feelings about today. I have met Colin Parry on a number of occasions and found him to be one the nicest human beings one could ever hope to meet: he suffered so much, but has tried to do so much to bring about peace. That is the sort of spirit that we want to see in operation from today onwards. All over Northern Ireland, there are people who have lost loved ones and seen the brutality and violence that can lead to the most horrible deaths. One hopes that this is the end of that particular chapter in the history of Ireland.

The history of Ireland has indeed been very bitter and bloody in the north and the south. If we look at the history of Ireland from the occupation onwards, we see the famine, the hunger, the Easter rising, the civil war and all that went with it. Then there is the history and process in Northern Ireland itself. One hopes that today sees at least an acknowledgement of the contribution that both communities have made to the history of Northern Ireland and will continue to make in future when the Assembly starts up.

One also has to recognise that all four of the main parties in the Assembly have made enormous jumps and changes—Sinn Fein, the Democratic Unionists, the SDLP and Ulster Unionists. I have been a Member of the House since 1983 and like many other Members I have sat here and opposed many of the pieces of legislation to do with Northern Ireland: the Prevention of Terrorism Acts, the broadcasting ban, the travel ban and all sorts of legislation designed to support the idea that there could be a military solution in Northern Ireland, which suppression of speech could help to bring about. I agree with my hon. Friend the Member for Blaydon (Mr. Anderson) about that. Indeed, not so long ago, I voted with SDLP Members on the Justice and Security (Northern Ireland) Bill because I believed that it provided the possibility of continuing the Diplock courts system—a system that was wholly discredited. One hopes that normality will return and that Northern Ireland will get jury trials—just like I hope—the rest of the UK.

We should pay tribute to a number of people today. In particular, I want to pay tribute to Gerry Adams and John Hume, who both had the courage to go into secret talks and subsequent talks that brought about the Hume-Adams accord, which began to bring about the possibilities of the 1994 ceasefire. That was broken, as we know, and we then moved on to the 1997 ceasefire and subsequent developments. Then there was yesterday's historic event when the Reverend Paisley, as we should call him—the right hon. Member for North Antrim (Rev. Ian Paisley)—sat down with Gerry Adams and finally announced that an agreement had been reached. I pay tribute to both of them for bringing that about. It is very difficult to lead a community that is set in a particular direction to recognise the values of other communities within Northern Ireland and lead the way towards a devolved assembly, which we hope will come into operation at the beginning of May.

Today's legislation is, as everyone now acknowledges, a minor blip in an historic and very important road. Six weeks is absolutely nothing for the prize that lies at the end. I hope that, in passing this legislation tonight, we recognise the huge sacrifices that have been made by many people in all communities. The brutality and the awful pieces of legislation of the past are now behind us, I hope, as we move to a peaceful and democratic future in Ireland. People there deserve the opportunity to live in peace. We should remember those who have sacrificed so much for todayand recognise those who have made important contributions in civil society.

[Jeremy Corbyn]

My hon. Friend the Member for Blaydon pointed out the contribution of the trade unions and, speaking as a former trade union official, I readily acknowledge how the unions were able to provide some kind of common meeting ground where normal working-class politics could operate because of the common interest in retaining levels of public spending, employment and all the rest of it. Huge steps have been made. Today is historic, important and welcome. We look forward to perpetual peace and democracy for all the people of all of Ireland.

6.28 pm

David Simpson (Upper Bann) (DUP): I was interested in the Secretary of State's comments in the early part of his speech, particularly when he mentioned some slogans—Northern Ireland is famous for its slogans written on walls—such as "Sinn Hain got the cane and Hain fell into an omelette". Well, he did not mention that one, but I have seen it. They tell me that confession is good for the soul, and I can tell the Secretary of State—it is a pity that he is not here to listen, but I am sure his colleagues in the Northern Ireland Office will pass the information on to him and it will be recorded in *Hansard*—that white emulsion was used for the slogan, and I assure him that at the end of the week, my colleagues and I will remove it. He may want to know who put it up, but my colleagues and I will remove it.

I do not think that anyone could seriously doubt that the scenes witnessed in Northern Ireland yesterday were of huge significance. Whether they will prove to be a good piece of history or another false dawn will be judged only by time.

I entered this House in 2005, and I confess to having been on a steep learning curve since then. I was present at negotiations at Leeds castle, St. Andrews and, sometimes, No. 10 Downing street. One thing that I have learned is that one cannot take anyone's word, because one needs to see actions. At Leeds castle, a deal was close, but it did not happen—in many ways, I am thankful that it did not happen, because the Northern bank robbery took place afterwards. At St. Andrews, Sinn Fein-IRA promised that they would fulfil their commitments on policing and other issues, but they dragged their heels. They promised many things, so only time will tell whether Sinn Fein-IRA come up to the mark.

My hon. Friend the Member for Lagan Valley (Mr. Donaldson) and other hon. Friends have mentioned victims. I am part of the victims group in my party, and I listen to and visit a lot of victims organisations. When I was on the road to the airport this morning, I listened to a radio programme in which comments were made by victims, including former RUC officers, the victims of republican paramilitaries and the victims of loyalist paramilitaries. It would take a very hard individual not to be emotionally moved by some of the stories on the radio this morning—I heard men, women and young people who were literally in tears. We cannot allow ourselves to be carried away with what has taken place and to forget about the people who have been left in that state. Those people were not only victims in the past, because they are still going through torture in the present, and different acts are still carried out by different organisations in different guises. It is important that we do not forget those people.

The only way devolution can work is if everyone sings from the same hymn sheet. Trust is a word that has been bandied about a lot over the years in Northern Ireland, and it is lacking in the Unionist community towards Sinn Fein. I suppose that the argument could be thrown back that it is lacking on their side of the community, too, and the only way in which we can move forward is if there is trust on both sides.

My hon. Friend the Member for Belfast, East (Mr. Robinson) has mentioned that many DUP Members have suffered at the hands of terrorism. My hon. Friend the Member for South Antrim(Dr. McCrea) has mentioned his personal circumstances, and I, too, have suffered at the hands of terrorism, which affected four members of my family. Such matters are difficult. Yesterday, a reporter who knew the background rang me and asked, "How do you feel about this?" I gave him a glib answer, because I did not have time to talk to him. Afterwards, however, I thought about the question, and I felt a certain amount of anger and a certain amount of sadness and emptiness. Many of my hon. Friends would say exactly the same thing, and different emotions go through one's mind as events unfold.

I agree with my hon. Friend the Member for South Antrim that Martin McGuinness was a terrorist last week, and as far as I am concerned, he is a terrorist today—the bottom line is that it is only through the grace of God that he can repent of that. Whatever happens after 8 May, I hope and trust that we will have stable government in Northern Ireland and that we will see a future for our children's children. Like many of my hon. Friends, I have teenage children who are growing up, and I want to see a future for them, but we must get it right. I think that we owe it to the next generation to get it right.

6.35 pm

Sammy Wilson (East Antrim) (DUP): Yesterday has been described as a good day for Northern Ireland, and I believe that there are a number of reasons why it was a good day.

First, yesterday was possible only because we have had a complete change in the security situation in Northern Ireland. We moved away from a situation in which a party that claimed to be a political party openly engaged in terrorism. Although many people contributed to the process, it is important to note the resolve of the leader of our party, my right hon. Friend the Member for North Antrim (Rev. Ian Paisley), who made it clear that unless guns went and unless support and evidence were provided to the police, there would be no move towards including in government representatives of a party that still espoused terrorism. That resolve, along with world events and pushes by other political leaders including the Prime Minister and the Secretary of State, led to the change in the climate that has made devolution possible.

Secondly, yesterday was a good day because we are moving away from unrepresentative government in Northern Ireland. How ever hard direct rule Ministers

try, they do not represent people in Northern Ireland, because they do not stand for election in Northern Ireland and because they have other duties in their constituencies and in this House. Indeed, many of them represented two or three Departments.

The Minister of State, Northern Ireland Office (Mr. David Hanson): Five.

Sammy Wilson: However, the Minister did not get five salaries. Northern Ireland business was put through this House in an unacceptable way. I remember when the Secretary of State introduced legislation that would have changed the face of education in Northern Ireland. That legislation went through this House with one and a half hours' debate and without any opportunity for further discussion. At the same time, a similar Bill, which had less far-reaching effects, was subject to two major debates in this House and to weeks in Committee. I do not believe that that is a good way to do business or to rule another part of the United Kingdom. Now we are moving towards a situation in which legislation can be considered properly and Northern Ireland business can be attended to properly, which is why yesterday was a good day.

As has been said, however, yesterday was not a good day for many people, because those people are still suffering and still remember what Sinn Fein did to Northern Ireland. Different people have reacted in different ways. Shortly after the election, I held an advice centre. A lady led her husband into the advice centre—she led him by the hand, almost like a child—to talk about incapacity benefit. The lady's husband had been a policeman, and he was unable to put behind him the attacks on him and what he had witnessed, which had affected his mental capacity and everything else. After we dealt with the business, she said to me, "Sammy, make sure you go through and sort this thing out. I don't want anyone else to suffer the way my husband has suffered." The very same day, another lady came in who had lost a son who had been in the Ulster Defence Regiment. Of course, her attitude was completely different: "Have nothing to do with that bunch of murderers," she said. Different people will have viewed yesterday in different ways.

I want to emphasise what the hon. Member for Lancaster and Wyre (Mr. Wallace) said: in part, we are where we are today because of the dedicated efforts of the police, Army and security personnel who made sure that the terrorists would ultimately be defeated, and would not be able to run our country. Many of them paid a sacrifice, and we owe them a great debt.

Of course, other people are unhappy about yesterday, as was shown by the comments of the hon. Member for North Down (Lady Hermon), who only reflects the views of her party leader. Their unhappiness is more to do with a political disappointment. In the case of the hon. Member for North Down, perhaps her faith in the integrity of the Secretary of State had been challenged. Perhaps she really believed him when he said, "This is a deadline like no other. It is immovable. It is set in stone. It is set in statute." In parts of Ireland we have moving statues, and we now have moving statutes as well. The hon. Member for North Down is weeping because the Secretary of State said, "Those who believe that they can push devolution back to May or October are making a catastrophic mistake, and if devolution is not up and running on 26 March, we will shut up shop." Perhaps she would have preferred the shop to be shut, but it is still firmly opening, and the official opening will take place on 8 May. It will be open for business, and we intend to do the business on 8 May.

We were told that we could not sneak past the deadline; we never had any intention of doing so. We believed that the deadline had been arbitrarily set, and did not provide the necessary time for business to be done. We marched over it; we did not sneak past it. Perhaps the hon. Lady is unhappy about that, but that is not the view that should be taken. We now have the opportunity to do the business for people in Northern Ireland. It will not be an easy task.

As the hon. Member for South Down (Mr. McGrady) mentioned, there are huge differences between Sinn Fein and our party, and there are differences between his party and our party. When he and I were first put on the Northern Ireland Policing Board, the same predictions were made that it would not last six months, and that it had to face the insurmountable problems presented by the Patten proposals, many of which the police and the Unionist community opposed. We worked our way around that. I could tell many stories about his role in taking on some of the Patten purists in his party, but I will not. During the four years that he and I were on the Policing Board, we disagreed and were unhappy about things, but we worked our way around them, and as a result policing in Northern Ireland was improved, despite the predictions. The same will apply to this Assembly, and we must address ourselves to the task.

We have many problems to deal with—the restructuring of our economy, the improvement of our education system, and the planning issues that gum up the workings of our economy. We must deal with them through a form of government that parties in this House would find impossible to work. I listened to the Leader of the Opposition and the Prime Minister promise that they would never engage in Punch and Judy politics, but they still do so. We in Northern Ireland are being asked to overcome even greater differences than those between the two main parties in the House in order to work together. All parties are being asked to work together in a coalition.

Safeguards have been put into the system, at our insistence, which will make it more sustainable. We intend to make it work. The shop will be open on 8 May. Business will be done. Sometimes, there might be squabbles behind the counter, outside the shop and inside the shop. Ultimately, however, we can do the business for people in Northern Ireland, and that is why yesterday was a good day.

6.45 pm

The Minister of State, Northern Ireland Office (Mr. David Hanson): May I say what a constructive debate we have had? There is a rare and bold spirit of optimism in the House this afternoon.

All my life, Northern Ireland has meant pain and suffering. All my adult life, Northern Ireland has

[Mr. David Hanson]

meant bombs, bullets, death and destruction. Those have been the images for people not just in Northern Ireland but throughout Great Britain and the world. My hon. Friend the Member for Weaver Vale (Mr. Hall) gave us a stark reminder that that pain and suffering was not just confined to Northern Ireland but has spread throughout the United Kingdom and the world. Soldiers from my constituency have died serving their country in Northern Ireland. All my life, devolution has been a stop-start process, with Parliament buildings lying empty, Members elected to do jobs that they could not do, and Members of Parliament and Assembly Members not fulfilling their tasks.

In the Northern Ireland that I have come to know over the two years for which I have had the honour of having this post, those painful legacies still exist, and the difficult challenges of the past still reverberate. The experiences of those such as the hon. Members for South Antrim (Dr. McCrea) and for Lancaster and Wyre (Mr. Wallace) are still living memories for people, every day of the week, and every week of the year. But the Northern Ireland that I have come to know is also one that yearns for peace, prosperity and a stable future for all its people. The generosity of spirit and outlook that I and my ministerial colleagues have experienced, and the wish for local politics to work, through the difficult decisions that we have had to take, have kept us in touch with the true aspirations of the people of Northern Ireland. The economic promise, friendship and tourism, and the cities of Londonderry and Belfast, which are on the move, are products of the peace brought by hard-won bargaining and stances on all sides, and by brave actions by brave politicians on all sides.

As right hon. and hon. Members have recognised throughout today, this has been a historic week for Northern Ireland. I pay particular tribute to the right hon. Member for North Antrim (Rev. Ian Paisley) and, as Members have done, to the Member for Belfast, West (Mr. Adams), for working together to take on the challenges of the future, while not failing to recognise the difficulties of the past, or the fundamental differences in their political outlooks.

The right hon. Member for North Antrim referred to a star of hope. We now have that hope in Northern Ireland, but I and my right hon. and hon. Friends wish and believe that the Bill will see not just hope for future, but the beginning of a new dawn for the people of Northern Ireland, in which the past is not forgotten but individuals can work together for the good of all in Northern Ireland and for a strong future, and in which their traditions and loyalties, whether to the Crown or to a united Ireland, are recognised, but they work together, in peace and prosperity, for the people of Northern Ireland. At last, Northern Ireland will see local politicians from all sides exercise their mandates to represent fully the people who elected them into government on 7 March. My right hon. Friend the Secretary of State, all direct rule Ministers and I are acutely aware that we do not have electoral roots or community contacts in Northern Ireland. We have not been able to work as local politicians could in Northern Ireland.

Mr. Laurence Robertson (Tewkesbury) (Con): The Minister will be aware that an awful lot of important legislation has been passed through statutory instruments in the House. Now that we have a clear agreement between the parties—so strong an agreement that the Government are prepared to move the immovable deadline—will he guarantee that no further such statutory instruments will be introduced?

Mr. Hanson: I would very much like to give that guarantee, but I cannot for the simple reason that legislation might be required in the next few weeks, through the usual channels of this House. There will be matters in respect of which we will have to undertake legislation, but I shall give the following commitment. As my right hon. Friend Secretary of State said earlier, we, as direct rule Ministers, want to act in partnership with the Member for Belfast, West and the right hon. Member for North Antrim in looking at the programme for government over the next few weeks and months until 8 May. We want to work with them in order to have local democracy. We want to give them support and help, and we will do so.

Today is an historic day for the people of Northern Ireland. It brings together the right hon. Member for North Antrim and the Member for Belfast, West in moving towards a positive future for all the people of Northern Ireland. That will give them the opportunity to ensure that in future the children of Northern Ireland do not experience the pain and difficult times that have been experienced in the past. We will work with local politicians to make this a success, and—

It being three hours after the commencement of proceedings on the Business of the House: Northern Ireland (St. Andrews Agreement) (No. 2) Bill motion, MADAM DEPUTY SPEAKER *put the Question already proposed from the Chair, pursuant to Order [this day].*

Bill read a Second time.

Bill immediately considered in Committee of the whole House, pursuant to Order [this day].

[SYLVIA HEAL *in the Chair*]

THE CHAIRMAN *put forthwith the Questions necessary for the conclusion of proceedings in Committee, pursuant to Order [this day].*

Clauses 1 and 2 ordered to stand part of the Bill.

Bill reported, without amendment.

Motion made, and Question put forthwith, pursuant to Order [this day], That the Bill be now read the Third time.

Question agreed to.

Bill read the Third time, and passed.

Orders of the Day

Order read for resuming adjourned debate on Question [21 March].

AMENDMENT OF THE LAW

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.— *[Mr. Gordon Brown.]*

Question again proposed.

Budget Resolutions and Economic Situation

6.53 pm

The Secretary of State for Trade and Industry (Mr. Alistair Darling): This is the last day of the debate on the Budget proposed last week by my right hon. Friend the Chancellor. I want to focus on the Budget as it affects business in this country, because we live in a time of massive and rapid economic change that will affect each and every one of us as individuals, and which brings new challenges for British businesses and for our economy. This budget will help us to meet those challenges. It encourages investment to build Britain's long-term future. There are measures to help us deal with the consequences of the economic changes to the world climate, as well as measures to increase prosperity.

The Chancellor was able to achieve that against a background of a strong and stable economy, which is enjoying the longest period of stability on record. We expect the economy to grow with historically low mortgage and interest rates—just half those of the 1980s and 1990s. If we are to compete in the new global economy, we need to invest. We need to invest in transport and other infrastructure, and in education and skills and science, and we must also ensure that we have a flexible and highly skilled work force.

For businesses, we need to create the right environment to encourage innovation and a tax structure that encourages investment and research and development. Ten years ago, we had the lowest level of investment of the G7 countries, but now, alongside North America, we have the G7's fastest growing business investment. It has risen in real terms by 48 per cent. since 1997. In the last quarter of 2006, total business investment rose by 4.5 per cent. and manufacturing investment by 3 per cent. Compared with 2005, total business investment rose by 13.5 per cent. and exports of goods and services are also up.

Britain is seen as a good place to do business. We are well placed in respect of ease of doing business. We also have a worldwide reputation in many areas, such as pharmaceuticals; almost 20 per cent. of prescription medicines are developed in the United Kingdom. It is not only the new industries that are doing well; established industries are doing well, too. The automotive industry has had its problems, but it produced more than 1.5 million vehicles last year, almost reaching the number of vehicles that were produced in the 1970s, which is regarded as the heyday of British car, van and lorry manufacturing. There is a new model of Mini, and Nissan has the most productive plant in Europe. There are many other examples that show that the British car industry is doing well. The names might be different from those of 30 years ago, but the success is noteworthy.

The aerospace industry has a turnover of £22 billion, and the Department of Trade and Industry supports research and development— £153 million in the last year. There has also been success in that industry. I hope that, with the award of new work on carbon technology in relation to Airbus, there will continue to be developments in that sector.

In new hi-tech sectors, the UK environmental industries are growing at 10 per cent. a year, providing a total of 100,000 jobs in the next 10 years, and our bioscience industry is the second biggest in the world after that in the US. British industry is doing well in those sectors, as it is in nanoscience and nanotechnology research, where our academic standing is world class. That needs to be converted into commercial success, as those are the areas in which we will have to compete in the future.

Mr. Graham Stuart (Beverley and Holderness) (Con): The Secretary of State is giving us a list describing the golden uplands of Labour economic management, but will he explain why there has been a decrease in the number of people employed in manufacturing since Labour came to power? In the past four years of the Conservative Government, 200,000 more people were employed in manufacturing, so there has been a collapse under this Government.

Mr. Darling: The hon. Gentleman carefully picked a few years of the 18 years that the Conservatives were in power, because of course if he had cared to look across the entire 18 years he would have seen that there were substantial job losses in manufacturing. It is the case that, for a long time now, structural changes have been taking place in our economy, and that has been happening in other economies as well. There has been a move away from manufacturing towards the service industry. For example, our financial services industry is indisputably a world leader, and it has grown massively since the 1980s.

However, manufacturing still represents about 14 per cent. of our gross domestic product, and I gave some examples of where we are doing very well. We have a good story to tell in engineering generally, and in aerospace, the automotive industry and other areas there is good-quality employment. I mentioned that manufacturing output was also up.

I think that Members in all parts of the House acknowledge that there have been substantial structural changes in our economy. That should not unduly worry us. It is important that we have a balance—that there is a mix. Manufacturing is very important: to coin a

[Mr. Darling]

phrase, manufacturing matters. However, it is also important that we are able to exploit our service industries, which do well in various parts of the world. When I visit countries such as China and India, people recognise that we have something in the City of London and our financial services industry that other parts of the world do not have. So manufacturing does matter, but what is also important is the strength of the economy overall. On any view, what we see today bears comparison with what we saw in 1993, or in 1983, for that matter.

Mr. David Gauke (South-West Hertfordshire) (Con): Earlier this week, the economist Bridget Rosewell presented the Treasury Select Committee with evidence suggesting that the vast majority of the new jobs created since 1997 are in the public sector. Does the Secretary of State agree?

Mr. Darling: There are new jobs in the public sector. Indeed, it is a matter of some pride that there are more teachers, doctors and nurses—that makes a difference. Such spending has not been supported by the Conservatives these past 10 years, although they do give the impression at every Prime Minister's Question Time that they would like even more spending on health and education, for example. Other sectors, such as the financial services industry, have expanded dramatically in the past 10 years, and not just in London but in other centres such as Leeds and Edinburgh, part of which I represent.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): Given the Secretary of State's experience with the Pilot taskforce, he will know that a lot of manufacturing investment comes from the North sea oil and gas industry, and that many manufacturing employers in my constituency support that industry. Is it not therefore vital—not only for those jobs but for the long-term income of the Treasury—that we have a tax regime that does not frighten off investors, and which maximises the long-term attractiveness of the North sea, so that we can maximise the gain in terms of our energy and employment needs?

Mr. Darling: I agree with the hon. Gentleman and, as he knows, I am making a point of chairing the six-monthly meetings with the oil supply industry because it is very important that we have a regime that encourages investment. Two interesting things are happening in the North sea. Some of the forecasts of those who said that the tax changes that we announced at the end of 2005 would be bad for the industry were not borne out. Investment is up, and a very healthy list of people are applying for the last round of licences to explore. We are also working closely with the industry in examining the possibility of extracting oil west of Shetland, where the waters present extreme difficulties, as the hon. Gentleman knows; however, there is a lot of oil there.

When we announced the changes to which I referred, we said that the North sea oil taxation regime would remain for the rest of this Parliament. The industry asked us about that as recently as last November, and when I met Pilot, it said that, whatever else happened, it wanted a stable regime. I appreciate that, as of last week, one or two people appear to have decided that that is not what they meant when they said they wanted the regime to stay the same. We recognise the importance of North sea oil, and allowances in that industry are different from the rest of the corporation tax regime, but I believe that the North sea regime is stable and right.

What is worrying is that the revenues from North sea oil are down dramatically; indeed, they will be down about £4 billion, on average, over the next few years. For the Scottish National party, which has predicated so much on North sea oil, that is extremely worrying. A lot of the money that it has already "spent" simply will not be there.

Sir Robert Smith: I thank the Secretary of State for giving way again. Does he recognise that a lot of that extra investment came about because of a very high oil price throughout the world? The gas price is now dropping, which is obviously benefiting users. However, when oil is extracted, gas is often extracted at the same time, so the North sea price is effectively dropping. The Chancellor made it clear that the original tax increase was predicated on the very high prices around the world. Given that gas prices are falling, costs are rising dramatically and fields are getting smaller—moreover, the projected forward investment from the industry appears lower—the Government have to be careful not to kill the goose that lays the golden egg.

Mr. Darling: The current North sea oil price is not so very different from 12 months ago. We have made it clear over the past 10 years that we would of course look at the North sea oil tax regime. It is thought that there might be only 30 years-worth of oil and gas left in the North sea, but in order to maintain security of supply in this country it is in our interests that we do everything that we possibly can to continue to extract oil and gas. Last week's announcement is not going to change but, through the hon. Gentleman, the industry will doubtless want to look at the response document that the Treasury published on the same day, and which examined the very issues that he has set out.

The North sea oil and gas industry has existed for the past 36 years and, as I have said, we will do everything that we can to encourage it, but it is also important to look to the future, which is why we have doubled the science and technology budget since 1997. Indeed, more than half the Department of Trade and Industry's budget now goes towards science and technology. Last week's Budget provided a further rise in science spending—from £3.4 billion this year to £4.9 billion by 2010-11. That is in addition to more spending for the Department for Education and Skills, particularly on universities.

We have a worldwide reputation for being good at science. We have 1 per cent. of the world's population, but 5 per cent. of its science and some 12 per cent. of scientific citations. In the past few years, we have spent more than £3 billion building world-class laboratories, and anyone who visits universities throughout the country will see the result. Ten years ago, many scientists were working in buildings on which money had not been spent for years; now, across the country we increasingly see modern, up-to-date laboratories.

Patents are up 98 per cent., and income from intellectual property is up by more than 100 per cent. In the past three years, 25 companies have emerged from universities and have floated on the stock exchange; they have been valued at £1.5 billion. University spending and research on fuel cells and nanotechnology, and in the biomedical field, also show how such spending and research can be turned into commercial opportunity.

Last week, I announced a £100 million competition to bring universities and business together to lead in high-tech innovation—from medical research to environmental transport—in order to convert that scientific breakthrough into commercial success. We already fund more than 600 projects with over £430 million of Government funding. Research and development as well as innovation are keeping the UK at the cutting edge of international competition. R and D tax credits, which I understand the Conservatives now oppose, have delivered nearly £1.8 billion in support for business and have made a real difference. Large companies such as Nissan have used them to support investment in design, and smaller companies such as Wolfson Microelectronics—an Edinburgh university spin-out company that developed the technology at the heart of iPods—have used them to continue to grow and to innovate in their business. The Budget increased the amount of R and D tax credits available, and in total about 4,500 small and medium-sized companies are claiming more than £250 million a year in tax credits. Those credits are absolutely essential if we are to support the investment that will enable us to compete in the future. It is no wonder that we have attracted more R and D projects than any other country in the European Union.

It is also important that we continue to invest in education and skills, which the House debated last week. Education spending has doubled since 1997. Then, funding per pupil was £2,500, but it will rise to £6,600 by 2010. It is providing us with better equipment, modern schools, more teachers and more spending on universities.

Britain must also remain a competitive place to do business. In the Budget, we announced reforms to employment law that simplify procedures and cut the cost of workplace disputes. We are very conscious of the need further to reduce burdens on business. Because of the strength of Britain's economy, the Chancellor was able to cut corporation tax again, to 28p, and it is lower than that of all our major competitors. We also believe that investment decisions should be driven by commercial, not tax, considerations. Of course, the reduction in the basic rate of income tax helps not just individuals but many small businesses. Up to 3.4 million sole traders will benefit from personal tax reforms and allowances. They will also benefit from the new annual investment allowances of up to £50,000. Those allowances show that we recognise the need to encourage that investment, as well as research and development into new products.

Mr. Mark Prisk (Hertford and Stortford) (Con): Does the Secretary of State recognise that, as the Federation of Small Businesses has shown, the vast majority of female entrepreneurs find that, as start-ups, they are in the £5,000 to £18,000 tax bracket—the very bracket that is going to lose out? In what possible way does that encourage more female entrepreneurs?

Mr. Darling: It is worth bearing it in mind that of the just over 4 million small businesses in this country, about 3.4 million are sole traders and are therefore taxed through the income tax system. Because of small business rate allowances such as the annual investment allowance, which is quite generous—many forms of business spending that people might typically contemplate are deductible—if a business invests, say, just over £2,300 in additional investment, the amount of tax that it has to pay is reduced. The regime that we are putting in place helps small businesses and individuals who benefit from the lower rate of income tax and the annual allowance. The research and development credits that are available will also help businesses do more. It must be right that we focus our tax allowances on the behaviour that we want to encourage, and we want businesses to do more research and development and to reinvest and grow, because that is how they will flourish. Our regime is and will be beneficial for small businesses and I believe that we will see that sector grow.

Mr. Prisk: The annual investment allowance changes mean that unless one invests £50,000, one receives no benefit. Therefore, the change in corporation tax will mean a lot of losers among small companies. Does the Secretary of State agree with Robert Peston, the BBC commentator, who has looked at the issue in some detail and shown that the vast majority of service businesses will be automatically excluded because they do not make the capital investments that the Government are trying to support?

Mr. Darling: I have not studied Mr. Peston's reports, or heard them recently, but I will take the trouble to do so when I have the time. It is not the case that a company would have to invest £50,000 before it saw any gain. As I have just been explaining, a medium company that might be faced with a £500 increase in tax would need to invest only £2,300 more to offset it. In other words, they would not pay more tax. There are many companies and sole traders who, if they use the research and development tax credits, will pay less than they do at present.

The objective of the reforms of corporation tax and business taxation is to reduce the rate and to target the allowances in a way that encourages investment and research and development. I am sure that the hon. Gentleman would agree—although perhaps not in public—that some of the allowances that are claimable today were put in place after the second world war when entirely different objectives were important, such as reconstruction, for obvious reasons. It must be right that the Government take the opportunity in the 21st century to ask what is appropriate to encourage investment. Our future depends on our being able to encourage businesses to invest, especially in research and development, on which we have a good record. The Budget will encourage further investment. From a position of economic strength, we have been able to increase investment in science and in education as well as other public spending. We have been able to do more to help businesses invest in the future, as well as making

[Mr. Darling]

sure that the tax system rewards work and at the same time helps families with children.

I can also tell the House that we will continue with our reforms of the labour market, which will help parents to work more flexibly and balance their time at work and time with their families. This weekend sees further rights to request flexible working, which will be extended to more than 2 million carers, and that builds on our other reforms. On that issue, as on so many others, the Opposition are pointing in two separate directions. A few months ago, the Leader of the Opposition said that he wanted more flexible working. He presented himself as the thoroughly modern man. However, in today's *Financial Times* he has briefed that he does not want to see any extension to flexible working. He has gone back to the position that we would expect from the Tories.

It is not just on family-friendly policies that the Tories are saying different things. On climate change, as my hon. Friend the Economic Secretary pointed out in last night's debate, the Opposition are saying one thing and doing another. On energy, where we have to meet the twin challenges of security of supply and climate change, the Tories are against the climate change levy, but in favour of a tax on holidays. They would tax individuals who fly, but allow businesses to claim back that tax. They say that they are in favour of renewable energy, but up and down the country Tory councils are opposing the biggest single source of renewable energy—wind farms or "bird blenders", as the Leader of the Opposition calls them. They are also opposed to the renewables obligation. In contrast, this Budget has a range of measures that help tackle climate change, as the House debated yesterday. If it is successful, carbon capture and storage will present us with an opportunity not just to reduce the amount of carbon we produce, but to export that technology across the world.

If we are to continue to remain competitive in the face of the investment being made by China, India and other developing countries, we must also recognise the key role that public expenditure plays in, for example, schools and universities. Perhaps today, the last day of the Budget debate, the Opposition will finally tell us whether they will match our spending plans. Public expenditure, which is £552 billion this year, will rise to £674 billion at the end of the spending review period. That is investment in schools, hospitals, law and order and support for business. Are they prepared to match that spending? Why cannot they tell us?

The problem for the Opposition is that they are trying to convince one audience that they really want to cut spending and taxes, and another that they want to spend more on public services. I feel sorry for the shadow Chancellor and shadow Chief Secretary, because hardly a day goes by when the Tories are not promising to spend more money on extra prison places, more housing, and a new border police force. At the same time, they have already promised to cut another 1p off corporation tax. They also have a commitment to abolish stamp duty at a cost of £4 billion, as well as to introduce a transferable married couple's allowance that would help only 1 million of the 12 million married couples.

The Tories have massive spending commitments, but they want to promise tax cuts. That is why they have their third fiscal rule, which attempts to square a circle, but that cannot be done. The rule would have meant £21 billion less spending this year alone. That third rule is a rigid, inflexible approach that takes no account of what the economy needs. It would not have allowed the investment that we have made in public services over the past seven years. The Leader of the Opposition said that his policy would make a "dramatic difference". Indeed it would: he would have spent substantially less at the very time that our economy needed that spending over the past 10 years. It is that incoherence that led to the massive economic problems of the last Tory Government in the early 1990s, in which the Leader of the Opposition played such a central and pivotal role as a key adviser.

We have struck the right balance between borrowing, tax and spending. We have made investment to build public services, and provided incentives to invest and a tax system that is fair. This is a Budget for investment for the environment, and one that will equip this country to meet the challenges that it faces. I commend it to the House.

7.17 pm

Mr. Mark Prisk (Hertford and Stortford) (Con): I begin by offering the apologies of my hon. Friend the Member for Rutland and Melton (Alan Duncan). He has a long-standing engagement of some 50 years: I will leave the House to work that one out.

Last week, the Chancellor gave us his view of the state of the economy. His speech, however, was as notable for what he left out, as for what he actually said. The Chancellor did not, for example, tell us that productivity growth—the measure that he once called the fundamental yardstick of economic performance—is now barely half the rate that it was under the last Conservative Government. He did not mention that business investment, a key driver of future economic growth, has now fallen below 10 per cent. of GDP for the first time since records began. He also neglected to mention that while Britain had a balance of trade surplus in May 1997, under his stewardship there has been a trade deficit every month since January 1998, with last year's deficit being an all-time record of more than £54 billion. The sleight of hand did not end there. While the Chancellor was proud to boast that his borrowing forecast was £1 billion better than in his pre-Budget report, he forgot to mention that it was still £16 billion worse than he predicted in last year's Budget.

So the Chancellor's speech—unlike that of the Secretary of State, to be fair—was a triumph of omission over candour. But perhaps the most interesting omission was on the UK's declining competitiveness. The World Economic Forum is the leading independent authority which assesses international competitiveness. It has found that in recent years the UK has fallen further and further behind. For example, when it comes to starting up a business, the UK now ranks 22nd in the world, behind Latvia and Tunisia. When it comes to the burden of the tax system, we are now down at No. 25, below India and Nigeria. When it comes to the burden of regulation, the UK is now ranked a dismal 41st, below

Azerbaijan and Burkina Faso. The result is that while the Chancellor has been in office, the UK has fallen from being the world's fourth most competitive nation to being the 10th. I wonder why that was not in his speech?

The Opposition do not pretend that everything is wrong with the economy, but it would be nice if Treasury Ministers—and they are well represented here this evening—for once could be a little more candid about the underlying problems that our economy is facing, and about the tax burden that they are imposing.

It is clear that the British people see the Budget for what it is—a tax con, and not a tax cut. It is a con that hits the poorest hardest. Thus a full-time employee on the minimum wage will pay more than £160 more in tax as a result of the Budget. The Chancellor says that people can claim the money back through higher tax credits, but he knows full well that take-up rates for tax credits are often only 60 per cent. It is not even a Budget that takes money with one hand and gives it back with the other: it is one that takes people's money and then gives them a form to fill in instead.

Of course, the tax con was not limited to personal taxes. For more than a week, the Treasury was leaking that it was to be a Budget for business. However, page 208 of the Red Book shows that the total taxes on business are to rise by more than £1 billion next year and another £800 million the year after.

I welcome the fact that the Government have taken our advice in respect of large companies and are going to simplify reliefs to cut the headline rate. However, although the Chancellor claimed to be tackling tax complexity, he does not seem to realise that he is part of the problem. In 1997, Tolleys yellow tax handbook was 4,550 pages long; in just nine years, it doubled in size to more than 9,000 pages—not least as a result of more than 100 stealth tax changes.

Last year's Finance Bill was a bit of a dull affair, comprising a mere 181 clauses over 489 pages, and so complex that it needed three separate volumes of explanatory notes. That represented a quiet day in the Treasury office. When he replies to the debate, perhaps the Chief Secretary can tell us how many pages long Tolleys tax guide will be after this year's Budget.

For business, every change that the Government make costs time and money in compliance. Indeed, the Federation of Small Businesses says that simply complying with Government red tape now costs every small business in this country seven hours a week. It is no wonder that our productivity is so poor.

Business and investors need clarity and certainty, but from this Chancellor they get only confusion and complexity. Never mind Stalin, the Chancellor's constant tax changes are more Maoist in character—a form of permanent revolution in regulation.

As was briefly mentioned in the Budget, a vital part of the Department of Trade and Industry's remit is supporting business, especially small business, yet all too often Ministers have no idea whether the programmes that they are running have any effect. Earlier this month, we published the interim report from our small business task force, which is chaired by the entrepreneur Doug Richard. It found that, overall, the Government spend £12 billion of taxpayers' money on small businesses, but cannot—or will not—say whether the money is working.

Part of the problem is that the whole system has got out of control. There are roughly 3,000 schemes, and they are run by approximately 2,000 different public bodies and their contractors. Just as worrying is the fact that, in most schemes, much of the money is lost in administration. Indeed, the task force found that, even in the best schemes, a third of the money in such schemes is lost in administration.

Not surprisingly, business confidence in state advisory services is low. The FSB has found that just 4.4 per cent. of small businesses use Government-funded advice, with more than half consulting accountants. Moreover, those small businesses that use public services are often deeply disappointed. The task force found that less than 0.5 per cent. of all small businesses using state agencies for advice were satisfied with the advice provided.

Given the amount of taxpayers' money involved, it is extraordinary—although, sadly, not surprising—that the Government can spend so much and have so little to show for it. Small businesses deserve better.

It is these small businesses that are the real losers in this Budget. As a result of the changes announced by the Chancellor, small companies face an extra £820 million tax bill from the Treasury. The Budget increases the rate of tax that small companies pay by 3 pence in the pound, and creates a new set of complex capital reliefs. The Chancellor knows all too well that many small companies will not be eligible for those reliefs, or will not apply for them.

Thus most service businesses—such as design agencies, hairdressers, shops or accountants—will be losers. Those companies innovating through contracting-out will also lose out, and even those business that do invest will still be losers under this Budget.

As Nick Goulding, chief executive of the Forum of Private Business, said:

"The Chancellor has used smoke and mirrors to disguise the fact that there is nothing in this budget to support small businesses".

That is why we will be voting against the Chancellor's small business tax rises later tonight. They are bad for small companies and bad for the economy.

Last Wednesday, the Chancellor had a golden opportunity to match his enterprising rhetoric with practical action to help business. He could have set out a balanced view of the strengths and weaknesses in the economy, and explained the long-term threats and opportunities. He should have helped small businesses as he helped large firms, but instead he pretended that the Budget was both tax-neutral and a tax cut. Instead of simplifying the tax system for all businesses, he made it worse for the smallest. Instead of an income tax cut, we had a tax con.

Beyond the spin and smoke and mirrors, people can now see what kind of Chancellor this really is: a man whose tax promises cannot be trusted. If he becomes Prime Minister, they will not forget it, nor will they forgive him.

7.26 pm

Mr. Geoffrey Robinson (Coventry, North-West) (Lab): I am pleased to follow the Opposition spokesman in this debate. I am delighted that there is such a strong turnout from the Treasury team, even though this evening is dedicated to the DTI aspect of the Budget. The Economic, Financial and Chief Secretaries to the Treasury are all here, as is the Paymaster General—all are in their places.

One of the least satisfactory aspects of the Budget debate, here and elsewhere, has been the unpleasant and unnecessary personal attacks on the Chancellor. The hon. Member for Hertford and Stortford (Mr. Prisk), who has just spoken, repeated some of them. Anyone taking an objective view over the past 15 years would say that someone who could be Labour's shadow Chancellor for five years in the build-up to Government, and then perform as my right hon. Friend has in the role of Chancellor for 10 years, yet remain fundamentally sane—*[Interruption.]* I do not think Opposition Members question my right hon. Friend's sanity, but his is no small achievement.

As I look at the Chancellor's record, it seems to me that he has emerged with a remarkable combination of outcomes. He is feared by the Opposition, he has emerged as the envy of some of his peers, and he is still held in deep affection by his friends. Finally, throughout the country, he enjoys general respect, if nothing more.

Peter Luff (Mid-Worcestershire) (Con): Will the hon. Gentleman give way?

Mr. Robinson: In a moment. By any standards, that is a remarkable set of outcomes. Any sensible Member of this House—and there may not be many on the Opposition Benches—would be happy to plead guilty to them. In fact, my right hon. Friend's remarkable record goes further. If I am to believe what I read in the press and elsewhere, he is poised to emerge as primus inter pares of us all.

Peter Luff: Will the hon. Gentleman give way on that?

Mr. Robinson: I will in a moment, if the hon. Gentleman keeps quiet.

That is something that none of us would be ashamed of, nor should we be.

However, I have bone to pick with the Chancellor and the Treasury Front Bench about the removal of the 10 per cent. basic rate. I cannot believe that that is the last word from my right hon. and hon. Friends on the subject. It is hurting many people whom the Government never set out in any of their policies to hurt—I accept that that is a consequence and not an intention of the Budget. Indeed, when the 10p rate was introduced it was precisely to alleviate those problems that, in part, we are now creating. I know that there are tax benefits and that there are many other things that we have done for that category of taxpayer, but the matter should be revisited, and I hope that we will do so before the next Budget. Having made my point, I shall leave it at that. I wish to make one more point, as I see that the hon. Member for Mid-Worcestershire (Peter Luff) is not quite as keen to intervene as he was.

Peter Luff *rose—*

Mr. Robinson: I shall give way to the hon. Gentleman.

Peter Luff: I strongly agree with what the hon. Gentleman has been saying, and I welcome his comments. In response to his point about the Chancellor winning the heart and soul of the British nation did he, like me, watch a live opinion poll on "Sky News" during the Chancellor's interview on that programme? It remained resolutely negative throughout the entire interview, except for one fleeting moment—and here I shall give the hon. Gentleman an opportunity to pay tribute to the Chancellor—when the right hon. Gentleman boasted about not joining the euro. I pay tribute to the Chancellor for that important non-decision.

Mr. Robinson: May I tell the hon. Gentleman that the one thing to which he drew attention—staying out of the euro, despite many pressures—was a unique achievement by the Government? I can think of one or two Ministers who are in the Chamber who were influential in that vital decision. Let us leave it at that.

I said that the Chancellor is respected throughout the country, and I can assure Opposition Members, much to their disappointment, that we will not let our policies or decisions be affected by short-term fluctuations in opinion polls. Those who look at those short-term fluctuations—*[Interruption.]* Yes, exactly, they will mislead themselves, and indeed, Opposition Members are in danger of doing so at the moment. We will stick, as we have done, with policies committed to long-term stability, which is a remarkable achievement, and to the long-term growth and prosperity of the economy.

I wish to put one more point about the specifics of the Budget to Ministers for consideration. I understand all the reasons why we have taken the step, which again corrects something that we did earlier, of increasing the tax rate for small companies. I am aware of capital allowances, the research and development allowances and the other measures that have been taken, which are potentially of considerable benefit to the small business sector. Of course, as my right hon. Friend the Secretary of State for Trade and Industry clearly said, roughly 3.5 million of the 4 million small companies in the UK are sole traders, so they are not affected by the measure, but there is still a substantial group of companies that are affected. We should not undertake one of those big, complicated bureaucratic reviews, but we should take a clear-headed sharp look at how we spend the money in support of small companies.

Mr. Prisk: So the Chancellor is going mad and his small company tax change is bonkers?

Mr. Robinson: In fairness to the hon. Gentleman, he made that point earlier. He made one or two sensible points among others that were party political, and I take them absolutely in the spirit in which they were made. *[Interruption.]* Shameful, indeed.

I want to finish with those two points, and say something to the Treasury in whatever new shape it emerges. I would like tell my right hon. Friend the

Secretary of State for Trade and Industry, who has served throughout the Government with such distinction, that in whatever new shape the Treasury emerges, let us stick with the long term. Let us stick with stability, let us stick with that fixed purpose that has served us so well so far, and I am sure that in whatever shape that team emerges, it will guarantee the Government and the nation the same success as we have had so far.

7.34 pm

Dr. Vincent Cable (Twickenham) (LD): I reassure the hon. Member for Coventry, North-West (Mr. Robinson) that I do not intend to question the Chancellor's sanity, but I do rather question his commitment to social justice for the same reasons that the hon. Gentleman does, with his qualification.

Six months ago, I proposed an alternative dream Budget that was tax-neutral and included the following features: a 2p cut in income tax; lifting the upper earnings threshold and aligning income tax with national insurance; making greater use of environmental taxes; cutting corporation tax, and offsetting it with reduced allowances on business taxation; and getting rid of the 10p rate of tax. When I got over the frisson of flattery at discovering that that had been mercilessly plagiarised in the Budget, I realised, as many of us did, that there was one important detail that was different: the conversion of the 10p rate not to zero but to 20 per cent. That is a big difference, because instead of 2 million people paying no tax at all, they are paying more tax. That goes to the heart of what the Budget is about. It is not about economic management—it is economically neutral, which is a positive factor—but it is about redistribution and equity and how the gains and losses have fallen.

There has been an attempt to introduce another dimension to the debate: what the Conservatives call distributing the proceeds of growth and what the Government call the third rule. That is a somewhat arcane debate because, as I perhaps rather simple-mindedly see it, the Chancellor is already redistributing the proceeds of growth. Approximately 40 per cent. of any increment in growth has been allocated to the public sector, and the remainder has been allocated to private investment and consumption. That is the forecast, and I am perfectly comfortable with it. Unless the Conservatives are willing to set out a different number and how they propose to achieve it, we all have to operate on the working assumption that we are reasonably content with the share of the state in gross domestic product. That is where I start from.

I want to tackle the Budget on the Chancellor's own criteria, and pose three simple tests: is it fairer, is it greener, and is it simpler? On fairness, a useful benchmark is where we are in income and wealth distribution. The data that the Government have made available are a little dated, but the Government suggest that income distribution, measured in the usual statistical way—Gini coefficients and so on—is roughly what it was when the Conservatives left office. It deteriorated for a while, it then improved a little, and it is now more or less what it was when the Conservatives left office. Help for income redistribution has been provided by tax credits, whatever their other problems, but income redistribution has been worsened by the council tax, which is regressive in relation to income. The problem area is the distribution of wealth, and that was the purpose of the question that my right hon. and learned Friend the Member for North-East Fife (Sir Menzies Campbell), the leader of the Liberal Democrats, asked the Prime Minister last week.

It is shocking—and it is difficult to explain—that whearas when the Conservatives left office the wealthiest 1 per cent. of the population had 26 per cent. of marketable wealth or financial assets, that figure has now gone up to 34 per cent. When the Conservatives left office, the bottom 50 per cent.—the lower half of the British population—owned 6 per cent. of the country's asset wealth. That has now shrunk to 1 per cent. under a Government and a Chancellor who often use the language of social justice, which is an appropriate criterion against which to measure the Budget.

The impact of the combination of the 10p tax rate change and the reduction in the standard rate is complex. The Institute for Fiscal Studies has run through the numbers, and it has concluded that one in five people lost out. Almost all of them are low earners who are single or childless couples. A couple of people who came to my advice surgery last Friday illustrate the problem perfectly. One was a widow with part-time earnings, who has never paid more than the 10 per cent. tax rate, as she is in the £5,000 to £8,000 band. She will simply pay more tax, without any offsetting credit. She is struggling to pay council tax and all the other impositions that she faces. The other was a young man who has just graduated and is starting life as a graduate scientist in the under £18,000 band. He is a loser, and he does not have any offsetting gains. Those are the kind of people who lost out in the Budget. In a way, that is not surprising when we recall what the Chancellor said when he introduced the 10p tax rate—the progressive policy that he is now reversing:

> "Nearly 2 million people will see their income tax bills cut in half, and take home 90p of every pound they earn."—[*Official Report*, 9 March 1999; Vol. 327, c. 188.]

That policy is now being reversed.

On the other side, we have to ask who benefits from the Budget, because people clearly have benefited. Some groups have benefited substantially. It is particularly worth focusing on one group: wealthy pensioners. Someone with a pension pot of £1 million, which is certainly reasonably wealthy, and from which with sensible investments they will receive an income of £50,000, will benefit substantially in several ways. They benefit from the lifting of the upper rate of tax. They will not pay national insurance and crucially, and rather oddly, the Government have retained the 10p rate for unearned income. That is difficult to understand. I remember the days when the Labour party put 98 per cent. tax on unearned income as it was considered rather evil, but now it is treated preferentially. When people earn income they have to be charged 20 per cent. at the first rate, yet they pay only 10 per cent. on unearned income. Affluent pensioners who are paying into their savings will receive additional top-rate relief of 40 per cent. and so on, so they benefit in several respects. I do not begrudge them that, but it is worth noting that they are the principal beneficiaries of the Budget.

Pensioners who are not merely wealthy but have large capital assets that they realise in the form of

[Dr. Vincent Cable]

capital gains, and take advantage of the maximum taper relief, could also pay as little as 10 per cent. The 10 per cent. rate has gone for wage earners but it remains for unearned income and for capital gains. We saw a good practical illustration of that the other day. When Sir John Ritblatt stood down as chairman of British Land he described frankly how he had been able to benefit from the Chancellor's tax relief. He had gained about £20 million simply by being able to take advantage of the reliefs on the large share portfolio that he held as chairman of that company. There are beneficiaries of the Government's tax changes, but they are not the people about whom the Government should primarily be concerned.

I have one more point about distribution and fairness. We know that the Government have laboured for 10 years to produce changes and alternatives to the council tax system. We have had the Lyons report, which runs to about 600 pages—I do not know whether anybody in the Chamber has actually read it yet. The report offers the Government two alternatives. One is to change the system radically in a way that reflects ability to pay, but the Government clearly do not want to go down that route. They were offered the alternative of ameliorating the system somewhat by changing the number of bands. It is striking that we have heard not a peep about how the Government propose to respond to the Lyons report, if at all. Their most regressive tax has been laboured over and endlessly reviewed, but at the end of the day the Government have absolutely nothing to say about it.

In terms of greenness, it is clear that there are some changes which, as far as they go, are perfectly welcome and are things that we have advocated. We would argue for a much wider band of vehicle excise duty rates, along the lines recommended by the all-party environment group. The Government have made a small move in that direction and we have no question about the principle of vehicle taxation. However, we are more critical about what they have been doing in respect of the aviation sector. It has long been realised that airlines pay nothing remotely like the amount of tax they should, for a variety of reasons: partly because of pollution and the absence of any form of fuel duty, although there are of course good treaty reasons for that; partly because the slots available to them free of charge take no account of the externalities and congestion involved; and partly because their landing charges are cross-subsidised. For a long time there has been a powerful case for significantly increasing and changing the nature of taxation on aviation, but in a very cack-handed way the Government have introduced ticket duties that have caused a great deal of damage to small tourist operators because of the retrospective way in which they were applied.

The more important economic point is that the tax bears absolutely no relation to the environmental impact. Charges are on tickets rather than on aircraft. We have the absurd phenomenon that in Mr. Stelios's Easyjet, full to the gills, every passenger pays the full air traffic duty, whereas half-empty flights leaving from major airports pay far less tax because it is levied per passenger rather than per aircraft. It is a highly inefficient, environmentally ineffective form of taxation and needs to be radically changed if the Government are really serious about environmental impacts.

My third question is whether the Budget has introduced more simplicity. The answer is yes in some respects, and that is welcome. We have got rid of a rate of direct taxation, which is desirable. The alignment of national insurance and income tax is a difficult reform, for which tax reformers have long argued, so it is welcome that the Government are moving in that direction. It is also welcome that they have embraced at least the principle of cutting corporation tax and reducing allowances.

However, in some respects the simplification is not working—or not working satisfactorily. I wholly identify with the comments made by the Conservative spokesman, the hon. Member for Hertford and Stortford (Mr. Prisk), about the impact on small business, which will lose about £850 million as a result of the changes to incorporation. Corporation tax on such businesses will rise in effect from 19 to 22 per cent. and they will receive only a proportion—we do not know how much—of the new capital allowance. There will be damaging effects for them.

Where the tax system is inherently complicated there are the severest problems. My hon. Friend the Member for West Aberdeenshire and Kincardine (Sir Robert Smith) rightly raised the appalling problems that are being created for North sea oil revenue. The Secretary of State dealt with them at some length, so I shall not rehearse all the arguments. The key point is that the Government cannot entirely escape responsibility for the collapse in revenue. Tallow, one of the operators, describes the current tax rate, subsequent to the supplementary tax of two years ago, as punitive relative to the vast increase in costs. I think costs have risen by several hundred per cent. in the North sea. Another operator, Premier Oils, says that it no longer makes sense to develop the fields. It is not as though the situation was not foreseen. The Liberal Democrats opposed the tax increases; my hon. Friend the Member for West Aberdeenshire and Kincardine spoke eloquently and at great length predicting exactly what has now occurred.

Complex tax changes are involved in another area where they are bound to have negative impacts: the provisions relating to management service companies and IR35. The Conservative spokesman did not mention it, but we argued the case several years ago. I can understand where the Treasury is coming from. There are undoubtedly people who abuse the system. There is evasion of national insurance and we understand that the Revenue has an obligation to try to deal with it, but our practical experience is that the Government's actions, unless they are carefully calibrated, will be completely counter-productive. Although there are people who cheat, hundreds of thousands of people need to operate on flexible contracts. Unless the tax system captures that there will be considerable costs. I shall give some examples.

Grant Thornton, the tax adviser, has already warned that one of the knock-on effects of cracking down on contractors will be a big increase in the cost of the Olympics, because the project will be financed by flexible contractors. If we lose them, the costs will rise. The main user of flexible contract workers is the NHS, whose costs will rise if the Government get things

wrong. Public sector IT contracts are already escalating out of control and that situation could be seriously aggravated.

Although the Government can reasonably claim that they have improved the tax system through simplification in some respects, there are many areas where they already have caused, or will cause, serious damage.

Mr. Prisk: The hon. Gentleman rightly points out the difficulties. Is he aware that the Professional Contractors Group has been involved in about 1,200 cases brought by Her Majesty's Revenue and Customs? Is he further aware that of the cases that the Government have prosecuted only three have been successful? Given the Government's claim that the measure would be a marvellous way of drawing back tax revenue, does he agree that in fact it has proved to be completely misguided?

Dr. Cable: The figures that the hon. Gentleman has mentioned are telling and I am sure that they will be used in the debate. Unfortunately, PCG lost its major test case several years ago—otherwise many of these problems would not have arisen.

I want to finish with a couple of remarks about the broad economic picture, which I have not referred to. It is obviously clear—I have always acknowledged this; there is no point in denying it—that the British economy is in good shape. It is growing and stable, and we have relatively low inflation. However, there is a danger of getting too carried away with that idea, and the Chancellor tends to do that. It is worth remembering that, although our performance in growth terms is relatively good against the big G7 countries, particularly in Europe, if we compare it with all the countries of the Organisation for Economic Co-operation and Development, the picture is much less flattering. Indeed, we are 22nd out of 27 EU countries in terms of economic growth, because the small countries are much more dynamic.

We also need to remember why, although the Chancellor talks a good story about economic performance, it is clearly not appreciated at street level. At the moment, people's real disposable income is being squeezed. People are experiencing a real reduction in their take-home pay, because the rate of inflation, which has spurted and is now at its highest level for something in the order of 12 or 13 years—4.5 per cent. more in the retail prices index—is considerably greater than the growth of earnings. People's take-home pay is being squeezed. That is how people perceive economic performance.

There are also two major problems looming up with which the Chancellor's successor will have to deal. They are not easy. The first is the big squeeze that the Government envisage in respect of public spending. I do not want to exaggerate it. The Institute for Fiscal Studies captured it very well: in the Government's period of office, public spending growth has moved from famine to feast to diet. Whether that diet is painful depends critically on what happens in respect of the so-called Gershon efficiency savings. The Government are making some heroic assumptions about the ability to deliver improved front-line services through efficiency. I hope that they succeed, but the problem that the recent National Audit Office study identified is that, of all the savings in efficiency that the Government have claimed, they can verify only 25 per cent. The rest are either non-existent or cannot be traced. That is a pretty damning indictment.

The other area where the public spending squeeze will be more painful than is currently appreciated is in relation to the knock-on costs of a lot of the hire purchase agreements—normally called private finance initiatives—that are feeding their way through the system. It is striking to look at the table in the Red Book showing the current PFI contracts. Half of them are in the Ministry of Defence, which is not an obvious area for PFI negotiation. Essentially, the Ministry of Defence is purchasing services on an HP basis. That is already taking up 4 per cent. of its budget and it has another £50 billion of contracts on the way. In that way, it is postponing the choice between front-line military services and military equipment, but that will have to be faced—and it will be brutal—when the comprehensive spending review appears in a few months' time.

My final point is about stability. Of course we have had economic stability and let us hope that it continues, but there was a revealing comment last week from Eddie George, looking back retrospectively on the period that he spent chairing the Monetary Policy Committee. He acknowledged that, in order to save the country from a serious downturn in 2000-01, he and his colleagues had injected monetary expansion into the economy, the consequence of which was a major bubble in debt and in the housing market. He used the phrase, "This is not sustainable." If we look at the figures, it is all too clear why it is not sustainable. House prices in relation to disposable income have doubled in the period since the Government came into office. That is exactly what happened in the period between 1982 and 1988. This is a cyclical and unstable market.

I do not want to predict doom and gloom; I have no idea what will happen, but at the very least the Government should think ahead about a scenario in which things go badly wrong, debt becomes unsustainable and the market deflates. They should talk to the banks about how to handle the large number of people who may well find themselves having mortgage payment difficulties. The numbers are already growing rapidly. There are no safety nets, because the right hon. Member for Hitchin and Harpenden (Mr. Lilley), when he was the Minister with responsibility for social security, removed social security support. The argument at the time was that the gap would be filled by insurance in the market. That has not happened. People are not protected if their incomes disappear and they are made redundant. We are going to face large numbers of people who are in great distress and who are unable to service their debts. At the very least, the Government should give an indication that they are thinking ahead about how to handle a problem that in the medium term could be the most serious threat to stability.

7.55 pm

Mr. David Anderson (Blaydon) (Lab): I welcome the Budget, but I have a few points to raise about issues of concern. We need to look at exactly where we are. The

[Mr. David Anderson]

truth is that employment has risen by over 2.6 million since we came into office. We have the highest employment rate in the G7 economies. The new deal has helped nearly 900,000 young people into work. The adult rate of the national minimum rage will soon be £5.52 an hour and the national minimum wage will be £4.60 for young people. But those of us from areas that have suffered economic deprivation over the last 20, 30 or 40 years, are watching closely to see the impact of the Budget.

I accept the points raised by the Opposition about the impact of the 10p rate being removed and also about the issue of working tax credits. Working tax credits themselves are a good thing. If they are not working properly—as in far too many cases—they do not help. If they help, it will be true that, by 2009, a family with two children will, in effect, be able to earn £24,000 before paying tax. That is a good thing. However, it behoves the Government, the Treasury and the Department for Work and Pensions to make sure that the tax credit system is sorted out and works—for the benefit of people outside and of our party and our Government.

The TUC brief was clear. The TUC said that it believe that, as a result of the personal tax changes, by April 2009 families will be at least £200 a year better off. The poorest fifth of the population could be £50 better off. A single earner, on median earnings, with two children could be as much as £500 a year better off. But that will happen only if we get the tax credit system right. That is a challenge for our Government. Child poverty figures will be 200,000 lower. It is welcome that 600,000 fewer pensioners will pay income tax. It is right that only 43 per cent. of pensioners will pay tax.

I want to talk about what is happening where I live. In 1986, I worked in the coal-mining industry in a village where male unemployment was 19.6 per cent. Then the pit was shut and 720 men were sacked, so the situation got even worse. Today, unemployment is 3.7 per cent. Even going back to 1997, there has been a drop in unemployment of 57 per cent. since then. Two years ago, the jobcentre was knocked down so that a factory that builds earth-moving equipment could be extended. That is a great sign of progress and we should all welcome it.

I want to move on to education and, in doing so, I want to try to answer the questions that the Opposition have asked over the last four or five days about where the money goes—a theme I want to come back to. The truth is that education spending will rise to £90 billion by 2011—the highest level ever. Spending will be increased from 4.7 per cent. of GDP in 1997 to 5.6 per cent. in 2011. Surely we should all welcome that. Because of that increased investment, we will be able to provide one-to-one tuition for 600,000 children, to double apprenticeship numbers to 500,000 and to increase higher education student numbers to 1.2 million. We will be able to make every school an extended community school—the schools are up for that. We will be able to increase spending from £2,500 per pupil in 1997 to £6,600 in two short years from now. Surely we can all say yes to those figures.

We have to welcome the Government's commitment to implement the Leitch review. We all know that there is a skills shortage in this country and that we must up skill our adults to ensure that they can compete in the global world. When the Bill to achieve that comes before the House, I hope that it will receive cross-party support. We should welcome the fact that there will be 3,500 Sure Start centres in this country in the next two years. We will also increase the amount of education received by three and four-year-olds to 15 hours a week.

Mr. Graham Stuart: The hon. Gentleman's passion for education and support for increased investment is clear to the entire House. Does he feel betrayed by the breaking of the promise in the Labour manifesto to increase the share of national wealth spent on education, which the Budget fails to deliver? By 2011, which is the year that he cited, the proportion will not have increased.

Mr. Anderson: I could argue about the figures, but I will not because I do not have time. The reality is that the spending will be more than it was when we came to power. It will represent 5.6 per cent. of gross domestic product—£90 billion. I wonder what the amount would have been if the hon. Gentleman's party had won in 1997. It would have continued going backwards, as it did when the Conservatives were in power.

We have been successful locally. I will probably bore people to death by telling them what has happened on the ground, but I do not mind that. Let me point out the A-level pass rate in five comprehensive schools in my constituency. The pass rate at Whickham comprehensive school is 98 per cent. It is 94.4 per cent. at Hookergate and 100 per cent. at Ryton comprehensive. The rate is 100 per cent. at St. Thomas More and 97.1 per cent. at Lord Lawson of Beamish.

Let me turn to O-levels. In 2005, Gateshead was ranked as the eighth best performing local authority in the country with 65 per cent. of pupils achieving five passes at A to C. Last year, nearly 70 per cent. of pupils achieved those grades, which made Gateshead the fifth best authority in the country, with a figure well above the national average of 59 per cent. The percentage of passes at A to C increased at Hookergate from 39 per cent. to 52 per cent. The figure at Lord Lawson stabilised at 78 per cent. The rate increased at Ryton from 59 per cent. to 62 per cent. At Whickham, the figure increased from 78 per cent. to 84 per cent. Unfortunately, the rate at Thomas More stayed the same—at 100 per cent.! We should all be proud that those people are getting more than five O-levels.

Our primary schools have achieved results that are well above the national average. Whickham Parochial school is the third best school in the country for top 200 scores at level 5. Results in maths, English and science are above the national average. Our primary schools are ranked 26th in the country for added value, and we will open seven brand new schools in the next year. That is where the money is being spent.

I come to another non-contentious issue: the health service. The Tories say that there was no mention of health in the Budget, but there was. The Chancellor said that there would be £8 billion extra. Yes, that £8 billion had already been announced, but it will be spent in the next year—an extra 10 per cent. spent on health. That will go towards the trebling of health

spending since we came to power in 1997, which was in the manifesto. The NHS now has a work force of 1.36 million, with 300,000 more employees than in 1997. Vacancy rates are at an all-time low.

I have great concerns about the people who have lost their jobs in the health service. I was a president of Unison, which represents more health service workers than any other union in this country, so I have a right to be concerned. Last year, there were 1,446 compulsory redundancies. That was far too many—1,446 too many—but it was not the 21,000 nurses that the Tories were talking about last year. That really was a con trick.

There is no doubt that Ministers and managers in the health service need to get their act together, because what is happening in the health service is not by any means in order. They need to put the health service right. However, the fact that there are 100,000 more nurses and doctors than there were in 1997 is a success. It was a failure that nearly 300,000 people were waiting for operations in 1997, but it is a success that no one now waits as long as people did then.

Mr. Kevan Jones (North Durham) (Lab): Does my hon. Friend agree that another welcome change from those dark Tory days is that we have not had a winter beds crisis, which used to be an annual event under the Conservatives?

Mr. Anderson: My hon. Friend and parliamentary neighbour [redacted] absolutely right. Phrases such as "winter beds crisis" and "waiting on trolleys" have gone out of the vocabulary. When did we last see anyone waiting on a trolley? That does not happen any more because people are looked after straight away.

We are asked, "Where's the money gone?" Pay has gone up. Nurses' pay has gone up by 61 per cent. in 10 years, or 27 per cent. in real terms. The pay of support staff has gone up by 67 per cent., or 32 per cent. in real terms. That is welcome, but I need to say something to my Government: phasing this year's pay rise is out of order. That is not what the nurses and health professionals of this country expect or deserve. The pay review award should be paid in full. Health workers deserve no less, and to pretend otherwise is an insult. Go back, please, and look at this again, or we could be facing real problems in the NHS.

Where has the money gone locally? I am sorry, but I am going to bore hon. Members again. New facilities in Gateshead include the Bensham walk-in centre, which opened in 2004. A new medical practice in Teams opened in 2005, as did an out-of-hours service for people not registered with a dentist. New pharmacies have opened and a low-vision centre has been set up. Retinal screening for people with diabetes has been improved. There is a new condom distribution scheme and a health trainers project. We have a triage service in paediatric speech and language therapy—I could use it! New facilities in Blaydon include the new Whickham cottage medical centre and new GP practices, with two additional GPs. There are new facilities in Chopwell—the Pioneer centre—and new optometry practices in Crawcrook and Birtley. That is where the money has gone—but that is not all.

The money has also gone on increasing staff numbers. We had 147 doctors in 2002, yet we had 161 in 2005. We had 135 GPs in 2002 and we have 146 today. There were 574 non-medical staff in 2002, but 793 in 2005. We had 74 qualified allied health professionals in 2002 and there were 102 in 2005—the list goes on. Hon. Members will not be surprised that while we had 29 managers and senior managers in 2002, we now have 55—that is the group that has seen the biggest growth. What are they doing?

Let me move on to pensions. I have spoken to Age Concern and I addressed a conference of the National Pensioners Convention yesterday. Age Concern's briefing said clearly:

> "Significantly while Gordon Brown has been Chancellor the number of pensioners living in poverty has been reduced by almost 2 million".

Those are the words of Age Concern; they are not my words or those of the Labour party. It is good news that the point at which over-65s will start paying tax will increase and that no pensioner aged over 75 will pay tax on income under £10,000. It is also good news that the financial assistance scheme will be extended and that, at last, all the affected workers will access some help.

I want to raise again the major challenges on pensions with my colleagues on the Front Bench. We must address the problem that 2.1 million people who are entitled to receive pension credit do not claim it. If people will not claim personally, we should go to them. As Lyons recommends, we should set up a one-stop shop with a single telephone line through which people could access pension credit. If the Government wish to argue that the basic state pension cannot be increased beyond its existing rate and that pension credit is the way out, we must make pension credit accessible.

The Government are committed to restoring the earnings link in 2012, if the circumstances are right. We cannot wait until 2012. My Government should support Labour party and TUC policy and reintroduce the link before the end of this Parliament. We all know the history of the breaking of the link—it was done by the Conservative party for political purposes—but if we wait until 2012, 3 million of today's pensioners will be history, and that would be unfair to them.

Winter fuel payments have remained the same for the past two, three or four years. Since 2003, however, gas prices have gone up by 87 per cent. and electricity prises have risen by 56 per cent. We will miss our 2010 fuel poverty target if we do not address this problem. Earlier this year, Ofgem estimated that 4 million households will be in living in fuel poverty by the end of this winter. Just four years ago, the figure was only 2 million. We should look again at increasing the heating allowance by £100 for next winter.

I want to talk about elderly people living in care. The period during which I worked for Newcastle city council as a care worker was one of the most rewarding times of my life. Some 280,000 people living in care homes receive a personal expenses allowance of £19.60 a week. That is absolutely pitiful, and we should support Age Concern's campaign to raise that amount to £40 a week. All those proposals cost money, but it is money that would be spent on the most vulnerable in society. I urge the Government to work with the National Pensioners Convention, the TUC, Age Concern and the dedicated people who care for the elderly to try to put the matter right.

[Mr. David Anderson]

I have listened all week to the Opposition parties crying out about a con trick, and I ask myself whether they listened during the Chancellor's speech. Yesterday, I read an article by Anatole Kaletsky in *The Times*, which said:

"The con-trick criticisms are mostly spurious. The Chancellor was unusually straightforward in stating, at the very start of his speech, that this Budget would be broadly neutral, with no room for any net tax reductions. It was therefore perfectly clear that any tax cuts announced would be matched by increases elsewhere in the system. All the main tax increases...were presented straightforwardly and were clearly costed in the Treasury's Budget documents."

Those are not my words. He continued:

"The fact is that Mr Brown delivered exactly what most economists, tax experts and business lobbyists had long been demanding—a simplification of the tax system combined with an improvement in its efficiency, achieved by reducing marginal tax rates and simultaneously broadening the fiscal base."

Mrs. Theresa Villiers (Chipping Barnet) (Con): How can the Budget be a simplifying measure if it drives so many more people into the tax credit system, which everyone agrees is complicated?

Mr. Anderson: The hon. Lady should write to *The Times* and ask Anatole Kaletsky that. To give credit where credit is due, someone did listen to the Budget: the leader of the Liberal Democrats clearly listened, and to his credit, he picked up straight away on the 10p issue. Perhaps the old Etonians were not listening; perhaps they were too busy writing their next joke about Stalin and trying to take the mickey out of the Chancellor, but it is clear that when the country comes to make a choice, people will stand up and say, "We will support a strong leader who is not frightened of the civil service, and who is fair." They will not entrust the economy of the nation to Lord Snooty and the Bash Street Kids.

8.11 pm

Mr. Kenneth Clarke (Rushcliffe) (Con): I refer the House to my entry in the Register of Members' Interests. In case anyone has any unworthy thoughts about whether my outside interests will affect my judgment in making my speech, I assure them that they certainly do not. Having put that behind me, let me say that I think that I have listened to my last Budget speech from the current Chancellor. I have listened to 10 of them, and they are a fairly bewildering collection; he has had some fairly dull ones, and some odd ones. This was probably one of the most political that he has made. I suppose that he lived up to my constant expectation that he will surprise everybody. On this occasion, as I shall try to illustrate, his mind was fixed on headlines and politics, not on a responsible policy on public spending, and tax and spend. That distorted his judgment in ways that I shall seek to explain.

Perhaps it is time to reflect on the Chancellor's legacy. Of course I do not claim that he has been a bad Chancellor. The economy continues to perform reasonably well, and we keep adding to the number of years and quarters in which we have enjoyed growth with low inflation, and I congratulate him on that. The four such years that he inherited have had about 10 years added to them, and we have no idea when they are likely to come to an end. However, our performance has not been remarkable compared with that of many other countries, so I do not think that the eulogies that are sometimes heaped on him, and the claims that he is a remarkable Chancellor, are thoroughly deserved, but he has been a good, average Chancellor, and he has certainly performed better than an awful lot of Labour Chancellors.

I attribute his 10-year record to a combination of the legacy that he was given—he inherited an economy that was in good shape, and that was enjoying a run of growth with low inflation—and a remarkable degree of luck, which is something that every Chancellor needs. The fact is that the global scene has been remarkably benign throughout his period of office. Most Organisation for Economic Co-operation and Development countries have enjoyed fairly unprecedented periods of growth with low inflation. The nearest that he got to a global crisis was when the dotcom bubble burst in America, causing great problems in 2000-01. That crisis was averted, as the hon. Member for Twickenham (Dr. Cable) rightly said, by an influx of liquidity hastily put into the system by Alan Greenspan in the United States and Eddie George in this country. Otherwise, the background has been one of increasing globalisation, which has been extremely beneficial. It has made it much easier to achieve growth with low inflation, because it means that there is downward pressure all the time from low-cost competition from around the world.

In addition, the supply-side reforms of the Thatcher and Major years have begun to feed through steadily, and we find ourselves far more able to adapt, as an industrial economy, to the rapidly increasing amount of change taking place in the global economic climate. The result is that the Chancellor has presided over a reasonably benign scenario.

There are always fragilities, and there are considerable ones in the present situation. It is well for the Chancellor's successor to have an eye to the risks that we face that might stop the current period of growth with low inflation. Some of the unknowns are global ones utterly beyond the control of the British Government, such as the question of what will happen to the American economy over the next year or two, after the remarkable sudden collapse of America's housing market, and given a likely reduction in consumer demand there. There are political problems throughout the world and our situation is not good, either. If I were asked why we are sustaining a reasonable level of growth, I would answer that it is dependent to a remarkable extent on the huge number of immigrants who have come to this country from eastern and central Europe in the past year or two. That has brought in a very industrious work force, but it has probably had more effect on the growth of the economy as a whole than on gross domestic product per head, in terms of improving our performance. The other thing sustaining our present level of growth is the rapidly rising level of public spending, which has not yet begun to slow down. We are too dependent on those two factors.

I will not repeat all the figures that my hon. Friend the Member for Hertford and Stortford (Mr. Prisk) gave at the beginning of his excellent speech to show

how our underlying competitiveness in the global economy has steadily deteriorated in recent years. To pick out just one of the indicators that he used, I think that one of the starkest indications of our decline in competitiveness is our balance of payments position. I remember the years when a ridiculous amount of attention was paid to monthly balance of payment figures. Governments changed if the figures went wrong in the wrong month, in the run-up to an election. Of course, the balance of payments figure is only one among many, but our balance of payments now is the worst since records began. It continues to deteriorate and we have to go back hundreds of years to find a similar position.

The balance of payments is a good measure of competitiveness, because it indicates that people overseas find it much easier to sell their goods and services in this country than we find it to sell our goods and services in outside markets. We are not in a particularly competitive position. That is the background to this year's Budget.

The Budget certainly surprised me, because I thought that it was fairly obvious that we would have a low-key Budget, as there was really only one subject that the Chancellor had to address. One of the big weaknesses in our economic performance is the fact that the Chancellor has made a dreadful mess of the public finances. Nowadays, the stability and growth to which I referred depend to a considerable extent on the performance of the Governor of the Bank of England. During the Chancellor's period in office, there have been two Governors, who have performed their task excellently. Of course, I congratulate the Chancellor on his excellent decision to make the Bank independent, but the fact is that responsibility for the health of the public finances is now a bigger part of the Chancellor's role, and he has got himself into an ever deeper mess on public finances. We are still running substantial deficits, and he still fails to forecast the size of those deficits successfully.

Recently, there have been some very good years for growth, and if we had any sensible fiscal rules, such as the one that I held, which was to ensure a balanced Budget over the cycle, we would run a surplus in the current good years of the cycle; that is what we should do if we are to achieve any kind of sensible health in public finances in the longer term.

I shall not bother with the Chancellor's discredited fiscal rules, which he always tells us he still adheres to, having so manoeuvred the goalposts over the years that they are rendered completely and utterly meaningless. The fact is that we are running an unstoppable deficit and he had to address it. Everybody knew that and, to be fair, he has done so in the Budget, though he certainly tried to bury it.

The right hon. Gentleman has been a tax-and-spend Chancellor on a colossal scale since his Pauline conversion back to taxing and spending in about 2000. He came into office saying that he abhorred the whole idea of being a tax-and-spend Chancellor, and he was extremely severe in his first few years. When he was following my figures, as he always used to say, he finally got the level of public spending in this country down to 37.1 per cent. of GDP in 1999, but in 2000 he began to expand public spending on a grand scale, and he began to increase the tax burden and public borrowing greatly as well.

The result is that the budget deficit was troublesome and needed to be addressed, and no sensible fiscal rule could be hit over the next cycle unless something started to be done with that deficit now. We have reached a situation in which tax, in terms of the tax burden and the tax take from the GDP and spending levels as a proportion of GDP, have been taken back to levels that we have not seen for about 20 years, since the early years of the Thatcher Government.

The difference between the position of the present Government and the Thatcher Government in the early 1980s is that the Thatcher Government had inherited a fiscal crisis from their predecessor, and Sir Geoffrey Howe made determined efforts to get it under control and to get budget deficits and public borrowing requirements on a downward path, whereas this Government have presided over a steady growth in the level of public debt and are belatedly, after many years of warning, finally realising that they have to address that.

So the Chancellor has got himself into a position where he had to increase taxation and he had to announce more controls on public spending. It was plain as a pikestaff to everybody looking at the principal problem facing the Chancellor of the Exchequer when he came to the House that he had to do those two things. On tax, I regret that he had to do that. I would have controlled public spending very much earlier than the Government have started to do so.

I did not think the Chancellor would raise taxation in his Budget because he had done what he always does nowadays—get that out of the way in the pre-Budget report before Christmas. He now makes a regular habit of that. The pre-Budget report, which started as a process, allegedly, of consulting for the Budget to come, is now a lesser-noticed occasion on which he tucks away bad news that he does not want to save up until he makes the major speech in March. In that pre-Budget report he raised £2 billion-worth of extra tax revenues.

If we take not only the last pre-Budget report, but the last two pre-Budget reports and the 2006 Budget, we can see that the Chancellor has raised £6 billion-worth of extra taxation. Hence he has got the tax burden on the economy as a whole up to a near record-breaking level. As has been pointed out, in this Budget he added a further £1 billion to the burden of taxation on business. I shall return to that in a moment.

Tax was not the Chancellor's principal concern. I waited for more news on spending, which is the key thing. There is, of course, the comprehensive spending review. The Chancellor is trying to impose on his successor much tighter controls on the level of public spending once he is out of office than he has ever been prepared to accept since 2000. It is a strange comprehensive spending review, because it keeps being put out in dribs and drabs to make bits of it sound more attractive than they otherwise would be.

To be fair, the Chancellor has added to our knowledge of the expectations for the growth of public spending under a Brown Government. It will be

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sharply reduced. It will be reduced below the likely level of growth of the economy as a whole, which Conservatives from the Front Bench, and I, and others from the Back Benches, have been urging for a considerable time. It is called sharing the benefits of growth. That is what he is doing. We now know that over the next three years, the growth of total public spending will be, in real terms, 2 per cent. per annum, well below trend growth of the economy and, if we are lucky, assuming that benign conditions continue, well below the likely actual growth rate that we will achieve.

So public spending as a proportion of GDP will at last start coming down again, though in fact, on the Chancellor's own figures, it will still be above 40 per cent. at the end of the three-year period, so the reduction is not as drastic as it should probably be. I always aimed to get it below 40 per cent. and the Chancellor followed that target when he first came into office.

The other announcement that the Chancellor made was about education. We now know that the growth in education spending will be, in real terms, about 2.5 per cent. over the next three years. That is a very sharp reduction in the growth of education spending, which has been at about 4.5 per cent. in real terms in previous years. Following on from the remarks of the hon. Member for Blaydon (Mr. Anderson) in his very good speech, which I have the pleasure of following, that seems to me a reduction in the proportion of GDP being spent on education, as it is likely to be below the growth in the economy. I seem to recall that at the last election, the Government were pledging the reverse, as has been pointed out.

We have very sharp falls in the rate of growth of public spending. I do not dispute that. It is long overdue. We should not have had a period of famine followed by feast followed by famine, or by diet. Given that the years of feast have resulted in the money being spent so badly and public authorities getting casually used to considerable increases in real-terms spending each year, I know of no policy direction that the Government are following that will help those who manage the services to cope with the sharp reduction in the growth of their budget.

When I talk to people in education or the health service, they are completely unprepared for that. There is a slight tendency out there to believe that that cannot happen, after they have been buying their way out of trouble on most fronts so much for the past few years. The money has gone largely into payrolls, very considerably into pay increases in some important parts of the health service, and has mainly achieved a sharp drop in productivity in our key public services, without adequate improvement in the quality of service to show the hard-hit taxpayer.

I do not understand how, if one looks back over the Chancellor's period, there is the slightest strategy in any of this. I have already said that I do not think the golden rule and the sustainable investment rule make any sense at all now. He has just responded to events. He first tried to build a reputation for prudence, then he panicked in 2000 and he and the Prime Minister started to throw money at everything. Now the public finances are in a mess and he is putting out in dribs and drabs the least damaging indications that he has of a slow-down in spending. Across the public service as a whole, that will cause great difficulties, some of which we already know.

Maintaining a freeze on Home Office spending after years in which the Government have been doing their best to increase the prison population at a fantastic rate seems to me to be almost impossible. If the prison population continues to rise at the rate at which it has risen in recent years, as the Home Secretary has tried desperately to get the right headlines in all the most popular right-wing newspapers, it will merely mean a tremendous squeeze on spending in every other part of the criminal justice system, including the police, the probation service and the Courts Service. No doubt that explains the Prime Minister's sudden and remarkable conversion to the policy of reducing the number of people in prison. We will see that sort of thing across the board as the real impact of the comprehensive spending review hits public services, and the Budget has given us a few more of the details.

Of course, the Chancellor did not confine himself to that. I had expected his speech to contain a great deal about the public finances and about how he had already covered the tax situation and would now cover spending, but that was not the sort of speech he wished to make on the eve of his translation to the office of Prime Minister, when he will have the pleasure of appointing a Chancellor of the Exchequer who can preside over the difficult nitty-gritty of returning the public finances to some sort of healthy state. Instead, he made a wholly political speech aimed, as far as I could see, at the next day's headlines. However, it did not even work on that front, because he only secured headlines of the sort that he wanted in the most gullible newspapers, which I strongly suspect had been briefed to look for a particular theme in his speech before he delivered it. The other newspapers, which were able to analyse it overnight, realised that it was not a great tax-cutting speech, but that was the political note on which the Chancellor wished to leave.

The first thing that impressed me about the speech was that it was governed entirely by the Chancellor's position vis-à-vis my right hon. Friend the Member for Witney (Mr. Cameron), the Leader of the Opposition. The hon. Member for Coventry, North-West (Mr. Robinson) said that he admired a Chancellor who was not concerned by the up-and-down fluctuations of opinion polls. I do not believe a word of that. The Budget speech was written when the Chancellor had read some opinion polls and seen what his ratings were in relation to my right hon. Friend the Leader of the Opposition. He then decided on the old new Labour practice of triangulation, which the hon. Member for Coventry, North-West remembers only too well: he decided to go for what he believed were the strong points in my right hon. Friend's position. As he appears to imagine that our appeal depends on tax-cutting, he presented himself as the tax-cutting Chancellor, cutting income tax and business taxes in one and the same speech.

I actually think that that was a slightly bogus view of where the Opposition stand. Personally, I admire my right hon. Friend the Leader of the Opposition and my hon. Friend the Member for Tatton (Mr. Osborne), the shadow Chancellor of the Exchequer, for being so responsible. We have said over and over again that we

put the stability of the economy first. No one will follow this Government's period in office by being able to make quick reductions in taxation. Indeed, my right hon. Friend usually gets into more trouble through disappointing the more enthusiastic of our party's supporters by refusing to hold out the prospect of near-term tax cuts. The Chancellor of the Exchequer and the Government decided that the Chancellor would shoot a fox of some kind—one that he, at least, saw coming out of the burrow—by announcing himself as a man who would cut the rate of income tax and business taxation—but, of course, he did not do so. That was rapidly discovered, and has had some fairly perverse effects.

I shall deal with the two principal issues. First, there is the cut in corporation tax. There is a case—indeed, many Conservative Members have been making it—for reducing the headline rate of corporation tax, which has steadily been left behind as all our competitors have reduced it, by making some cuts in allowances. We might have been given a little more explanation of how the impact would fall, however, because different sectors of the economy will be affected in different ways. There is no doubt that the move is of huge benefit to the financial services industry, but cutting all the capital allowances overnight will have been very unattractive to heavy manufacturing and the utilities, which will be very adversely affected.

I agree with all the Members who have said that the most baffling aspect of the headline cut in corporation tax was that it had to be paid for in part by an increase in the small business rate of corporation tax. The Secretary of State for Trade and Industry did his best, saying, "No, no, there will be no trouble whatever." He has set out the allowances, which some businesses can claim. It is true that some small businesses will be able to take advantage of the allowances, but he does not believe that they all will. A 3 per cent. increase in the small business rate is an extremely unattractive way of raising some of the money so that the overall burden of business taxation will still increase. The extra tax on small business raised £850 million, with the result that the burden of taxation on business is still rising while the Chancellor stands there trying to bask in the glory of being the man who cut corporation tax and taxes on business in his last Budget.

The effects are even more perverse in relation to personal taxation. I always put my cuts in the standard rate in the last paragraph of the Budget as well—usually after I had put up a lot of other taxes. As a theatrical gesture, it is not original, but this one was neither successful nor very well concealed. Because the Chancellor wanted the headline about 2p off the standard rate, he has had little regard to how that redistributes between different sections of the population, especially given the other things he has done to the national insurance ceiling and the bottom rate of income tax.

To an extent I welcome that, because the Chancellor has found a way of paying for it by taking from Peter to pay Paul, and some of the Pauls are quite deserving. One of the recent problems in our economy has been how few of the benefits of economic growth have got down to ordinary wage earners and workers on ordinary incomes, and they will benefit from a cut in the standard rate. A remarkable feature of recent years, which the Chancellor has not addressed, is that the disposable incomes of people in the middle bracket have hardly risen at all—by less than 1 per cent. a year—during the past four years of economic growth. It is worse than that. The discretionary spending available to the ordinary family on average earnings has dropped, because while their incomes have remained pretty much stable, they have found that bills they cannot avoid paying, such as council tax, utility bills and mortgages, are going up. The retail prices index, which covers the kinds of items that the ordinary family spends heavily on, has been outstripping the rising incomes of many ordinary families. They will benefit from this Budget.

It is an inescapable fact, however, that low earners have suffered most. Couples and single people with no children in the lowest earnings bracket will be most out of pocket. Attempts have been made to compensate some people with children through tax credits. However, the take-up of child tax credit still cannot be got above 80 per cent. The system is fiendishly complicated, and I have always criticised it for that. I never predicted that the Revenue would get 50 per cent. of cases wrong each year, and I never expected to meet so many people suffering hardship and coming to my surgery, and those of other hon. Members, because they have received tax credits and then found that the Revenue is demanding from them thousands of pounds in repayments because of a mistake that it has made. I have never met a tax credits claimant who understands how the figure for their tax credits has been arrived at. It seems from the cases that I have dealt with that half the officials of the Inland Revenue do not understand how to get the calculations right.

That is not a very good mitigation for taking away the 10p rate, despite the hon. Members for Coventry, North-West and for Blaydon trying to cheer themselves up when they reflected on the effect on lower-paid earners in their constituencies. There are plenty of two-earner families where the second earner cannot claim child tax credit even if they have children. I disapproved of introducing the 10p rate. It was a gimmick when the Chancellor introduced it. He used it for political purposes, and it complicated the system. I always looked forward to its being removed, but it has been done in an extremely cack-handed way. I assumed that it would be impossible for any Chancellor to increase the tax burden on lower earners again. I assumed that we would have to wait until we could eventually afford to freeze the ceiling and raise the threshold of the rate until the ridiculous invention eventually vanished. Doing it because he needed the headlines now will reduce the income of some very poor people next year.

Who has benefited? It is no secret that I am over the age of 65. I never describe myself as a wealthy pensioner, although the capital value of my pension as a long-standing Member of this House is quite high, so I am fairly comfortably off. I have not done the exact calculation, but I think that I am substantially better off as a result of the Budget because I do not pay national insurance, nor does anyone else above the age of 65, so 2p off the standard rate is a useful benefit. Like everybody else, I have been getting more heavily taxed by the Chancellor, so any remission of that is gratefully received. However, I do not for the life of me

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understand why people like me are benefiting at the expense of those on low incomes, who earn at the level where the 10p rate was important to them. There is no rationale for that. For political purposes, the Chancellor has made headline-seeking announcements, which have a fairly arbitrary effect on businesses and individuals. That is no way to set about improving this country's public finances, and certainly not the best method of simplifying the tax system.

I object to the current form of the Budget speech. I hope that the next Chancellor will go back to being a little nearer the rules for Budget speeches. The old rules were quite strict and made for boring long stretches of speech, but they required all tax changes to be properly explained. I must admit that I got away from some of that a little, by leaving things that were of interest only to accountants with a handful of clients to the Red Book. However, I did not do what happens now. The Budget speech used never to be a political speech that was designed to give a totally misleading impression to the next morning's newspapers. No Chancellor in the past attempted to gabble out figures at the rate that this Chancellor does, in a not unintended attempt to ensure that nobody can follow the Budget's precise impact on the public finances. The Chancellor switches from cash figures to percentage figures. The dates all come out in a tumble. It requires a miracle for anyone in the House to follow the details of the speech, because he wants us to hear the headlines of 2p off corporation tax and 2p off income tax. He is determined that no one in the House or the Press Gallery will understand any of the downside by the time he sits down.

That is unhelpful and I fear for the Chancellor's reputation when he becomes Prime Minister. His good friend the hon. Member for Coventry, North-West did his best to protect him as an individual, and I have always acknowledged that I do not dislike the Chancellor as a man, but his political style puts him in serious jeopardy as he embarks on his next job. He is not charismatic and never will be—I do not criticise him for that. He has the reputation with the public of being a political heavyweight. He scores well on trust and has been around for so long that he is almost part of the British constitution. He is a formidable figure in a Government of whom one cannot say that the entire Cabinet is composed of formidable political figures. However, the Chancellor's reputation has been sinking recently and the public's reaction to the Budget speech will be damaging to him. It was not the right farewell to his period as Chancellor to go in for a Budget that was a blatant attempt to mislead the public about what he was doing. Only the most loyal sections of the Murdoch press were inclined to buy it.

I was looking forward to a period of more straightforward presentation of public policy—a little less spin, to use the cliché—and less of the extraordinary manner whereby information comes out of the Government, but the Chancellor, under the pressure of events, the pressure from my right hon. Friend the Member for Witney, and impending responsibilities, is showing signs of taking up new bad ways of disseminating information. It will not work. If he continues in that way, I am afraid that I wish him a premiership that is much shorter than his tenure at the Treasury.

The Chancellor's successor—I hope that the nationality of the Secretary of State for Trade and Industry is not fatal to his hopes—will have a miserable task in implementing what has to be done to the public finances. I trust that whoever it is will give us a much more straightforward and open Budget, with a candid account of what has to be done, this time next year.

8.45 pm

Mr. Jim Cunningham (Coventry, South) (Lab): I was interested to hear what the right hon. and learned Member for Rushcliffe (Mr. Clarke) had to say. It sounded to me as if he wished he was in a position to deliver what the Chancellor is delivering. There is nothing wrong with admiring the Chancellor. In fact, the hon. and learned Gentleman has had his admirers, too. When he said that he thought the Chancellor was average, could he have been describing himself? He mentioned the Prison Service, for example, and prisons are pretty full, but I remember when Lord Ferrers was in Stoke Aldermoor in Coventry: his attitude was "Bang them up". That was the attitude of the ex-Chancellor's Government and the general attitude to law and order.

Under the stewardship of the previous Government, we certainly remember the lack of policemen, whereas this Government have increased police numbers. We can debate whether they are at the right or wrong levels, but we have increased the number of policemen on the streets, just as we have increased the number of wardens and assistant police officers on the streets, particularly in the inner cities.

The right hon. and learned Gentleman mentioned opinion polls. Well, he alleged that this side of the House was obsessed with them, but his new leader is also obsessed by opinion polls and image. Reductions in tax were mentioned, so let me remind the right hon. and learned Gentleman about debates on 17 per cent. VAT on fuel. We had many a debate in the Chamber on a Friday morning about the £10 winter allowance, which the previous Government did not do much to putup. We should also remember the Conservative Government's record on the pensions link—they actually broke the link. To hear Conservative Members on their high horses tonight, nodding their heads when people talk about restoring the link, is, quite frankly, nothing short of hypocrisy when they were the party that took it away.

Mr. Graham Stuart: Will the hon. Gentleman travel back in time to 1980 when the link was broken? At that time, this country was economically on the floor after years of failed socialism, so the Government were forced into making that cut. Will he at least recognise that Conservatives have for many years been campaigning—I certainly have—to restore the link before 2012?

Mr. Cunningham: What I remember about the 1980s is the destruction of the manufacturing industry of the west midlands, the 3 million unemployed, the capping of local government's capital programmes, schools being left to decay through lack of repairs and the loss of council houses. The hon. Gentleman should therefore be very careful about who he lectures about the 1980s. It is always worth reminding Conservative Members exactly

what happened then. If the hon. Gentleman still wants to talk about the 1980s, let us talk about 15 per cent. interest rates and negative equity.

Even more importantly, when Conservative Members get on their high horses about pensions issues and try to blame the Chancellor for present pensions problems, let me remind them—and particularly the hon. Member for Beverley and Holderness (Mr. Stuart), who brought up the issue of the 1980s—about the mis-selling of pensions. I recall companies such as Rolls-Royce spending a lot of money trying to encourage people to leave SERPS and go into private pension schemes.

Mr. Geoffrey Robinson: Would my hon. Friend care to comment on another aspect of the issue raised by the Opposition: that after they broke the link, they failed to restore it in the following 17 years, whereas the Labour Government are committed to restoring it after nine, not 18, years in office?

Mr. Cunningham: I certainly agree with my hon. Friend about that.

When we talk about the mis-selling of pensions and the present crisis, I believe that one of the best things that the Government have done is to introduce the pension protection scheme. It is one of the most fundamental things that the Government have done, whereas the previous Government presided over a pensions disaster. So when we look at what this Government have done for pensions, the pension protection scheme is well worth taking note of, because 120,000 people will be able to benefit from it to the tune of 80 to 90 per cent. of their pensions. Certain companies such as Rover could have been excluded, but they are now going to be included. When people want to talk about who did what in the '80s and '90s and probably into the new century, they should be careful about what they say.

I welcome the fact that we have one of the highest growth rates in Europe, no matter how people try to play with the figures. I also welcome the fact that there are more nurses and doctors now; although we have had difficulties in the health service, the situation is not as diabolical as the right hon. and learned Member for Rushcliffe tried to make out, because we can overcome the present problems. One of the problems in the health service is the change in the way in which finances are administered. We are going from an old culture to a new culture, which is payment by results. That will take time to feed through because we are changing from an old culture, which involved running deficits, to a new culture, where people get paid for what they buy. That is a fundamental difference and it will take time to come through. I welcome the fact that we have more schoolteachers than we have ever had, that they are better paid than they ever were, and that we have more new schools. We could go on all night about what the Government have or have not done, and other hon. Members have outlined the Government's achievements.

I will finish on a local issue in Coventry, where the Royal Mail is to move its sorting offices to Northampton. As the hon. Member for Northampton, South (Mr. Binley) knows, I have nothing against him, but there is concern in Coventry about the quality of service that can be delivered from Northampton to Coventry, the times of postal deliveries and whether the 600 employees will keep their jobs. I do not think that the Royal Mail even has a site earmarked for a sorting office in Northampton. Conservative-controlled Coventry city council suddenly flipped its lid today, because it decided to support those Royal Mail workers, whereas it had been neutral.

I shall finish with this thought about what the Conservatives might do if they were to get back into power. Coventry city council has withdrawn the £3 a day payment to people who have disabilities and are doing jobs. That gives people a good idea of what we can expect after the May elections and, more importantly, what might happen if the Conservatives were to return to power.

8.52 pm

Mr. Edward Leigh (Gainsborough) (Con): It is a pleasure to follow the hon. Member for Coventry, South (Mr. Cunningham).

This is the last day of the last Budget of the present Chancellor. I was interested to note a few comments made in William Gladstone's first Budget speech on 18 April 1853—comments which are strangely relevant to the present day and to what the Chancellor should be trying to achieve:

> "These are the proposals of the government. They may be approved, or they may be condemned, but I have at least this full and undoubting confidence, that it will on all hands be admitted, that we have not sought to evade the difficulties of our position—that we have not concealed those difficulties either from ourselves or from others; that we have not attempted to counteract them by narrow or flimsy expedients...While we have sought to do justice to the great labouring community of England by further extending their relief from indirect taxation".

Those are useful lessons from some time ago for the present Chancellor. I wonder whether the House is absolutely convinced that the present Chancellor has not used the "flimsy expedience" to which I have just referred and that he has managed to make an effective cut in indirect or, indeed, direct taxation on what William Gladstone called "the labouring classes", namely all of us now—perhaps not all of us, but most of us.

The Public Accounts Committee was founded four years after that speech, so we are celebrating our 150th anniversary this year. Even in those days, and I hope even more so now, people appreciated the importance of parliamentary audit of the public finances as a key component in driving out waste and ensuring economy and efficiency. Over the years, I have attempted to convince others of my personal mantra. Sometimes it has been a lonely battle, but I remain convinced of its truth: in a growing economy with modest and costed efficiency gains, which are achieved through proper parliamentary audit, it is possible to deliver better public services and sustained and real tax cuts. That is my personal mantra. In a few minutes, I shall show how we might deliver that.

For a couple of minutes, I want to leave our problems of affluence, as we are sometimes too self-regarding in this country, and focus on the problems of the poorest of the poor in Africa. I was reminded of that at a meeting here today at which I listened to Archbishop Ignatius Kaigama of Nigeria,

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who was talking about some of the problems that his country faces. The meeting was not that well attended—only three other colleagues were there—and was part of the Catholic Fund for Overseas Development's campaign, "Live simply so that others may simply live". We all applaud what the Chancellor has done conscientiously and correctly in the Budget to increase the amount of money that we, as one of the richest countries in the world, contribute to overseas development.

The archbishop was telling us about what happens to our money—that is where parliamentary audit is relevant, because the audit of public moneys in Nigeria is notoriously weak—when it gets to Nigeria. He spoke of £100 million a year of our taxpayers' money going to Nigeria. Despite Nigeria's being the sixth largest oil producer in the world, and despite the generous provision for help that, once again, we will make to it today, the poor in Nigeria are getting poorer. They are getting poorer even in the Niger delta—despite and often because of overseas aid—as a result of massive corruption, which is leading increasing numbers of people in this country to doubt the value of overseas aid. Rather than simply colluding with and congratulating the Chancellor on spending more on overseas aid, the Conservative party and others should put more pressure on him to ensure good civil governance, and that the money is properly spent.

To return to parliamentary scrutiny and public audit in this country, efficiency gains are increasingly the key element in our debates. I am proud that the Public Accounts Committee has tried to play a part in that, in its modest way, over the past few years. The Committee is surprised that further efficiency gains were claimed in the Budget so soon after the National Audit Office report mentioned by the hon. Member for Twickenham (Dr. Cable). That impartial report by Parliament's auditors questioned the credibility of the figure previously claimed—the relatively modest figure of £13.3 billion. Therefore, if the Gershon claims are not in the bag, how credible is the Government's claim that they will have saved an additional £26 billion by 2011? How ambitious is even that claim given that, as we are repeatedly told, the public sector as a whole spends well over £550 billion?

May I give one bouquet to the Government, and particularly to the Chief Secretary? I went to see him last year with the right hon. Member for Swansea, West (Mr. Williams) and a delegation from our Committee, and we requested more transparency. On 21 March, I received a letter from the Chief Secretary, in which he told me:

> "We discussed last year transparency in the programme. Departments already account for their programmes and progress in their regular departmental reporting cycle. Reflecting the Committee's suggestion, I have decided at this time to publish a consolidated breakdown of departmental performance across the three areas of the programme (efficiency gains, workforce reduction and relocation), and to break this down by workstream and cashable element."

I am grateful to the Chief Secretary, as we have got more transparency, which is important. If we are talking about £26 billion, let us think about what that could achieve.

Mrs. Villiers: Is my hon. Friend concerned that some of the Gershon programmes have impacted negatively on service quality? In particular, I am thinking of his Committee's report on the number of calls that went unanswered at the Department for Work and Pensions following the switch to call centres as part of the Gershon programme.

Mr. Leigh: Yes, that is a problem; it relates to an issue to do with cashable and non-cashable gains. We could have an entire debate on that. We need to have a serious debate on the impact of some of the Gershon reforms on public sector efficiency. If I may give a brief advertisement, let me say that there will be a Public Accounts Committee debate in a couple of weeks' time at which we can talk further about this important point, and I am grateful to my hon. Friend for raising it in her intervention.

I was talking about the savings of £26 billion. That is an exciting promise—or promissory note—given to us by the Government. It could reduce the basic rate of income tax by up to 8p in the pound—a real reduction of 8p in the pound. Of course, the actual amount of that reduction would depend on the state of the economy at the time, but I offer that figure as a headline figure to show what could be achieved by efficiency gains—promised by this Government and audited by the Treasury. If we did not want to reduce income tax by 8p in the pound, we could build 860 schools or 130 hospitals, or use the money to reduce borrowing considerably. So that is an exciting claim.

Efficiency gains are an essential aspect of the debate. They are becoming increasingly important, and they are doubly important because we need to restore public trust in respect of what is happening to all the extra money that we have put into the public services. A recent King's Fund study—a reputable study—showed that of the £19 billion that we the taxpayers have put into health, £6.6 billion went on pay, £2.2 billion went on the rising costs of drugs, £1.6 billion went on hiring more doctors to comply with new European Union employment laws, £1.1 billion went on new buildings, £1 billion went on medical equipment and £600 million went on negligence law suits. It showed that of the £19 billion, only £5.9 billion went on

> "direct improvements, which included reduced waiting lists, greater use of day surgery, larger numbers of doctors, nurses and consultants, and elderly patients spending far less time in hospital".

The debate has therefore changed, and it continues to change. We should be aware of that—I say that especially to my party. The public are becoming increasingly dubious about the claims of politicians that such large amounts of their own money are making a real difference. Indeed, we know that productivity in the NHS is declining.

I pay tribute to my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke)—a former Chancellor—for making a brilliant speech. It was a dissection of the Budget which I shall not even attempt to emulate because there is no need to, as the case has been made so well by him, and also by my hon. Friend the Member for Tatton (Mr. Osborne), the current shadow Chancellor. There is no need for me to repeat everything that has been said about matters such as the sleight of hand in the Budget—about the giving and the taking away.

We should however be aware of two aspects of the Budget which will make us aware of how the Budget is changing things. One of them is the Chancellor's

apparent conversion to simplification by merging the tax and national insurance bands, for which I praise him. I accept that complications are also introduced in respect of tax credits, but simplification is the aim; that is the headline that the Chancellor wants the public to remember. The other key aspect of tho Budget is the Chancellor's apparent conversion to cutting the base rate—and therefore to tax cuts.

That offers a challenge to Conservative Members. It will become increasingly difficult for the Government and the Chancellor now, in the next couple of years and up to the general election, to argue, as he has so successfully argued in the past, that tax cuts promised by an incoming Government will inevitably lead to worse public services. Such claims have been made to devastating effect in the past against my party. As a result of the Budget, they will be increasingly difficult to sustain.

Efficiency gains and growth can ensure better public services. We should be aware of that at all times. After all, as my right hon. and learned Friend the Member for Rushcliffe made clear in his speech, the Chancellor wants to increase spending by only 2 per cent. in real terms—by less than the inflation rate. Before I sit down, I want to make what might be considered a fairly radical suggestion—that we should limit increases in total public spending, once there is a new Conservative Government, to the rate of inflation. Even last year, that would have been considered a way-out, radical, right-wing suggestion, but it is one that the Chancellor himself has taken up. As well as limiting himself to only a 2 per cent. spending increase, he is promising at least 2 per cent. in efficiency gains.

So there is a challenge for us. There is a real possibility that the new Chancellor of the Exchequer, whoever it may be—whether it will be somebody sitting in the Chamber at the moment or someone else, we do not know; we can only speculate—will be able to deliver very substantial tax cuts before the next general election. It is therefore important that my party be aware of that, prepare the ground and not wait for the general election to make its own promises, when, as happened in the past, they can be immediately rubbished. We should have the moral and intellectual courage to make the case for the state's taking a lower share of people's valuable earnings.

As I said, public opinion is changing, and it is doing so because people are being taxed so much more. Because of the failure since 1997 to raise income tax thresholds in line with earnings, in excess of an additional 3 million people are paying income tax, and an additional 1 million are paying it at the higher rate. Whatever they might say to public opinion pollsters who stop them in the streets, and whatever focus groups might say about the apparent reluctance to trust politicians who offer tax cuts, those people are out there in very considerable numbers and paying more tax.

The rise in taxes in both relative and absolute terms, and the well documented increase in the system's complexity, has had a damaging impact on families, incomes, jobs and businesses. Let us look at household discretionary income. The amount that families earn after paying unavoidable expenses such as taxes and household bills has fallen by 10 per cent. Beneath the surface, public opinion is changing faster than we political cognoscenti sometimes acknowledge. As the Chancellor may have sensed, perhaps the public are more interested in political parties that promise to relieve their burden of extra taxes.

Members might dismiss my views as those of one Back Bencher—meaning that they have no influence and do not matter. Do not listen to me, even for a second; instead, look at what is happening in other parts of the world. Since 1996, the Conservative Government of John Howard has carried out a major reform of Australia's tax system. Its four income tax rates have been reduced from 20, 34, 43 and 47 per cent. to 15, 30, 40 and 45 per cent. respectively. Income tax thresholds have been increased considerably; indeed, the top rate threshold has trebled: it now starts at 150,000 Australian dollars, which is more than £60,000. So the results have been dramatic and show that in one country, at least, it is possible over time to combine falling interest rates, falling unemployment and falling tax rates with increased tax revenue, increased growth, increased Government spending, budget surpluses and the elimination of Government debt. If it is possible in that country, is it so unbelievable that it is possible in others?

Kelvin Hopkins (Luton, North) (Lab): If I heard the hon. Gentleman correctly, he suggested that the Australians have a top rate tax of 45 per cent., starting at £60,000. Is he recommending that for Britain?

Mr. Leigh: It is impossible for me, sitting where I do, to give an absolute figure for what should be the starting point for paying top tax rates. Nobody can expect us Opposition Members to do that. I am saying that we should at least have an open mind on this issue, look at what is happening in other countries and realise that it is possible to make considerable progress on these fronts. If Members do not want to consider the example of Australia, which is a long way away, they should consider Ireland.

In 1987, Ireland's economic position was precarious. It had stagnant growth, high unemployment, spiralling deficits and the International Monetary Fund threatening to intervene in the Irish economy. That sounds familiar: it happened a long time ago in our country before the reforms under Lady Thatcher and John Major. Ireland's 1987 budget began a process of major economic reform, cutting spending drastically to bring the deficit under control. The next budget reduced current spending by 3 per cent. and capital spending by 16 per cent. Those spending reductions were accompanied and followed by major and continuing tax cuts. Among others, the standard rate of corporation tax was steadily reduced from 50 per cent. in 1987 to 12.5 per cent. in 2003—the lowest rate in the EU. Personal tax rates were steadily reduced from 35 per cent., 48 per cent. and 58 per cent. in 1987 to 20 per cent. and 42 per cent. in 2001.

One might think that that was dramatic, and if anyone suggested such cuts here they would be dismissed as out of touch with reality or as coming from a right-wing think-tank, or criticised by Matthew D'Ancona in *The Sunday Telegraph*. However, between 1987 and 2003, overall tax receipts in Ireland increased fourfold and corporation tax receipts increased 16-fold. That has allowed public expenditure to grow by 220 per

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cent., compared with a rise in the UK of 120 per cent. in the same period. I know that other factors were involved and we cannot entirely replicate what the Irish managed to achieve. Ireland, for example, has benefited unduly from receipts from the EU, but the fact is that the simple case is very interesting, and we should be aware of it.

David Taylor (North-West Leicestershire) (Lab/Co-op): The hon. Gentleman paints an interesting picture of alternative tax scenarios drawn from countries across the globe and across the Irish sea. He is known and recognised as one of the free, radical and independent thinkers of the Conservative party and it seems only a few months since that group was flirting with and promoting the virtues of a flat-rate tax. What is the present thinking on that in his party?

Mr. Leigh: I am famously not in the loop, so I do not know. I was very heartened by what the shadow Chancellor said in his early days about the benefits of moving to a much simpler and flatter tax system. I agree with the shadow Chancellor that in a complex economy such as ours it is not feasible to do suddenly what the east Europeans did and move overnight to a flat rate of tax. It is a caricature of our position to suggest that that is what we advocated. The Chancellor presumably believes in a simpler tax system himself. Why otherwise would he have sought simplification in this Budget?

Why is it beyond the bounds of credibility to suggest that a Conservative Government, over the lifetime of a Parliament, could move to a much flatter, simpler tax system, as suggested by Lord Forsyth, in an excellent, well documented paper? It showed, incidentally, that £21 billion of tax cuts were entirely deliverable. Of course, there was an attempt to rubbish that paper, with the same old arguments. Ministers trotted out the tired arguments that Lord Forsyth's tax cuts would scythe a horrible hole through our public services, when in fact £21 billion is within the margin of error.

The point that my friend, Michael Forsyth, made to me on the phone when I was discussing flat taxes with him today—and I put it to my right hon. Friends on the Front Bench—is that unless one reduces the overall burden of taxation, it is difficult, indeed impossible, to achieve flatter and simpler taxes without creating a considerable number of losers. Therefore, we have to have the courage as a political party to start arguing the case for a lower overall burden of taxation, because that is the only way in which we can make progress towards a much flatter rate of tax.

I think that there is now an overwhelming case for change, and that the intellectual consensus is starting to change as a result of this Budget. People in all political parties are beginning to recognise that higher taxes are causing real hardships to families, and most of all to the poorest.

That is where the moral case for lower taxes comes in. Too many caricature the argument as one that is posed by people who have no interest in compassion and who want simpler and lower taxes only to help the rich. The truth is that higher taxes affect the poorest and most vulnerable members of society to the greatest extent, and that is unfair and immoral.

According to well-audited national statistics, the poorest 20 per cent. of households pay 36.4 per cent. of their gross income in direct and indirect taxes. That compares with 35.6 per cent. for the richest fifth, and 35.3 per cent. on average. The poorest people pay the highest tax—what a ludicrous situation! That is where we find ourselves after 10 years of a Labour Government, who I accept are composed of people who are entirely honourable and personally committed to reducing the burden on the poorest. What is going on?

I have set out the moral case for lower taxation. The PAC and other Select Committees have compiled numerous reports on the matter, and in his speech my right hon. and learned Friend the Member for Rushcliffe talked about the desperation that the poorest in our society face as they try to cope with overpayments in the tax credits system.

According to tables A3 and A4 in the Budget statement, people have to start paying income tax and national insurance when they earn only £5,225 a year. That is scarcely believable. Do not people in this House agree that that is a most extraordinary state of affairs?

In addition to the moral case for lower taxes, there is also a strong economic case, as I have tried to show with examples from around the world. A recent paper from the Organisation for Economic Co-operation and Development, speaking about the period between 1965 and 1995, concluded:

"Up to one third of the growth deceleration in the OECD would be explained by higher taxes."

Although the US is not very popular in this House, I shall mention it as another example, as a report from the American Shareholders Association says that

"the US tax cuts of 2003 have already paid for themselves by around 50 per cent."

I have set out the economic and moral case for tax cuts, and now I turn to the political case—the most important one for us politicians. I am constantly told that the public do not believe promises of tax cuts, that they have no appetite for them and that they want better public services. However, a recent ICM poll found that 71 per cent. of people believe that

"taxes have risen, we aren't getting value for money, and the people who suffer the most are the most vulnerable in society".

In addition, 59 per cent. of people believe that

"if Britain reformed public services and cut waste it could lower taxes without having to cut spending on vital services".

By contrast, the poll found that only 36 per cent. of people believe that

"lowering taxes would create damaging instability for the economy".

I have shown that there is a moral and an economic case for tax cuts, and I have spoken of the importance of audit. Like the Chancellor, however, I want to make one final statement before I sit down. It is a bit of a parlour game, but why should I not play it?

I want to make a suggestion about what we could do if the Conservative party were about to take on the ship of state and the shadow Chancellor were giving the Budget. It is so radical that the House will probably dismiss it instantly, but it does add up. I think that we should consider using the proceeds of growth to almost treble the tax-free allowance to £15,000, in today's prices, by the end of our first Parliament or over the

next four years. In the process, we should abolish the starting rate of income tax.

That higher personal allowance would apply to all taxpayers, including pensioners, and it would benefit senior citizens as well as people of working age. Currently, people of working age can earn just over £5,000 a year before they pay tax, and for pensioners the figure is just over £7,5000. However, if those people were able to earn £15,000 before paying tax, that would constitute a major improvement in the quality of life for all taxpayers. It is difficult for non-experts—for MPs even—to cope with long Budget statements, but if the personal allowance was raised to £15,000, more than 13.5 million people would no longer have to pay any income tax at all. That is more than the number of people who voted for Labour in the 2005 or 2001 general elections. *[Interruption.]* I agree—I am not the Chancellor, I do not have all the books, and I am not suggesting that we should do all of that now. I am just saying that hon. Members can use the Treasury model and work it out for themselves—it is doable. If the personal allowance was raised, it would automatically raise the threshold at which people start to pay top-rate income tax. People start to pay the 40 per cent. rate when they earn just under £40,000, but raising the personal allowance to £15,000 in today's prices and abolishing the starting rate of income tax would mean that people could earn more than £47,000 in today's prices.

That is just one example, but it is realistically achievable over a Government's lifetime if we take into account economic growth and efficiency gains. However, important choices have to be made, and that is where the pain—the slight pain—comes into my Budget statement. In recent years, the government sector has enjoyed record spending increases, which were mentioned by my right hon. and learned Friend the Member for Rushcliffe. Since 2000, the share of the economy taken up by the state has increased by 7.8 percentage points of GDP, which is faster than for any other country in the Organisation for Economic Co-operation and Development. The Government are literally awash with money—and borrowed money, to be paid for by taxpayers now and in future.

The expansion of government has gone far enough. We are suffering too much as taxpayers, and we should therefore consider limiting the annual growth of overall Government spending to inflation over the lifetime of the next Conservative Government. That is affordable and doable, and I commend it to the House. I do not think that it is going to happen, but I believe it very strongly. Before I conclude, I can only say that I stand by the words of Martin Luther:

"Here I stand. I can do no other. God help me."

ROYAL ASSENT

Mr. Deputy Speaker (Sir Michael Lord): Before I call the next hon. Member to speak, I have to notify the House, in accordance with the Royal Assent Act 1967, that Her Majesty has signified her Royal Assent to the following Act:

Northern Ireland (St. Andrews Agreement) (No.2) Act 2007

Budget Resolutions and Economic Situation

Question again proposed.

9.22 pm

Dr. Roberta Blackman-Woods (City of Durham) (Lab): It is always an interesting and challenging experience to follow the hon. Member for Gainsborough (Mr. Leigh). May I begin by congratulating my hon. Friend the Member for Blaydon (Mr. Anderson), who is not in the Chamber at the moment, on a truly excellent speech? I wish that I had carried out a similar audit in my constituency of what has been gained under the Government, because I am sure that the gains would be as extensive, if not more so, than those in his constituency.

I pay tribute to the Chancellor for the longest unbroken expansion on record, with GDP growing in 58 consecutive quarters, for stability in GDP growth, and for low inflation rates. All those things have put us in a strong position to respond to the global economic challenges that undoubtedly face us.

There are a few points in the Budget that I want to emphasise. First, raising the higher personal allowance for pensioners is extremely important. Pensioners have come to my surgery—and I am sure that this is the case for many hon. Members—as they are concerned about their level of taxation. The measure to take 600,000 pensioners out of taxation is a very good one, as are the measures to increase child tax credit, to increase the threshold for working tax credit and to reduce corporation tax as well as the basic rate of tax. It is important, too, that vehicle excise duty has been increased, although personally I think that the Chancellor could have gone much higher in taxing gas-guzzlers, which have a negative impact on the environment. I am not sure that the current level of excise duty will deter sufficient people from driving them. Lastly, the rise in investment in education by 2.5 per cent. in real terms is an important measure to which I shall return.

I want to stress the importance of science funding. We shall not be able to compete internationally unless we remain at the leading edge of scientific innovation and application, so I very much welcome the investment in knowledge-based and high added value sectors. I am particularly pleased that the 2007 Budget announced early the comprehensive spending review settlement for the ring-fenced science budget for the Department of Trade and Industry and for the Department for Education and Skills. Together, they will deliver annual average growth of 2.5 per cent. in real terms over the CSR period.

Mr. Graham Stuart: My understanding is that there will be a 2.5 per cent. increase, not 2.5 per cent. in real terms.

Dr. Blackman-Woods: My understanding was that it was a real-terms increase, which will, we hope, deliver excellent research.

Our universities need stability in funding to invest in research. We need to increase the economic impact of our science base, and to implement the recommendations of the Sainsbury review, which is

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looking at the effectiveness of our science base and at the opportunities and challenges of globalisation.

We know from the emerging conclusions of the review that delivering skills to raise further standards in STEM—science, technology, engineering and mathematics—teaching is important. I am extremely fortunate in having a science learning centre in my constituency, which is doing the most amazing work in adding to teachers' qualifications and skills in science teaching. Obviously I want to make sure that the Government continue to invest in science learning centres.

We need more knowledge transfer, so I am pleased that the Budget sets out how the higher education innovation fund can be improved, as it must be if we are to have the better application of science research that we need globally and domestically. However, we do not always manage to make the transition to science-based industries as we should, so I am also pleased that the Red Book mentioned supporting entrepreneurship and industrial development and set out how the regions can be more involved in science innovation. That is particularly important for us in the north-east, where we shall need to rely heavily on a knowledge-based economy if our region is to catch up with the rest of the country, which needs to happen.

Of course we have the Newcastle science city, which is to be applauded. However, Durham university has an excellent science base that is not sufficiently recognised by Newcastle science city, so I hope that the Chancellor and his team will pay some attention to Durham university and its science base, which is important for future economic development because it centres on physics and materials research and has an excellent renewable energy research centre.

Mr. Kevan Jones: Does my hon. Friend agree that although we need that expansion in places such as Durham we do not need the artificial boundaries on development that are outlined in the regional spatial strategy?

Dr. Blackman-Woods: I entirely agree, and I shall mention the regional spatial strategy later on.

I am pleased that the Budget encourages international collaboration in advancing our science base. Durham university does that work excellently and I should like further investment in that field.

I want to talk next about education and skills. We need to enhance skills if we are to improve social mobility. The Leitch report was extremely important in drawing attention to the need for higher level 2 and 3 skills and, crucially, for employers to contribute more to the training of their staff. We have the measures to improve the new deal and in-work training, and, in particular, to move from the new deal to in-work training to "train to gain", and to build on the 14-to-19 curriculum. All that has to happen if we are truly to get the skills base up to the level that we need to compete globally.

I am pleased that the Budget announces an early CSR settlement for the Department for Education and Skills, which, again, will see education spending rising by 2.5 per cent. in real terms—up from 4.7 per cent. of GDP in 1997 to 5.6 per cent. in 2010. That is important because it is against a background of spending on education that has almost doubled in the past 10 years. I should tell the right hon. and learned Member for Rushcliffe (Mr. Clarke) that my experience of education under the Conservatives—I was a vice-chair of education in a large unitary authority and a governor at a school—was one of decreasing budgets, having to close schools and continually having to make cuts. It is only in the past five or six years as a governor that I have seen real investment in our schools. The Government are continuing to invest at record levels. The figures have increased from £2,500 per pupil in 1997-98 to £6,600 in 2010-11.

That is not all that the Government are doing. Sometimes Opposition Members ask us to demonstrate what the money has delivered. Well, it has delivered expanding early years provision, impressive and rising results at key stages 3 and 4, an improvement in post-16 staying-on rates, Sure Start centres, personalised learning, and extended hours and extended schools in every community. Schools in my constituency are simply being transformed, not only by additional teachers and classroom assistants, but in respect of the fabric of buildings and the consumables that schools are able to use.

The next area that I want to mention is regional development and planning. The Budget report mentions city regions. Clearly, cities are important to our future economic development, but I would have liked to hear more about what is going to happen to smaller towns. Page 47 of the Red Book states that

"improving the economic planning and decision-making processes at the regional level"

is important, as is

"enhancing the strategic role of RDAs"

and improving regional accountability. However, it is not clear how any of that is going to happen. We need to hear more about a regional policy that is going to improve areas such as the north-east and truly invest in them so that all the growth does not go to the south-east—not that I have anything against the south-east, but it does not seem to make sense not to develop massively those areas of the country that are very much in need of improvement.

Mr. Kevan Jones: Does my hon. Friend agree that one step forward would be to abolish the unaccountable regional assembly in the north-east, which takes something like £2 million a year, and to redirect that money into actual community development in constituencies such as hers and mine?

Dr. Blackman-Woods: Absolutely—I agree totally and would very much like to see that on the agenda.

I understand from the report that a review of regional development agencies is taking place. I would like to hear from the Minister what role Members of Parliament will play in that review. As I have said, in the report there is a lack of strong mechanisms to reduce regional inequalities. The regional spatial strategy in the north-east is a case in point.

Mr. James Gray (North Wiltshire) (Con): I welcome the fact that the hon. Lady would like to see the

abolition of the regional assemblies, which are worthless organisations, but does she agree that, if the regional development agencies are to fulfil any useful function, it is important to have them only in those areas that need them? Having RDAs covering every inch of the country, including the most prosperous parts, by definition means that RDAs in less prosperous parts of the country will not do so well.

Dr. Blackman-Woods: That is an interesting proposition and I am sure that Ministers will give it consideration, even if they ultimately reject it. Some redistribution might be helpful to areas such as the north-east.

The regional spatial strategy for the north-east is in danger of emphasising too much growth in the city regions at the expense of areas such as County Durham, the growth potential of which is neglected absolutely in the current strategy. Such areas have seen housing numbers reduced and there has been an impact on significant developments, such as the Tursdale rail freight depot. I hope that the Government will consider the matter again.

It is welcome that there is a section in the report on investing in housing and planning. However, I hope that the new housing and planning delivery grant will pay attention to the quality of housing delivered as well as the amount. We see too often that poor-quality housing is being put up. If we are to meet the targets on carbon-neutral housing, the standards will have to improve.

The report explains how there are improved affordability measures, including shared equity. There is a new competition for producing housing for first-time buyers, which is welcome. However, attention must be paid to the way in which the stock of councils that have not transferred their stock will be brought up to a decent standard. That will require us to build on the decent homes standard. How will councils be able to deliver more rented housing when there is a demonstrable need to do so?

Sir Paul Beresford (Mole Valley) (Con): Does the hon. Lady accept that many local authorities have not transferred their stock because there has been huge support from local tenants for it not to be transferred, given the quality of the stock?

Dr. Blackman-Woods: That is the case. Tenants in my city voted against a transfer some years ago. However, those tenants desperately need money to be invested in their properties. A lot more affordable housing needs to be delivered in Durham city. The absence of such housing is partly due to the fact that the Lib Dem council has built and delivered little in the past few years. Nevertheless, we must consider improved mechanisms to deliver more social rented housing.

Paragraph 3.130 of the Red Book gives a commitment

"to ensuring that the planning system delivers the housing and economic development the UK needs in a way which is sustainable and consistent with the Government's wider objectives including on climate change".

That is much to be welcomed, as is the support for the Eddington and Barker reports. We obviously need more transport and investment in buses. In areas such as mine, which is a largely rural community, investment in bus services has reduced. Alternatively, investment increasingly goes towards subsidising services that do not meet the needs of the local population. We also need more investment in trains, especially local trains that can transport people throughout the region more efficiently than those on the main line.

I want to pay particular attention to Barker. We are told that there will be a White Paper later in the spring on improving responsiveness and efficiency in land use planning. That makes me very nervous. I realise that it is sensible to take a more strategic approach on economic development and the need for planning. Positive planning for economic development needs to happen and an improvement in the processes of economic development is required. However, planning, by its nature, is a very blunt instrument. Different places have different economic development needs. I hope that the White Paper will acknowledge the difference between areas. My constituency is a historic town, and while it needs economic development, it needs a particular sort of such development to protect and enhance its heritage. Having read Barker, I am not convinced that that will happen. Many people in my constituency are fed up with the increasing number of blocks of luxury flats, which do not meet housing need and impact negatively on the heritage of the city. That movement has to be stopped. Planning policy statement 3 is a step forward, but the regional spatial strategy needs to address that issue in the north-east. We need additional housing if there is to be growth in the north-east, but the area needs to be developed sensitively.

My last point but one is about the planning gain supplement, which is another subject that makes me nervous. I agree that we should have a betterment tax; in fact, I have long argued for one, but I am worried about local authorities being given incentives to approve planning applications. A percentage of the money will come back to them, but that is a dangerous thing to do, because it could allow local authorities to sell every bit of green space and brownfield land that they have for development, as they will get a percentage of the money.

Of course it is important that money should be spent on infrastructure, but I was concerned about paragraph 3.150 of the Red Book, which says that all local authorities and partners will have to work together locally to improve the infrastructure. That does not happen often at local authority level, particularly where there are different tiers of government. It is bad enough if the tiers of local government are of the same political party, but if they are of different political parties, it is just not likely that they will work together to increase infrastructure. I would appreciate it if the Government took that proposal away and looked again at how money from planning gain can be allocated sensibly throughout the country to support development.

My last point is about child poverty. I am proud that the Government have set ambitious targets to reduce it; it is better to have very ambitious targets and not meet them than not to have any targets. Ideally, we would like to meet the ambitious targets, but we should recall that under the previous Government, child poverty more than doubled. It will be difficult to reduce child

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poverty to the level of the Government targets, but I am pleased that that is firmly on the Government's agenda, and that measures in the Budget will improve the incomes of the poorest families by about £425 a year, and of all other households with children by about £250 a year.

In conclusion, we should applaud the Chancellor for the Budget, which is about investing in education and science and helping us to deliver the skills base that we need for the future if we are to be competitive in a global economy. However, it also looks after the needs of pensioners and the poorest families with children, and we should all welcome that.

9.43 pm

Mr. Brian Binley (Northampton, South) (Con): I congratulate the hon. Member for City of Durham (Dr. Blackman-Woods) on her wide-ranging speech. May I say how much I welcomed her remarks on unelected regional assemblies? Her remarks on supplementary planning gain were interesting, and although I, too, have concerns about it, mine differ from hers.

I will not speak on a wide range of subjects. You may be pleased to know, Mr. Deputy Speaker, that I will limit my remarks to the narrow issue of small business and the way in which it has been treated at the hands of the Chancellor in the Budget. I wish to put the case for small business simply and straightforwardly, in the hope that I can create some understanding of that important issue among Government Front Benchers, because I fear that they do not have a great understanding of that area of economic activity. I wish to articulate the concerns of the many people in my constituency of Northampton, South, who have built up businesses that started off very small, as most of them do. They express great concern about the Budget that the Chancellor delivered.

Finally, I wish to appeal to the Government. Although I recognise that the chances of changing the Chancellor's mind this year are not very great, I hope that the Government will rethink their attitude to the issue, not least because they burden even further an area of economic activity on which they, their children and their grandchildren will rely in the years to come. In that context, their actions are extremely short-sighted.

I was about to say that I was a small business man myself, but even with your well-known generosity, Mr. Deputy Speaker, I reckon that you would not have accepted that, so I shall say that I am a business man who founded two small businesses. I shall give a little background about those businesses in order to underline the credibility with which I hope I speak and which I hope those on the Government Front Bench will recognise.

My wife and I started the first business in 1989, and we used the small amount of equity that we had in our own house to start that business. So we know about risk-taking. We know about the worry that risk-taking creates for people who start small businesses. We know the hard work that those people put into the business, not least because their very livelihood is at stake; the very home they live in is at stake, in many cases. Indeed, we knew that we could have lost everything. I am delighted to say that that business now employs about 140 people. We succeeded, and no doubt the Chancellor is delighted that we succeeded, because we collect for him and we pay to him a considerable amount of tax in very many ways.

Let me tell the House about the second business, which we founded with a rather crazy South African in 1993. It was a publishing business, another great risk, and again we put on the line all the gains that we had made from the first business. It may seem that we are gluttons for punishment. We worked hard for many long hours—burned the midnight oil—and spent sleepless hours worrying about cash flow, which is one of the greatest problems for small business. However, we again succeeded, much against the odds, and that business now employs over 80 people.

What are the lessons I have learned from those experiences? What can I bring to the House to help the Government create policies that are friendly to small business and that encourage people to create them in their turn? I will tell the House the lessons that I learned so that hon. Members have an understanding of what small business people think about. The lessons might surprise hon. Members. They are different, I fear, from the lessons that they might think I learned.

I learned that a successful small business is not about chasing volume. Of course one needs to work to earn the money, but volume is not the prime objective. The prime objective for a business man is to look at the bottom line and make sure every month that he is successful with the volume that he creates. The second lesson that I learned is that it is not about sales. Indeed, sales can easily be given away. Unless he is very careful, a business man can easily price his product or service at a level that does not create what he really needs in a small business—a steady, credible, managed cash flow. The third priority that I learned was that running a business is not necessarily about investment in things, such as new equipment—it is about investment in people. Those are the prime concerns when an entrepreneur sets up a small business.

I see that Government Front Benchers are talking among themselves. I hope that that means they have taken my comments on board and will change their view as delivered in the Budget, although I am doubtful.

Mrs. Villiers: Does my hon. Friend agree that the hit on small companies in the form of increased taxes in a more complex system could constitute a real blow to local shops, which are already struggling to be viable in a climate of intense competition from the big retailers?

Mr. Binley: I accept that entirely. Indeed, many of our local shopkeepers now come from another culture, and the Government are making it more difficult for them to run their businesses. I believe that that is of great concern, and I think that the Government do as well. Perhaps they had not thought about it before. I hope that we have put another thought into their minds.

Mr. Graham Stuart: My hon. Friend has told us the compelling tale of the start of his business. I can boast

having started mine a little earlier, when I was a student. Like my hon. Friend, I remember the bank envelopes: just the symbol of the bank was enough to start my hands sweating every time I looked at it. Those early years involved very long hours and very tight margins, and the real difficulty of maintaining a business and investing in people.

Is my hon. Friend aware that the three-point rise, whatever it means to Ministers who are so distant from the livelihoods of people running small businesses, constitutes a 16 per cent. increase in corporation tax for the smallest and most entrepreneurial businesses in the country?

Mr. Binley: I did not know that, but I am delighted to accept it from my hon. Friend, because I know of his concern about these matters and the work that he puts into them.

Dr. Rudi Vis (Finchley and Golders Green) (Lab): Are you suggesting that successful large companies—

Mr. Deputy Speaker: Order. I am not suggesting anything. Perhaps the hon. Gentleman would like to rephrase his question.

Dr. Vis: Do you accept, Mr. Deputy Speaker, that what the Gentleman is saying suggests that he is attacking large and successful companies?

Mr. Binley: I am delighted to tell the hon. Gentleman that that is total nonsense. He knows it, I know it and every other Member in the House knows it.

Not once during the first 10 years of either of my businesses did I come near to investing £50,000 in a given year. As I said, the initial equity from our home financed the start-up, and growth thereafter was financed from retained profit. That is another aspect of the creation of small businesses that should be taken into account. However, even with a deliberate policy of controlled growth, we faced serious problems on many occasions: problems caused by customers going bust, by debtors not paying up—not just not in time, but sometimes not at all—and by clients pulling work unexpectedly. Those are all major blows to a new, small, growing, developing business, and they place massive demands on good cash-flow management.

The fourth priority was to make friends with the bank. Had I not done so, the bank would not have been anywhere near as understanding as it was, and my business could have gone to the wall. However, I fear that today many banks are less compassionate. I know people who have tried to start small businesses and have found that aspect much more difficult. I was lucky: I made friends with my bank, which sustained us through some very difficult times. That is the reality of growing a small business. We faced risk, we faced hardship, we faced long hours, we faced sleepless nights—but we grew to a point at which we employed more than 220 people collectively. The Chancellor should be delighted with the work that we have done to service his income. We should be given a medal, but what do we get from him? Tragically, he kicks us where it hurts most, and where it hurts most small businesses—in our ability to manage good cash flow.

What should the Chancellor have taken into account when he made his decisions on this Budget? He should have recognised that small businesses employ more than 12 million people—that is 58 per cent. of the private sector employment figure. He should have recognised that adding that figure to the UK's medium-sized businesses shows that together they will create more than 2 million jobs in a 10-year cycle. When he looks at UK plc, he will recognise that they will, conversely, shed 1.5 million jobs in the same period. One might have thought that he would see small business creators as his heroes—the people whom he needs to nurture, reward and support—yet he adds to our problems.

Why is that? I think that it is because he does not understand the small business sector, which creates jobs at a fraction of the cost wasted by the Government in their failed attempts to help it to do so. Listen to what my hon. Friend the Member for Hertford and Stortford (Mr. Prisk) says about how small business views small business services run by the Department of Trade and Industry. Look at the cost of business support, in which small business plays a part—a staggering £12 billion per year according to the Richard review of small business and Government. Look at the National Audit Office report of 2006, which was scathing about Government support services, comprising 3,000 schemes that the Government now say that they are going to cut down to 100. I could go on to talk about the lack of skills and poor educational training as regards supporting the workplace.

The truth of the matter is that the Government have not been an outstanding success when it comes to small business, and small business is aware of that fact. Is it any wonder that they are not a greater success, given that I go to the Library and find that so few Labour Members have had business experience? Is it any wonder that they do not understand business generally and small business in particular?

David Taylor: I declare an interest as an accountant to small business in a long period leading up to 1997. What the hon. Gentleman has said is a masterclass in how to take the seed of an idea from a micro-business through to a small and then a medium-sized enterprise. Does he accept, however, that a basic element missing from his remarks is that organisations should not choose a business format for fiscal reasons? Is it not the case that artificial incorporation of small businesses has been a costly mistake, and that it was right for the Chancellor to tackle that abuse?

Mr. Binley: I am delighted to take an intervention from one of those Labour Members who has had business experience, which gives it greater credibility. Nevertheless, he will know that the Chancellor created the situation in the first place. The problem is not that people were taking advantage of a tax loophole—which I do not support, by the way—but that things could have been handled differently, thereby not harming small business in the process.

What has the Chancellor done in the Budget? We all know—he increased the rate of corporation tax for small business from 19 per cent. to 22 per cent. by 2009. He added an extra £820 million to the tax burden that

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small businesses bear. He claimed that small business would claw that money back by claiming an annual investment allowance of £50,000 and benefiting from an increase in research and development allowances.

It being Ten o'clock, the debate stood adjourned.

Motion made, and Question put forthwith, pursuant to Standing Order No. 15 (Exempted business),

That, at this day's sitting, the Business of the House: Northern Ireland (St. Andrews Agreement) (No. 2) Bill Motion made be proceeded with, though opposed, until any hour; and proceedings on the Motion in the name of Mr. Chancellor of the Exchequer relating to Ways and Means Amendment of the Law may continue until midnight.—*[Mr. Cawsey.]*

Question agreed to.

Question again proposed.

Mr. Binley: I was grateful for the chance to get my breath back.

I want to deal with giving with one hand and taking away with the other. I do not believe that the Chancellor took with one hand and gave with the other. Small business simply does not invest the sort of money that allows it to claim back its costs in extra corporation tax every year. The additional taxation that small business pays will not be offset. The Chancellor simply does not understand small business.

Mr. Andrew Love (Edmonton) (Lab/Co-op): Will the hon. Gentleman give way?

Mr. Binley: How can I refuse the hon. Gentleman who accompanied me to Sri Lanka?

Mr. Love: How do I answer that?

Does the hon. Gentleman agree that all the surveys of small businesses show that the most important factor for them is a stable and growing economy? Has not the Chancellor delivered that? Should not the hon. Gentleman therefore say what a good job the Government have done in creating the conditions for small businesses to grow?

Mr. Binley: Of course we all need a stable economy—every business and every family in the land needs that. However, I equally recognise that the first five years of the long period of stable economy were created by my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), who has now left his seat. We need to pay tribute to him, too.

I have said that the Chancellor does not understand small business. However, he fails to understand an even more important factor: small businesses mainly sustain growth from retained profit. It is as simple as that, and I am glad to see Labour Members nodding. Do not they realise that, by increasing the burden of taxation, they limit sustained growth because they limit the amount of retained profit? It is not difficult. Many hon. Members tell me that the Chancellor is the cleverest man to have held the office, so I would have thought that he understood the point that I have just made—but he does not. In failing to do that, he has harmed many small businesses in this country.

The Government have tried to spin their actions as help for small businesses and the wealth-producing sector. Let us consider the genuine reason for the Chancellor's decision to increase corporation tax for smaller businesses. The Secretary of State for Trade and Industry let the cat out of the bag last Thursday, when he was questioned on the matter. Do you know what he said? He said that a

"number of people were incorporating and becoming small companies to avoid paying tax and national insurance."—[*Official Report*, 22 March 2007; Vol. 458, c. 933.]

There we have it. It is not about growing small businesses; they have to suffer because one-man operations are using incorporation, as you rightly say, as a loophole.

Mr. Deputy Speaker: Order. The hon. Gentleman must be careful about his phrasing, especially his use of the word "you".

Mr. Binley: I accept that and thank you for your guidance, Mr. Deputy Speaker.

There we have it. As I said, it is not about growing business, but closing a loophole. Surely it is not beyond the wit of the very cleverest Chancellor of the Exchequer that the Labour party says it has ever had to create a system that solves that problem without harming small business. The truth is that this very clever man did not think about it; he did not think that it was worth his attention. I find that really rather ironic when this is the same Government who use those incorporations to boast about the growth of entrepreneurial activity. He wants it both ways as well, which is not the hallmark of a very clever Chancellor.

When I heard the Budget speech, I was a bit concerned that I might be over party political. I know that that might be difficult to understand, but I was concerned, so I wanted to check out what other people in business might have said about this Budget. I noticed that the hon. Member for Blaydon (Mr. Anderson) said that most business commentators supported the Budget. Well, let us test that theory.

Nick Golding, chief executive officer of the Forum of Private Business said:

"The Chancellor has used smoke and mirrors to disguise the fact that there is nothing in this budget to support small business."

The Federation of Master Builders said:

"SMEs have enough to worry about with seemingly endless red tape and its disproportionate effect on small firms without having to stump up extra cash to subsidise a tax cut for the big boys."

The Federation of Small Businesses said:

"After some welcome initiatives for our members he throws it all away with a tax hike aimed at small businesses".

The British Chambers of Commerce said:

"He has also increased the amount of tax that those covered by the Small Companies Rate will have to pay by over £800 million. This is a substantial rise and will hit those looking to grow their businesses... many of our members will feel let down by today's budget".

The best quote of all comes from a gentleman I happen to see in my local public house most Friday evenings—a guy who has run a business for 30 years. What he said to me—I hope that this is parliamentary language, Mr. Deputy Speaker, but I am simply

repeating what he said—is: "He's a snake oil salesman who makes out he's doing you a favour when all the time he is covering up his own mistakes". Should I withdraw that, Mr. Deputy Speaker, or is it acceptable?

What could the Chancellor have done to help small business?

Mr. Love: The hon. Gentleman did not mention the Institute of Directors or its director, Miles Templeman. Can he tell us about his comments on the Budget?

Mr. Binley: The truth is that I did not read the bit to which the hon. Gentleman refers, but after this debate, I will go and look at it. What I do know is that the Institute of Directors complained about the impact of the increase in corporation tax on small businesses.

How could the Chancellor have helped? It is a missed opportunity for a sector that needed his help and understanding, but did not get it. The Chancellor could have reintroduced a new starting band for corporation tax for the first £10,000 of profit, but he did not. He could have introduced a more efficient VAT registration process, but he did not. He could have integrated national insurance with income tax for schedule E taxpayers, but he did not. He could have linked the national minimum wage to the retail prices index, but he did not. He could have given businesses more influence with skills initiatives for small business, but he did not. He could have set aside a percentage of public procurement contracts for small business, but he did not. He simply placed a further £1 billion of extra tax on to businesses next year and more thereafter. "Thank you, Mr. Chancellor, from the business community. You have shown yet again that you simply do not understand the small business sector and, worse still, you have shown that you do not really care about it either."

Small business feels let down. It is the dynamo of the economy, and it will provide jobs and innovation in the future. What a tragedy that this Chancellor does not understand.

10.10 pm

Mr. Graham Stuart (Beverley and Holderness) (Con): It is a great privilege to follow my hon. Friend the Member for Northampton, South (Mr. Binley), who has given a tour de force on behalf of small businesses that this House needed to hear, because of the impact on small business of this Budget. Too few Labour Members have ever worked in small business or understand small business. They cheered the Budget, which will harm small businesses such as corner shops. My hon. Friend could have mentioned that many post offices around the country will be hit by the increase in tax.

Like my hon. Friend, I plan to be relatively narrow in my focus tonight. I shall focus on the environment, the environmental impact of the Budget and the environmental record of this Chancellor of the Exchequer. I will then go on to discuss some of the local issues in the East Riding of Yorkshire, many of which affect other constituencies.

In 1997, the current Chancellor made his first pre-Budget report, in which he stated that

"nothing is more important than our approach to the environment."—[*Official Report*, 25 November 1997; Vol. 301, c. 779.]

This is the last of the Chancellor's Budgets, so it is a suitable time to examine his record on the environment. I hope that I will not bore the House too much, but I shall leave hon. Members to judge that.

I am currently a member of the Environmental Audit Committee, which is a cross-party Committee dominated by Labour Members and which examines this Government's environmental record. The Committee's report on the pre-Budget report 2000 stated:

"The Committee has found no evidence that the Government has carried out a comprehensive environmental appraisal of its Pre-Budget measures which would even satisfy its own guidance in this area...The Government's response to us on VAT and energy efficiency is not persuasive nor even credible."

The Government's failure on energy efficiency is sad. Those of us who want to see the carbon footprint of this country reduced know that the cheapest, most effective and quickest route to reducing emissions from this country is through energy efficiency.

What is the Chancellor's record? The next report by the Environmental Audit Committee appeared in 2001. The Committee included many Labour Members, such as the right hon. Member for Oldham, West and Royton (Mr. Meacher), the former Members for Cardiff, Central and for Aberdeen, North, and the hon. Members for Wrexham (Ian Lucas), for Stoke-on-Trent, North (Joan Walley) and for Telford (David Wright). The report stated:

"We regret the fact that the Treasury has retreated from a strategic commitment to environmental tax reform...The Treasury is failing to provide adequate leadership and co-ordination across central Government...We strongly regret the refusal of the Treasury"—

this will be familiar to Select Committee members across Government—

"to provide us with the Spending Review main guidance. This...vividly demonstrates that the Treasury will only share what it does not value or consider important."

That report came from a Labour-dominated Committee.

Were things improving in 2002? The 2002 Environmental Audit Committee report stated:

"The Government's Climate Change strategy for reducing greenhouse gases is seriously off-course, and current progress and future projections must be reviewed as a matter of urgency."

The Committee picked up on the Government's failure to transfer tax from "goods" and employment on to "bads" for the environment, which they had originally promised to do:

"The Treasury's strategic objective of shifting the burden of taxation from 'goods' to 'bads' is in danger of stalling. Indeed, we see little evidence of an environmental tax strategy as such."

The pattern is becoming set, and we look each year for some hope and some chance of change.

As for the 2003 pre-Budget report, the EAC—still dominated by Labour Members—found that the Chancellor, though definitely Brown, was far from green. Many articles have been written in newspapers—for instance, by Stephen Tindale of Greenpeace—on the question, "Is the Chancellor green?" The truth is that Brown may be the new Black—Conrad—but definitely not the new green. The EAC stated that

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"the Climate Change Strategy is seriously off course. The policy instruments the Government has put in place have yet to make a significant impact on the UK carbon emissions trajectory."

On the 2004 pre-Budget report, it stated:

"It is disappointing that the Treasury, after consulting in both 2002 and 2003 on fiscal measures for domestic energy efficiency, was unable to include in Budget 2004 a more significant package of measures."

In 2005, the EAC came out again to say—*[Interruption.]* It is worth putting on record the reports of a Committee dominated by Labour Members, because they paint a picture of the Chancellor's total failure to deliver on the environment. I understand why those on the Government Front Bench do not want to hear it. It said:

"PBR 2005 signifies a continued slowing down of the Treasury's momentum in turning its rhetoric on the environment into action".

Mr. Charles Walker (Broxbourne) (Con):Surely there must be some good news somewhere. It cannot really be this grim, can it?

Mr. Stuart: I recognise that my speech is dirge-like in flavour.

In 2006, the EAC again stated:

"We are very disappointed by this Pre-Budget Report."

I would love to say that the Labour Members on the Committee had some positive news, but I am afraid that they did not. They said:

"The picture is of an ongoing retreat from the Treasury's announcement in 1997 of a policy to shift the burden".

According to the Labour-dominated EAC, the Chancellor's history on the environment is one of failure after failure. He has not delivered as he originally promised when he said that it would be the most important measure for the Government.

Mr. Stewart Jackson (Peterborough) (Con): I agree with my hon. Friend that the Chancellor only goes green when he sees his poll ratings. Does he agree, however, that our right hon. Friend the Member for Witney (Mr. Cameron) has set the agenda on the environment, and that the Chancellor failed to make a single substantive speech on the environment in the 10 years prior to the end of last year?

Mr. Stuart: I am grateful to my hon. Friend for mentioning that. There have never been more than two references to climate in pre-Budget reports and Budgets in the past 10 years. In 1997, there was none, and there were only one or two every year until the appointment of my right hon. Friend the Member for Witney (Mr. Cameron) as Leader of the Opposition. Suddenly, in 2006, the Chancellor's two major speeches had 16 mentions of climate between them. Suffice it to say that last week's Budget speech alone contained 14 references to climate.

Julia Goldsworthy (Falmouth and Camborne) (LD): Does the hon. Gentleman admit that the Conservatives are Johnny-come-latelies to the argument for the need for environmental action? Will he comment on whether the proposals that we have heard floated are policy commitments or beliefs? What impact does he think that those measures, if they are adopted as Conservative policies, will have on climate change?

Mr. Stuart: As the hon. Lady well knows, the Conservative Government signed Kyoto—*[Interruption.]* The noble Baroness Thatcher made the original commitment before it was later signed. She was the first of this country's major leaders to put the focus on climate change. As we can see from the figures revealing the attention that the Chancellor has paid to the issue over many years, the Conservative leadership, particularly that of my right hon. Friend the Member for Witney, has changed the Government's approach and attitude, after the Chancellor's long tale of failure. Does my hon. Friend the Member for Broxbourne (Mr. Walker) wish to make a contribution? I was looking forward to another helpful intervention.

Why has the Chancellor suddenly undergone this Damascene conversion to the environmental cause? It has happened because of the arrival of my right hon. Friend the Member for Witney as the new Leader of the Opposition. Last week's Budget was designed not only to give a false impression of tax cuts, which has been demonstrably torn apart by Conservative Members, but to give the impression that the Chancellor will simplify the tax system—that he is a straightforward Chancellor who can be trusted, and who can tackle the allegations made against him. As we know from a leaked Treasury staffing report, staff who work for the Chancellor recognise his character as being anything but that. More than half of those who left the Treasury cited dissatisfaction with the job as the reason for doing so and almost a third mentioned low morale or cited boredom. The truth is that the Chancellor's character is one of the central issues of the political debate as we move towards having a new leader of the Labour party. Even more than the details of the Budget, it is the Chancellor's character that has been brought into the greatest relief since the announcement of the Budget last week.

In terms of the environment, we need only turn to what has been said by Labour party sympathisers and ex-activists, such as Stephen Tindale of Greenpeace, who used to work for the Labour party. He said that in 2000:

"The environmental movement was blamed inside government, and by Brown in particular, for failing to speak out loudly enough in support of government."

What does this Chancellor do when someone does not speak out loudly enough in support of him or the Government? Stephen Tindale tells us. He said:

"From 2000 until the middle of last year Brown lost interest in environmental issues, and the doors of the Treasury were closed to us."

That shows the character of the Chancellor: as a Chancellor, he has failed to deliver for the environment on every occasion.

Let us go through some of the details of the Budget. Road fuel duty has been increased by 2p per litre. It was said in the pre-Budget report of 1999 that

"the Chancellor has decided that revenues from any real terms increases in fuel duties will, in future, go straight in to a ring-fenced fund for improving public transport and modernising the road network".

Does that promise still hold? Will the money raised from the fuel duty rise go towards improving the transport network? I should like the answer to that when the Chief Secretary winds up the debate.

We know that the increase in vehicle excise duty on so-called Chelsea tractors will impact on people in rural areas, such as those who need such vehicles for

farming. There was an opportunity to introduce a new tax category for people who have to use those vehicles for work, which would have made a tremendous difference to those in rural areas who are currently struggling to survive economically, but it was not taken. There was also an opportunity to increase VED to an extent that would lead to a genuine transfer from more gas-guzzling cars to more efficient ones.

Julia Goldsworthy: May I draw the hon. Gentleman's attention to last year's Finance Bill and point out that the Liberal Democrats tabled amendments to address rural-proofing the VED increases, and that we also tabled amendments to try to introduce VED at such a level that it would have an impact on behaviour?

Mr. Stuart: Yes, and we all look forward to having a Liberal Government that will actually introduce those changes, of course.

There has been no real movement on VED, but there has been movement in the Budget on waste. The landfill tax escalator has been increased from £3 to £8 a year from April 2008, but why is there not a lower rate of landfill tax for waste that has been biologically treated before landfill? Some waste cannot be dealt with otherwise, and it should attract a lower level of landfill tax. There was also an opportunity to deal with incinerators, which are springing up all over the country—that development is driven by the Government. There should be an incineration tax to maximise the use of greener ways of dealing with waste. Also, what do we find in the Budget on energy efficiency, which is the most critical, and the easiest, means through which to make genuine improvement and change? Absolutely nothing.

The Budget mentions zero stamp duty for new homes that meet the zero carbon standard, which appears to send a signal to the building industry to invest in zero-carbon homes for the future, but no. The Chancellor has put a five-year limit on that zero duty. It will end in 2012, so the likelihood of builders changing the way that they build homes is small to non-existent. *[Interruption.]* Indeed; it is truly a zero-rated Budget. The Government's record in this Budget and the previous 10 is one of failure to put the environment at the heart of their policy, and it is in direct contradiction of the promises made when they came to power.

I turn from the environment to the other issues that most concern my constituents. The last Labour party manifesto promised that the share of national wealth spent on education would increase by the end of this Parliament. I should be interested to hear the Minister confirm or deny that. The truth is that, at 2.5 per cent., it is growing at less than the predicted rate of growth of the economy. *[Interruption.]* Does the Economic Secretary want to intervene?

The Economic Secretary to the Treasury (Ed Balls): I can confirm that, entirely consistent with our manifesto commitment, the share of education spending as a percentage of gross domestic product will rise over the course of this Parliament.

Mr. Stuart: I am happy to agree that if the hon. Gentleman and the Government can deliver that, they will have met their manifesto commitment. Of course, all this depends on the rate of growth of the economy. Bearing in mind the powerful speech of my hon. Friend the Member for Northampton, South on the impact on small businesses, the likelihood of the Government's increasing the share of education spending as a percentage of GDP is probably greater, given that they will reduce the rate of economic growth through the measures that they introduced in the Budget.

Ed Balls: It is still going up.

Mr. Stuart: That very much depends on the size of the economy at the end of the Parliament, but it would appear that over the next few years, the plan will produce a lower increase in education spending than the rate of growth of the economy overall.

David Taylor: The hon. Gentleman was in the Chamber, as I was, when we first heard the Chairman of the Public Accounts Committee articulate what will in future years be known as the "Gainsborough doctrine". That doctrine moves on from sharing the proceeds of growth to confiscating or hypothecating them: to transferring all those proceeds into tax cuts, thereby denuding public services. Was the hon. Gentleman attracted by that innovation?

Mr. Stuart: I am grateful for that intervention. The vision of removing all those on low pay—I think that my hon. Friend the Member for Gainsborough (Mr. Leigh) suggested the figure of £15,000—from the labyrinthine attentions of the tax credit system, in which half the payments made are wrong and are dragged back from those who have least, is an attractive one. I doubt whether the time frame of five years or one Parliament that my hon. Friend suggested can be met, but I agree with him that when the Conservatives return to power in 2009 or 2010, over the following 15 or 20 years we will see those on low pay removed from that system, a transformation of people's economic activity and, therefore, an eventual increase in the tax take. We could fulfil the vision, which my hon. Friend did not entirely detail, of more investment in public services, while lifting the low-paid out of paying tax. *[Interruption.]* The hon. Member for City of Durham (Dr. Blackman-Woods) is bouncing up and down; does she want to intervene?

Dr. Blackman-Woods: I am grateful to the hon. Gentleman for giving way. Does he accept that the table on page 158 of the Red Book not only outlines total projected spending on education until 2010-11 but the proportion of GDP, demonstrating that it will grow until 2010-11?

Mr. Stuart: I think that the Economic Secretary has already dealt with that issue. The Budget did not touch on the NHS, which is the predominant issue in the minds of my constituents, as the local primary care trust, appointed by the Government, is setting about closing every NHS bed in my constituency. My constituents are also concerned about social care, about which we heard nothing in the Budget. Social care is a mushrooming problem, as recognised across the House, and it is a pity that the Budget did not take up that issue.

We need a change in the comprehensive spending review and more investment in transport, to provide a

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fairer allocation of transport investment across the country. It is not fairly allocated to Yorkshire and that has an impact on issues such as the Humber bridge tolls, which remain in place and inhibit economic growth, the improvements to the A1079 in my constituency, and the possibility of the return of a rail link between Beverley and York.

10.31 pm

Mr. Philip Dunne (Ludlow) (Con): I remind the House of my entry in the register of Member's interests.

It is, as always, a great pleasure to follow my hon. Friend the Member for Beverley and Holderness (Mr. Stuart), who spoke with his customary passion, especially about the lack of detail in the Chancellor's statement about the NHS. Indeed, he hardly mentioned it.

I intend to talk mostly about small business and to echo some of the comments made by my hon. Friend the Member for Northampton, South (Mr. Binley), and I shall finish on the environment. However, I wish to introduce my remarks by commenting on the tone of the Chancellor's speech. It was an undeniably political speech, which is no surprise to anyone on this side of the House and probably not to anyone on his own side, given his ambitions, which he obviously hopes will be realised sooner rather than later.

The initial reaction from Labour Back Benchers was positive and the Budget was well received in the Chamber. However, as hon. Members have had more time to reflect on what was said—and, perhaps more importantly, what was not said, but appeared in the detail of the Red Book and the supporting documents—the reaction has been markedly less positive. Indeed, the glee of many Labour Members has started to dissipate.

It was the right hon. Member for Birkenhead (Mr. Field) who pointed out the logical difficulty for the Chancellor in criticising, in future, the policy of my right hon. Friend the Member for Witney (Mr. Cameron) and the shadow Chancellor in relation to sharing the proceeds of growth—a point to which I shall return. This evening, we heard from the Chancellor's great friend and former Paymaster General, the hon. Member for Coventry, North-West (Mr. Robinson), in a devastating speech that damned the Chancellor with faint praise. The hon. Gentleman called the Chancellor "fundamentally sane"—as opposed to completely sane—which suggests that a large part of him may not be sane. The hon. Gentleman went on to criticise two flagship policies. He criticised the scrapping of the 10p starting rate of income tax—I suspect that he introduced that himself, although I am not familiar with the history of his involvement with the Government—as an inappropriate move for a Labour Chancellor. He also highlighted the problems that will be caused for small businesses by the increase in the rates of corporation tax. It was not exactly a ringing endorsement from one of the Chancellor's closest political friends.

I would characterise the Chancellor's speech as one in which he blew smoke in order to hide—or to use the colloquial term, to bury—bad news. He put up a mirror in an attempt to reflect the policies of my right hon. Friend the Member for Witney and steal his clothes.

Bob Spink (Castle Point) (Con): My hon. Friend talks about smoke, and he said that the Chancellor was scrapping the 10p rate of income tax. In fact, he is doing no such thing: instead, he is doubling the 10p rate to 20p.

Mr. Dunne: I am grateful to my hon. Friend for pointing out the reality of what the Chancellor has done. The Budget was camouflaged as one that would cut taxes for all levels of income, but we understand now that that is not so.

The income tax cut so dramatically flourished at the end of the Chancellor's remarks hid the impact of increasing the starting rate for the poorest members of society, especially those who do not have children. That is an astonishing redistribution from the poor to middle Britain, given that it comes from a Labour Chancellor who has sought to do the reverse during his tenure in office.

I come now to the Chancellor's track record with the public finances over the past 10 years. The chief executive of the Forum of Private Business has talked about "smoke and mirrors" in respect of the Budget, and that metaphor is appropriate. We have heard this evening about the public debt and the Chancellor's stewardship of public borrowing. My right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) eloquently highlighted the problem with the Chancellor's forecasting skills. This is the seventh year in a row that the Budget forecasts for public sector borrowing have had to be increased. In fact, the Chancellor managed to get those numbers right only when they had been set by my right hon. and learned Friend—that is, when the right hon. Gentleman was following the spending plans of the previous Chancellor—and we heard last week that there would be a further £8 billion increase in public borrowing over the next few years.

Tucked away in about four words in the Chancellor's statement was an announcement that although future spending increases had been set out for almost every Department of state—but not for the NHS, as that is still to come—the right hon. Gentleman had decided to delay publication of the comprehensive spending review until October. Why? The political tone of the Chancellor's endeavours suggests to me that he wants to make sure that it will be his hand on the tiller, and not the current Prime Minister's, when the CSR is eventually published. That means that he will be seeking to tie the hands of the Chancellor who succeeds him.

The Budget speech contained a great deal about tax cuts, but a detailed reading of the Red Book makes it clear that the tax burden is rising significantly. Last year it was 39.2 per cent. of GDP, but in 2008-09 it will be 40.4 per cent., an increase of £17 billion. The total of tax and national insurance as a percentage of GDP is now the highest since 1997, and will increase over the next five years. I accept that the Red Book uses the OECD definition of these matters, but it does not include tax credits—another of the Chancellor's

smoke-infested attempts to hide the amount of spending undertaken on his watch.

The Chancellor made some big-picture announcements. He said, with a great fanfare that was well received by Labour Back Benchers, that he would be responding to the parliamentary ombudsman's criticism of the Government's pensions mis-selling allegations by increasing the amount available to the financial assistance scheme to £8 billion. A huge cheer went up, and people might be forgiven for thinking that the entire amount would be put to use. However, on making a closer inspection—and as the Secretary of State for Work and Pensions clarified for members of the parliamentary Labour party—we see that the money is to be spread over 60 years. If we apply conventional net present value calculations to £8 billion over 60 years, the total is reduced to £1.9 billion—not quite such an attractive figure to announce. That is another example of smoke and mirrors. The financial assistance scheme has cost almost £9 million to administer, and as of the last month it had paid out the princely sum of £3.2 million to a mere 1,000 of the 125,000 pensioners who have lost their pensions and for whom it was designed in the first place.

May I move on to comment on what the Budget has done for business? Another flourish from the Chancellor was the cut in corporation tax to 28 per cent. That is welcome news, and it almost went as far as my hon. Friend the shadow Chancellor proposed a few days earlier. However, it is still higher than the average for the 25 members of the European Union, which is under 26 per cent. Financial services companies will benefit the most, but capital-intensive non-financial businesses will not achieve the benefits that the Chancellor seeks to introduce. That is curious. Manufacturing industry is under intense pressure as a result of threats from low-cost countries to which manufacturing has migrated in recent years, and profitability in manufacturing is at its lowest level since 1992. The Bank of England recently produced research that described the loss of industrial capacity in this country as the most dramatic of any G7 country. Indeed, the share of the economy taken up by manufacturing has fallen from 20 to 15 per cent. in recent years.

Sir Nicholas Winterton (Macclesfield) (Con): In all the 35-plus years in which I have served in the House, manufacturing industry has been my priority. Will my hon. Friend, who has considerable business experience, describe his concern about the dramatic loss of jobs in the manufacturing sector, bearing in mind the fact that manufacturing is the sole way in which the country can achieve sustainable non-inflationary economic growth?

Mr. Dunne: I am grateful to my hon. Friend, who is a tremendous champion of manufacturing, particularly in his constituency, where he regularly raises those issues. Undoubtedly, manufacturing jobs are something that we should encourage. By penalising investment in capital-intensive goods we will make manufacturers less able to continue to invest and to take on the challenge of the low-wage economies with which they are constantly, and increasingly, competing. The measure is therefore of little help to them. The other losers in the so-called Budget for business are small businesses, which must pay an increased corporation tax rate as a result of the Chancellor's sleight of hand. That tax rate, hon. Members will know, will go up by 3 per cent. over the next three years.

Adam Afriyie (Windsor) (Con): It will go up by 16 per cent. overall.

Mr. Dunne: I am grateful for that reminder.

That is damaging, because small businesses are the source of much innovation, employment and growth in the economy. There are 4.3 million small businesses in the UK, and 97 per cent. of firms employ fewer than 20 people. More than half a million people start up a new business every year, and 12 million people work in small firms. One of my hon. Friends mentioned that the number of people who voted for the Labour party in the last two elections is similar to the number of people employed by small firms. Despite what the Chancellor said in the Budget, and despite the attitude of the Treasury and the Revenue, in many respects the Budget undermines some of the most creative and entrepreneurial sectors of the economy. I shall give a couple of examples to show what was happening in the weeks before the Budget.

The Budget included specific measures on venture capital trusts, which are a form of tax-efficient investing that have been successful in raising equity and closing the equity gap for emerging businesses when it is difficult for them to secure capital from other investors, or purely from bank debt. Last year, £750 million was raised for VCTs and more than £500 million was raised in 2004-05. Each year, the Government have tinkered with the VCT regime and I welcome some of the minor measures introduced this year—some in response to points raised by me and by other Conservative Members in the Finance Bill Committee, but rejected by the Government. However, they have now recognised that we were talking sense and introduced some of those proposals. I congratulate the Government on listening to the industry—as will the industry.

Those provisions were completely overwhelmed, however, by the astonishing inclusion of two measures that limit investment in individual companies by VCTs to a mere £2 million, which will create a substantial equity gap between £2 million and £5 million to £10 million, at which level there are more sources available through the City. Even more damaging has been the limit on the number of employees in companies in which VCTs can invest: a mere 50 employees. I believe that is also the case for enterprise investment schemes.

The Government's excuse for that astonishing restriction on the flexibility of those investment vehicles is that it is all down to our friends in Brussels. The European Union, my hon. Friends may not be surprised to hear, has reinterpreted the rules for state aid and decided that any funds raised with the benefit of tax incentives now qualify as state aid, so European definitions of small and medium-sized enterprises need to apply. That move needs to be vigorously resisted by the Government, yet in the Budget they seem to have

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rolled over with no serious attempt to fight it off. I look forward to hearing their views—perhaps in the wind-ups—of how the position can be restored.

One impact of the clampdown on VCT flexibility has been significant in an industry close to the Chancellor's heart—the film industry. The head of Ealing Studios, Mr. Barnaby Thompson, who was, as it happens, at university with me, said:

"It's a massive kick in the nuts."

I think that must be a film expression. A St. Trinian's remake, starring leading British actors, is in production at Ealing Studios, and after the Budget announcements, two weeks before filming was due to begin, the producer lost £2 million of pledged funding through the VCT route, which amounted to 30 per cent. of his budget. That is an example of the practical impact of the measures.

Two days after the Budget, I received a letter from one of the leading commentators on VCT funding, Mr. Peter Hargreaves of Hargreaves Landsdown, who said:

"In our opinion this means that after 6 April it will be much harder for VCT managers to find companies worth investing in, and in all probability this will radically reduce the VCT capacity for investors."

His colleague, Mr. Ben Yearsley, was rather more direct. He said that the Chancellor

"has effectively killed off the sector in two years. In 2006, he wounded them"—

the VCT industry—

"with the gross asset legislation, before going for the kill this year".

That is what the industry believes will happen as a result of the measures that the Chancellor has introduced in what was supposed to be an innovative Budget for entrepreneurial small businesses.

The second specific issue arose shortly before the Budget. I have been trying to work out why, on 2 March, Her Majesty's Revenue and Customs chose to publish some detailed notes under the guise of reducing abusive avoidance schemes. The notice has effectively brought to a halt the ability of investors to deduct losses generated through a partnership in one activity against their other income; it is known as sideways loss relief. My understanding is that the Revenue had identified various categories of activity where there may have been some genuine abuse. I am not seeking to criticise attempts to clamp down on genuine abuse or tax avoidance. Such attempts are appropriate. However, this announcement was slipped out on a Friday evening with no prior warning. Having scoured the Red Book, I now think that I understand why.

The measure is estimated to raise £400 million for the Treasury, and £400 million is close to the amount of money that the Chancellor claims that the Budget will produce in the first year by way of a tax cut. If he had not already announced the measure, he would not have been able to say that this was a tax-cutting Budget. He introduced a tax-raising measure three weeks before. Is that smoke or a mirror? I think that it is smoke. A large cloud of smoke has been blown all over the Budget by that measure.

What does this mean? It means that the Chancellor has introduced a measure that will stifle innovation and lead to a significant reduction in investment across a whole range of industries. The original intention, I believe, was to address abuses in the forestry and shipping sectors and latterly possibly also the property sector. Where it is actually going to bite is in the creative industries—the sectors so close to the Chancellor's heart. Film, theatre, electronic games publishing and biotech investments—high-risk genuine venture investments—will find it difficult. The combination of the VCT and enterprise investment scheme rules that I have just referred to and the elimination of sideways loss relief means that investors who have other activities and are prepared to invest, typically in limited liability partnerships, in order to fund those high-risk ventures will no longer be able to relieve the loss.

The Chancellor might say that we have a generous regime for film finance in this country as a result of the measures in the last Budget. I do not deny that the 20 per cent. production credit available to film producers is a useful assistance. However, if the other 80 per cent. is no longer going to be offsetable against other income, that is not going to amount to a row of beans, because there will be no funding available for ventures such as film productions if investors are no longer going to be able to offset losses incurred from those very high-risk, typically binary, investments. Those investments either work or they fail, and if they fail one loses all one's money. If people cannot offset that loss against their other income, in effect productions will not get the 80 per cent. funding to which the 20 per cent. credit would apply.

The instrument needs to be carefully considered by Ministers and their advisers in the Treasury. I hope that when the Finance Bill is working its way through the Committee stage, Ministers will pay more attention to the matter than they are at the moment. [Hon. Members: "Hear, hear."] I am grateful to my hon. Friends for drawing attention to the fact that I am still speaking. It woke up the Members on the Labour Benches.

I want to conclude with a few remarks about the Chancellor's environmental measures. In 1997, the Treasury issued a "Statement of Intent on Environmental Taxation" setting out the Government's aim:

"to reform the tax system to increase incentives to reduce environmental damage"—

very noble. They said that they intended to

"shift the burden of tax from goods to bads"—

I think that we have heard that elsewhere recently. They wanted to

"encourage innovation in meeting higher environmental standards; and deliver a more dynamic economy and a cleaner environment, to the benefit of everyone."

For 10 years, the Chancellor failed to provide a green Budget. In the eight years before Labour came to power, green taxes rose as a percentage of overall taxes from 7.8 per cent. to 9.4 per cent. However, by 2005, which is the latest year for which information is available, the Chancellor had allowed that percentage to fall to 7.7 per cent., which was its lowest level since 1987, when the information was first recorded. The

Government took just under 2.9 per cent. out of the economy, which was another 18-year low. Mr. Ed Matthews of Friends of the Earth said that he would give the Chancellor

"probably one out of ten. He's got a terrible record".

I agree with him.

I will cite two specific measures in the Budget that were an attempt to demonstrate the Chancellor's green credentials. Under the changes to the rates of vehicle excise duty, the most polluting car will pay £400. The hon. Member for Falmouth and Camborne (Julia Goldsworthy) referred to a measure that she and her party tried to introduce during consideration of last year's Finance Bill, which would have made VED increases appropriate for various parts of the country. I represent a rural constituency, and I am chairman of the all-party group on rural services, of which many hon. Members in the Chamber are members. We are extremely concerned that imposing a blanket tax as the Government are doing completely and utterly ignores the needs of rural communities and, especially, people in employment who also happen to be motorists. For example, many farmers drive a 4x4 so that they can do their job.

If you will allow me, Mr. Deputy Speaker, I will give a couple of specific examples. One of my constituents, Mr. Tony Machin, sent me an e-mail in which he wrote that he owned a 4x4 that was a 15-year-old, 3.2-litre, V6 petrol engine vehicle. He said that he realised that it was not the most economical mode of transport, so 18 months ago he converted it to run on liquefied petroleum gas at a cost of £1,900. The emissions of the vehicle are such that it is cleaner to drive than a small car, but it has not been re-rated and consequently it will attract the new higher rate of VED. Is that the intention behind the Government's measures? If not, why did they not recognise that the instrument that they have introduced is blunt and try to think more carefully about it?

Another of my constituents, Richard Hill of Intelligent Energy Systems, has asked whether we could

"have some common sense and increase the fee for 'unnecessary' 4x4s."

He has a 4x4, and I am sure that the Minister will be interested to hear that his business is the installation of intelligent energy systems, such as wind turbines and solar panels. Those things are relatively heavy, so he needs a 4x4 to tow his trailer to transport the equipment around the country. He says that it is quite obvious which vehicles are genuine utility vehicles and which are not. He thinks that the measure should have created a distinction between sports utility vehicles, which, I suspect, are the vehicles that the Chancellor would wish to attract higher duty—I would have no problem with that—and genuine utility vehicles that are used in business. I urge Ministers to rethink the measure before it is considered in Committee.

The president of the National Farmers Union, Mr. Peter Kendall, has said:

"We were extremely disappointed to see that no exemption was made for farmers who rely on 4x4 vehicles for their day-to-day livelihood."

I could not agree more.

Finally, I would like to raise the issue of the Chancellor's stop-start scheme to promote the use of renewable energy in domestic households, a conversion scheme called the low carbon buildings programme, which many hon. Members, including me, have mentioned in recent weeks. The programme is now known in the trade as "fund a fiasco" after the managing director of the Renewable Energy Association used the word "fiasco" to describe the operation of the scheme. The Chancellor has recognised that the scheme was woefully inadequately funded in the first place and was poorly administered. As a result, expectations have been raised among householders across the country: they thought that if they were interested in converting to a renewable energy source, there would be Government money to help them. That is a perfectly reasonable assessment to make, if one reads the Government's promotion of the scheme. However, anyone who tries to use the scheme will find that fewer than 2 per cent. of applicants are lucky enough to get a grant. If the Chancellor were to run the country in the way that he ran the scheme, heaven help us.

To conclude, the devil is in the detail of the Budget. It raises risk, the country is running on a public finance tightrope, and the Chancellor's micro-managing risks damaging innovation, as I tried to explain. The risk for the Chancellor is that he may think that he has shot the Tory fox, when he has in fact shot himself in the foot. He has conceded the argument: Government spending will grow less than the economy, and he will have to share the proceeds of growth.

11.2 pm

Mr. Christopher Chope (Christchurch) (Con): It is a pleasure to follow my hon. Friend the Member for Ludlow (Mr. Dunne), who delivered an incisive analysis of what lies behind the Chancellor's smoke and mirrors. He drew to our attention, if we did not already know it, the fact that the Chancellor is basically once again raising taxes while saying that he is cutting them. My hon. Friend did not go quite as far as my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), who said that the Chancellor was making "a blatant attempt to mislead the public" about what he was doing. Those are strong words, but they are highly appropriate in light of what is being done through the Budget, which began unravelling within hours of the Budget statement, and which will be a catalyst in discrediting the Chancellor when he seeks the position of Prime Minister.

In the four hours or so for which I have been listening to the debate, my hon. Friend the Member for Ludlow and others have shown that they have great experience and knowledge of the world of business. My hon. Friends the Members for Northampton, South (Mr. Binley), for Beverley and Holderness (Mr. Stuart) and for Ludlow have demonstrated that they can operate in, and make a success of, business, thereby creating employment and generating wealth for our country. Is it any surprise that when the Government started in 1997, they said, "We're on the side of small business"? As part of their promise, the Government said that there would be an annual debate on small business on the Floor of the House, but is it surprising that that promise was abandoned long ago? Obviously, the only people who know anything about

[Mr. Christopher Chope]

small business and the operation of the enterprise society are the people on the Conservative Benches, and that has been demonstrated in this debate.

The most intellectually stimulating contribution from a Conservative Member this evening was that of my hon. Friend the Member for Gainsborough (Mr. Leigh). He set out his own alternative Budget, which would involve raising the starting point for paying tax to £15,000 in income. That would take 13.5 million people out of tax. It would also raise the starting point for the 40 per cent. rate to £47,000. That is an aspiration, and it should be a policy for the Conservative party. I am delighted that so many members of our Treasury team are present on the Front Bench, including the shadow Chancellor.

In my remarks I shall concentrate on the issue of air passenger duty. We do ourselves a disservice in the House if we do not show that we are in tune with the concerns of the people out there. There have been full-page advertisements in our popular press over recent weeks expressing concerns about air passenger duty, particularly the increase, which is provided for in resolution 13. The increase will result in an extra £1 billion for the Treasury. What I find particularly offensive is that the increase is retrospective. It goes back to 1 February and therefore breaks new ground for Budget resolutions. That is one of the reasons why, in an Adjournment debate that I was lucky enough to secure I described it as unconstitutional.

Anyone travelling by air after 1 February has to pay the extra tax, regardless of when the flight was booked. That means that people who booked their flights for the coming spring holiday in, say, October or November, find that when they go to the airport they have to pay extra because of the retrospective legislation. Most of the adverse tax consequences are being borne by individuals. I am sure they will find a way of getting their own back against the Chancellor and this ghastly Government when the next election comes.

However, there is a significant group of people who do not have that protection. They are the package tour operators. They have taken a financial hit of some £44 million because regulations under the European package holiday regulations prohibit them from passing on the increase to their customers. That is outrageous. Because of the impact on the package holiday industry, when the Conservative Government introduced air passenger duty they gave about one year's notice of its introduction, to deal with those involved in the package holiday business. I am delighted that the package holiday industry is taking the Chancellor to court on the matter, and I wish it well.

Air passenger duty is offensive not just because it is retrospective. It is a good little earner for the Chancellor. He has presented it as a green tax, but we know that it is no such thing. As a result of the change announced on 6 December, there will be savings of about 0.3 million tonnes of carbon per year by 2010-11. Let us compare that with the latest figures that I have for how many million tonnes of CO_2 are emitted by China, India and the United States—2,700 million tonnes, and rising by 10 per cent. a year or more. By comparison with that, 0.3 million tonnes by 2010 will hardly change the planet. However, it will provide another £1 billion for the Chancellor's coffers, and we will do the people who are concerned about the matter a disservice if we allow the Chancellor to present air passenger duty as a green tax. It certainly is not. It is just a revenue-raising measure, and an unfair one at that.

Fortunately, the demand for aviation is inelastic. That means that however much we charge in taxes on aircraft flights, people will not be deterred from using aircraft. That has become apparent from discussions that have been taking place in the House on the European emissions trading scheme and the proposals to extend that to aircraft. If aircraft carbon were charged at £20 a tonne and average load factors of 70 per cent. prevailed, the result would be increases in the cost of an air journey of between £3 and £25. The growth in aviation by 2020 would be 135 per cent. rather than 142 per cent.: in other words, air travel would be double plus one third. There would be a minimal impact on the large growth in aviation. Why? Because of the inelasticity of this particular economic activity.

The number of passenger journeys from United Kingdom airports is set to increase from 228 million in 2005 to 490 million by 2030. I think that that is jolly good news, because it shows that all those people will be able to enjoy an improved quality of life. They will be able to enrich their experience by travelling and seeing the world. That probably applies to their children as well. Other Members, like me, will have children who, over the coming Easter holidays, will fly to the continent to engage in school exchanges and become more familiar with foreign languages. Why should we think it a bad thing for those children to have the enriching experience of travelling abroad by plane? Why should we tax hard-working families in this way?

Each year, United Kingdom aviation produces 36 million tonnes of carbon dioxide. At a market price of £10 per tonne, which I think is the current basic market price, aviation would have to contribute £360 million a year to meet its environmental carbon costs. But air passenger duty already yields £1 billion, and the increase proposed in resolution 13 would double that to £2 billion. Far from this being an effort to make the aviation industry pay its environmental costs, the industry will be charged more than five times those costs.

The tax burden of air passenger duty is disproportionate, and its impact on the environment is minuscule. Less than 1 per cent. of aviation's 36 million tonnes of carbon will be saved. I welcome the realisation in my party that this is not a green tax, and I welcome the publication of the discussion document "Greener Skies: A consultation on the environmental taxation of aviation". I welcome the assertion that

> "The doubling of APD rates... has attracted controversy due to the short notice and retrospective nature of the increase on passengers who had already booked their flights."

Sir Nicholas Winterton: And paid for them.

Mr. Chope: And paid for them, as my hon. Friend says. I welcome the statement that the controversy

"has refocused attention on more fundamental shortcomings in the design of APD. In particular as a per-passenger tax it is not directly linked to the carbon content of the flight. As a result it provides no incentives for airlines to use more fuel-efficient aircraft or to increase seat-occupancy rates. It also excludes the fast-growing air freight sector."

I welcome, too, what the document says about the Financial Secretary to the Treasury. It points out that he admits that APD

"is a blunt instrument as far as the environment goes... It is not even the best tax instrument actually to deal with the effects of aviation... In narrow terms it's not specifically a tax that is designed for environmental ends."

It also quotes the Government's 2003 aviation White Paper as saying

"Because of its blunt nature, APD is not the ideal measure for tackling the environmental impacts of aviation."

It continues:

"Together with the fact that the tax increase announced in the PBR was not offset by reductions in tax elsewhere, these deficiencies help to undermine public support for APD as an environmental tax and feed suspicions"—

I would put it more strongly than that—

"that it is simply designed to raise revenues for the Treasury."

I commend my hon. Friend the shadow Chancellor for that consultation document and his incisive analysis of the defects of APD. When I last heard him speak, I was left in some uncertainty as to whether we would be voting against resolution 13, but I hope that in the light of what he says in the document and our concern about retrospective legislation, he will join me and others in the No Lobby when we vote on it.

Let me refer to the way in which the Budget has covered up the work of Sir Michael Lyons. His commission was set up in July 2004 to consider the whole issue of how we pay for local government. After almost three years, he reported in a way that many of my elderly constituents would find encouraging. He said that 1.8 million people, mainly poor pensioners, are unable to get the full benefit of the council tax rebate and that as a result there is an enormous extra burden on those poorer members of our communities. He suggests that we should bring in new measures to help those people, who are paying £1.8 billion a year more than they should be because of the inefficiency of the council tax rebate system.

Sir Michael came forward with the radical idea—I hope that it will be taken up by my hon. Friend the shadow Chancellor—of raising the upper capital threshold for entitlement to council tax rebate to £50,000.

Sir Nicholas Winterton: Minimum.

Mr. Chope: Indeed, as a minimum. He goes on to say that over time it could be abolished altogether.

If the Chancellor had adopted that recommendation from the Lyons report, we might have been able to take seriously his assertion that the Budget was fair and designed to help pensioners and those who are worst off in our society, but of course the report was an embarrassment to him, which is why it has been suppressed. I am concerned that so many people, even some of my hon. Friends, are not yet familiar with Sir Michael's radical and helpful proposals, which would particularly help hard-pressed pensioners with very high council taxes.

Bob Spink: What does my hon. Friend think that his hard-pressed and long-suffering council tax payers, particularly the elderly, would make of the proposals to remove council tax capping or to make additional charges for waste collection, or the proposed tourist tax?

Mr. Chope: They would be rather less enthusiastic about those proposals; indeed, they would think that they smacked of being additional stealth taxes. They would also note with concern that the Lyons report says that in today's terms a local income tax would result in the basic tax rate going up by 7.7p in the pound.

My last point about Sir Michael Lyons' report is that he suggests the option of helping households that pay an unacceptably high council tax. Paragraph 174 of the executive summary proposes "a circuit-breaker rebate" to ensure that no householder pays more than a set proportion of income in property tax. I have long argued in favour of such a system. An enormous number of pensioners are, for want of a better expression, in council tax poverty. People are described as being in fuel poverty if they pay more than 10 per cent. of their income towards the cost of their fuel. However, many of my constituents pay much more than 10 per cent. of their net income towards the costs of council tax. They are, therefore, in council tax poverty. Limiting the percentage of income that was attributed to council tax would be a helpful mitigation. Of course, the Chancellor took up none of those suggestions in the Budget, because he is more interested in filling his coffers and deceiving the people.

If we were in any doubt about the Chancellor's abuse of the English language, let us consider just two things that he said in the Budget speech. He said that

"the amount of cash that can be saved tax-free from £3,000"

will be raised

"by 20 per cent. in April next year to £3,600."

In his last sentence, he stated that

"I will from next April cut the basic rate of income tax".—[*Official Report*, 21 March 2007; Vol. 458, c. 825-828.]

"Next April" is later this week. The Chancellor deliberately used language that must have given the impression that we were considering April this year rather than April next year. No wonder that the quality of education in our country is declining so rapidly when the Chancellor sets such a poor example from the top. "Next" means next, not the year after "next" or the April after next. If the Chancellor becomes Prime Minister, I hope that he will pay greater heed to the English language and, in so doing, to the need to increase public confidence in the straight talking of politicians.

11.22 pm

Mrs. Theresa Villiers (Chipping Barnet) (Con): It gives me great pleasure to sum up the debate this evening. The Secretary of State for Trade and Industry and my hon. Friend the Member for Hertford and Stortford (Mr. Prisk) began the debate robustly, as one

[Mrs. Theresa Villiers]

would expect. My hon. Friend spoke about competitiveness and the Budget's impact on small businesses. He raised a range of themes, to which I shall revert throughout my speech.

The hon. Member for Coventry, North-West (Mr. Robinson) began by defending the Chancellor's sanity and proceeded, slightly oddly, to express some significant reservations about two of the centrepieces of the Budget. Even the Chancellor's friends appear to have reservations about what he produced in the Budget.

The hon. Member for Twickenham (Dr. Cable) spoke about a range of important issues, including the key fact that the value of take-home pay is now falling in this country. People's weekly wage packet buys them less and less and the retail prices index is at its highest for 16 years.

The hon. Member for Blaydon (Mr. Anderson) recognised that the Opposition's concerns about the loss of the 10p band had merit. He spoke with passion and commitment about education and the schools in his constituency.

My right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) produced an analysis of huge insight. The time available makes it impossible to do it justice. He spoke of the benign global economic conditions that the Chancellor has enjoyed and commented on the Chancellor's making a dreadful mess of public finances. He welcomed the Chancellor's recognition that we were right and said that we should share the proceeds of growth.

The hon. Member for Coventry, South (Mr. Cunningham) spoke about his support for restoring the link between pensions and earnings. My hon. Friend the Member for Gainsborough (Mr. Leigh) talked about the importance of efficiency savings in Government and made a strong plea for progress towards lower taxes.

The hon. Member for City of Durham (Dr. Blackman-Woods) expressed her concerns about the Government's misconceived planning gain supplement. My hon. Friend the Member for Northampton, South (Mr. Binley) spoke with verve, energy and passion about small business.

My hon. Friend the Member for Beverley and Holderness (Mr. Stuart) delivered a devastating critique of the Treasury's record on the environment. My hon. Friend the Member for Ludlow (Mr. Dunne) spoke at some length about a range of issues, including sideways loss relief and the Budget's impact on enterprise. My hon. Friend the Member for Christchurch (Mr. Chope) expressed his grave concerns about the tax rises that the Government have introduced.

This was not a tax-cutting Budget. The Institute for Fiscal Studies has calculated that 3.5 million families will be worse off because of it. Page 279 of the Red Book reveals that tax will be up by £2 billion once all the Budget measures kick in, on top of the £2.4 billion in tax increases already trailed this year in the pre-Budget report and other measures. The Chancellor has raised taxes 99 times since his first Budget 10 years ago and the IFS tells us that the average family is paying £5,600 more tax a year in real terms. The Chancellor is about as credible on tax cuts as the Prime Minister on weapons of mass destruction.

This Budget was a tax con, not a tax cut. It did not cut taxes on income. Page 208 of the Red Book shows that the £8 billion cost of cutting the basic rate will be more than offset by a £7 billion increase from scrapping the 10p band and a £1 billion increase from raising the national insurance limits. The overall impact of the income and national insurance contributions changes means that working families will be paying £340 million more tax on their income next year.

It is not the rich who are being hit—not the guys in the City who are paid £22 million. People earning between £5,000 and £18,000 will pay more income tax. Nurses, cleaners, care workers, police community support officers, shop assistants, catering workers: those are the sort of people who are losing out. The Budget involves a transfer of the burden of tax from those on middle incomes to those on low incomes. This is the Budget that Labour Back Benchers cheered, by the Chancellor who claims he wants to tackle poverty.

The Chancellor seems to think that hitting the poorest with a higher income tax bill is not a problem, because tax credits soften the blow. What he is saying, in effect, is, "I'll take away more of your money, but you can have some of it back if you wade through these 72 pages of forms and explanatory notes on tax credits." The Budget will drive more people into the benefits system and into dependency.

Let us look at the tax credit system that people are being driven into. We support the use of tax credits—[HON. MEMBERS: "Ah."]—but the tax credit system is broken, with £2 billion lost through fraud, nearly a million people underpaid and 2 million overpaid, meaning that half the payments in the system are wrong. Thousands of the most vulnerable people in our society are in desperate straits, driven into the hands of loan sharks when faced with huge overpayment bills that they cannot afford.

The Budget's increase in the tax credit withdrawal rate will leave many low-income families facing marginal tax rates of 70 per cent. or more as they struggle to lift themselves out of poverty. There are more people in deep poverty now than there were when the Chancellor gave his first Budget 10 years ago. Figures released today show the incomes of the poorest 20 per cent. falling and poverty increasing. How right the right hon. Member for Darlington (Mr. Milburn) was when he said that poverty has become "more entrenched" under Labour.

This Budget was not about tax reform. No Budget can claim to be simplifying when it increases dependency on highly complex tax credits. There are, it is true, some modest steps in the Budget towards tax simplification. We have put the issue at the top of our agenda and it is good news that the Chancellor has been pulled along in the wake of my hon. Friend the Member for Tatton (Mr. Osborne), but these limited reforms cannot make up for the continual meddling and instability that has characterised our tax system since the Chancellor's first Budget.

We have slipped to 67th in the world league table on simplicity, so 66 countries now have a simpler and more rational tax system than we do—including Cambodia.

The length of the direct tax code has doubled—1,000 years of tax law doubled in a little under 10 years. This year's Finance Bill might even see us overtake India and give us the longest tax code in the world.

This was not a budget for business. It is true that we welcome some of the changes made to the taxation of large businesses. We have been examining the case for a reduction in the headline rate of corporation tax, funded by scrapping some of the complex reliefs that have multiplied under the Chancellor. Last week, we called on him to do that and he has responded, but, frankly, the impact will be limited when set against £50 billion in extra business taxes levied since 1997. Overall, taxes on business will be up by £1 billion next year.

The Chancellor may have taken some of our advice on large companies, but he has headed in the opposite direction on smaller companies. He has raised rates and made the system more complicated, so we will be voting against his proposals on small business. After 11 Budgets, six rate changes and a cycle of continuing revolution worthy of Chairman Mao, never mind Stalin, he is almost back where he started on small company taxation, except that small businesses will be paying more tax in a more complex and unstable system.

Small businesses employ 58 per cent. of private sector workers, which is more than 12 million people. Those businesses are not only a crucial source of enterprise and innovation, and the big companies of the future, but the bedrock of our local communities. The people who will lose out in a big way because of this Budget are hairdressers, newsagents, caterers and small retailers, who are already struggling with falling living standards and rising inflation.

Some 10,000 small local shops have closed since 2000. How many struggling suburban high streets will face further decline as a result of this tax hit? How many more village shops and local post offices will face closure? The Chancellor claims that new allowances mean that businesses that invest will not lose out, but how can a small suburban post office shell out thousands of pounds in investment to make up for the Chancellor's tax grab?

The Chancellor has delivered a double whammy with a new tax hit on contractors through managed service companies. David Frost of the British Chambers of Commerce has said:

"This is a substantial rise and will hit those looking to grow their business."

Paula Tallon of Chiltern tax advisers has summed it up:

"Small companies are getting thumped again."

This was not a Budget for enterprise and competitiveness. With the thumping that business has received from the Chancellor in higher taxes, a more complicated tax system and a massive increase in regulation, it is no wonder that business investment has slipped below 10 per cent. of GDP for the first time since records began, that productivity growth has stagnated in Britain, that we have dropped from fourth to 10th in the world league table on competitiveness, that the UK grew more slowly last year than 21 other members of the EU, and that unemployment rose more quickly in Britain last year than anywhere else in the developed world.

This was not a Budget for saving and pensions, either. The Red Book contains the melancholy news that the savings ratio has virtually halved since the Chancellor's first Budget, in which he dealt a body blow to savings in Britain with his £100 billion raid on pension funds. That was followed by recurring and damaging instability in pensions tax, culminating in the predictable mess that he made this year of pensions term assurance.

The Chancellor announced new money for those who have lost their pensions, which we welcome, but he failed to point out that that would be spread over 60 years. The net present value of the new money was barely a third of the figure that he announced with a flourish on Budget day. Ros Altmann's verdict was:

"Today's announcement does nothing for most of those who are struggling without their pensions today...This is typical Gordon Brown—trying to get good headlines when the reality is not good. People are still suffering."

This was not a Budget for education. The promised bonanza for education spending has turned out to be a modest increase of just less than 2.5 per cent. Over-hyped announcements on spending cannot disguise the scandal that one in six young people leave school unable to read, write or add up properly and that 100,000 14-year-olds have the reading age of a seven-year-old.

Rob Marris (Wolverhampton, South-West) (Lab): If it is all such doom and gloom, how can the hon. Lady explain 2.5 million more jobs and the fact that the United Kingdom has gone from seventh to second in GDP per capita in the G7? Is it really all such doom and gloom? I do not think so.

Mrs. Villiers: We are lagging. We are 22nd out of 27 members of the EU in terms of growth, and unemployment grew more quickly in this country last year than anywhere else in the developed world.

Truancy is at record levels. Those children have spent almost their whole education under a Labour Government, who have failed them.

This was not a Budget for the NHS. For the second year in a row, the NHS barely got a mention. With junior doctors facing unemployment and emergency departments and maternity units threatened with closure across the nation—Labour Members know the situation very well—the question everyone is asking is: where has all the money gone? How can this Chancellor have spent so much and achieved so little? He has wasted money on an industrial scale. He has spent £4 trillion of taxpayers' money, which is money earned by hard-working men and women up and down this country. Now, after years of falsely accusing us of wanting to cut spending on public services, he has finally seen the light. He is raising public spending but more slowly than the growth rate in the economy. He is sharing the proceeds of growth.

The Chief Secretary to the Treasury (Mr. Stephen Timms): Given that the hon. Lady says that our public spending projections are consistent with her third fiscal rule, will she commit her party to match them?

Mrs. Villiers: We will certainly match the announcement on education. As for the rest, we want to wait for your comprehensive spending review. You must produce the

[Mrs. Villiers]

CSR, and we will produce—*[Interruption.]* I apologise, Mr. Deputy Speaker. When the Chief Secretary produces the CSR, we will produce our spending plans.

This Budget was not about economic stability. It was not about the environment. It was not about bringing people out of poverty. It was not about jobs and enterprise or competing with China and India. It was not about schools or the NHS. It was not about tax reform. It certainly was not about tax cuts. This Budget was all about politics. It was a tax con, not a tax cut. It was a continuation of the spin and dissembling that have characterised the new Labour project from the day that the Chancellor and the Prime Minister first dreamed it up. It was a cheap political sleight of hand and the British people have not been taken in by it. They know that if they want change, they will have to vote for change, and for a change of Government, not just a change of Prime Minister. I believe that one day very soon, they will.

11.36 pm

The Chief Secretary to the Treasury (Mr. Stephen Timms): We have had a memorable Budget and an interesting debate, and I thank all those who have contributed to it over the past four days.

The Budget contained personal tax reductions for families and pensioners and to help make work pay, tax simplification and reform to boost businesses, new UK leadership on climate change, and, crucially, additional resources to invest in public services and Britain's future competitiveness.

The package of £2.5 billion worth of reductions in personal taxation to offer more support for families with children, for pensioners and to make work pay, is funded within a broadly fiscally neutral Budget. My right hon. Friend the Chancellor, at the outset of his speech, made the position clear:

> "Let me be absolutely clear...changes that I make today will be broadly neutral for the public finances and overall". —[*Official Report*, 21 March 2007; Vol. 458, c. 819.]

The Conservative party did not understand it, but everyone else certainly did.

Tony Lloyd (Manchester, Central) (Lab): Does the Chief Secretary realise that while the attack on the Chancellor's Budget by both the Liberal Democrats and the Conservatives was almost entirely political, it is nevertheless frightening for those on low household incomes to be told that they will lose money because of tax changes? Can he confirm that, in constituencies such as mine, which have many poor families, no household will lose out because of the Budget?

Mr. Timms: I cannot say that. I can say, however, that most households are better off. Let me quote what the Institute for Fiscal Studies has said:

> "The income tax and NI package has been cleverly designed to limit the number of losers".

Indeed, the gains are particularly concentrated in the lowest income deciles. Our policy is to give extra help to families, to do more to lift children out of poverty and to protect the position of pensioners, and that is what the package does.

Mr. Gauke: Given that the Chief Secretary has quoted the Institute for Fiscal Studies, will he also confirm that it said that 3.5 million households will be worse off as a consequence of the tax changes in the Budget?

Mr. Timms: What I can confirm is that there are more gainers than losers in every single income decile, and that the position set out by a number of speakers in the debate was very misleading.

Mrs. Villiers: Will the Chief Secretary confirm that a single person without children who earns less than £18,000 a year will be worse off as a result of the Budget?

Mr. Timms: No, that is certainly not necessarily the case. The hon. Lady should support the Budget; under its measures, 200,000 children will be lifted out of poverty. The Budget also strengthens incentives to work, building on past progress—there have been 2.6 million more jobs since 1997.

Mr. Binley: Will the Chief Secretary give way?

Mr. Timms: I will not give way for the moment. In terms of what I was talking about, the increase in the national minimum wage this October to £5.52 per hour will further help.

There was also a fiscally neutral package of simplification and reform of the corporate tax system to boost businesses and growth. *[Interruption.]* It was a fiscally neutral package. I am glad that the reduction in the main company rate has been broadly welcomed. The increase in the small company rate is balanced by the new £50,000 investment allowances.

Several hon. Members *rose*—

Mr. Timms: I will give way one more time, after which I will make some progress.

Adam Afriyie: I thank the Chief Secretary for giving way. Will he confirm that a 16 per cent. increase in corporation tax on small businesses is indeed a tax increase?

Mr. Timms: But that change is offset. *[Interruption.]* Small businesses that invest will pay less tax as a result of the package. Figures released today show—*[Interruption.]* They show that there has been a big increase in business investment, which the Budget will strengthen further. Also—*[Interruption.]*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I am sorry to interrupt the right hon. Gentleman, but the House should let the debate finish in a dignified manner. The Chief Secretary is winding up the debate; let him be heard.

Mr. Timms: Thank you, Mr. Deputy Speaker.

The Budget also addressed the challenge of climate change and the increasing pressure on natural resources. I wish to highlight the international aspects of the Budget statement. There will be a new international environmental transformation fund, with a first allocation

to tackle deforestation in the Congo rainforest, and we intend to host an international conference this year on global carbon trading, at which we will want to build on London's pre-eminence in that area. Taken together, the Budget will deliver 6 million tonnes of carbon savings while strengthening UK leadership in the very important international decisions on climate change.

The Budget will equip the UK for future challenges with new investment. The hon. Member for Chipping Barnet (Mrs. Villiers) was unwilling to commit her party to match our public spending projections set out in the Red Book. *[Interruption.]* Yes, we have; the total envelope of projections was set out in the Red Book. The hon. Lady has declined to match that, and I will return to that point.

The Opposition have said that the Budget is all smoke and mirrors; that point was made in tonight's debate. I am pleased to be able to say that the public have seen through that false claim. What the Budget does is clear, so it is no surprise that a poll in *The Independent* tomorrow morning shows a precipitate decline in the Tory party's lead.

Of course, the context for the Budget—the reason why it was possible—is the remarkable transformation that there has been in the UK economy over the past decade. Before 1997, we had the least stable economy in the G7 on the inflation measure. Since then, we have been the most stable on every single measure. UK gross domestic product per capita used to be the lowest in the G7; now it is the second highest. This year, growth is forecast to be higher in the UK than in any other G7 country, and employment in Britain is now above 29 million for the first time ever.

It is not necessary just to take my word for all of that. Let us look at what the International Monetary Fund said in its report last month on the UK economy. It referred to a

"decade-long record of strong and steady macroeconomic performance",

and it pointed out that

"growth of real GDP per capita was higher and less volatile than in any other G7 country".

Such comments were never made when the Conservative party was in charge. Locking that stability in, avoiding any risks to it and sticking to our fiscal rules are immovable constraints around which the Budget has been constructed.

I am pleased that we have had the opportunity to address sharing the proceeds of growth—although I thought that more Conservative Members would talk about that. The first thing that we need to say about their proposed third fiscal rule is that the renewal of public services that we have witnessed over the past decade would have been completely impossible had it been in place. To insist that, whatever the circumstances, public spending must always and irrevocably fall as a share of GDP is utter folly. That was the policy of the Tory party in 1992. Its manifesto said:

"We believe that government should not gobble up all the proceeds of growth...our policy is therefore to reduce the share of national income taken by the public sector."

It is the same policy now as then—I do not know whether the shadow Chancellor wrote it—and one would think that the Tories would have learned from the failure of their policy in the early 1990s. It put public services on their knees, and it would do the same again if it were tried once more.

The leader of the Conservatives has indicated that he envisages the proceeds of growth being split 50:50. That would mean reducing spending in 2010-11 by £31 billion, below the projection in the Red Book. Perhaps the hon. Member for Chipping Barnet will tell us later whether that is what she envisages.

Dr. Nick Palmer (Broxtowe) (Lab): Does the Chief Secretary not agree that, in fairness to the Conservatives, we should accept that they would like to reduce taxes, but that unfortunately, because their policies always lead to increased unemployment, they never have the money to do it?

Mr. Timms: My hon. Friend is absolutely right about the record of Conservative Governments and the disastrous impact on public services in the UK.

We had a number of interesting speeches during today's debate. The hon. Member for Hertford and Stortford (Mr. Prisk) asked me how many pages there would be in Tolleys tax guide by next year. The Finance Bill, which will be published on Thursday, will be a single volume, and I am sure that he will be able to work out the impact on Tolleys. The hon. Member for Twickenham (Dr. Cable) helpfully acknowledged, as he generally does, the sound condition of the economy, but his characterisation of the impact of the £2.5 billion personal tax reduction package was very unfair.

In this Budget, the Government have set out their approach to building Britain's long-term future, locking in this decade-long record of strong and steady growth that has so transformed the country's economic prospects.

Several hon. Members *rose—*

Mr. Timms: I shall give way once more, and then I must make some progress.

Mr. Jim Devine (Livingston) (Lab): I am very grateful to my right hon. Friend for giving way. He talks about building Britain. Is he as astonished as I am that, whereas we are reducing income tax by 2p in the pound, the Scottish National party want to increase it by 3p? That would destroy Britain.

Mr. Timms: My hon. Friend is absolutely right. That policy makes no sense at all, and I know that his views will be endorsed across Scotland.

As I was saying, we will lock in this decade-long record of strong and steady growth that has so transformed the country's economic prospects, enhance fairness through the Budget, lift another 200,000 children out of poverty, take 600,000 pensioners out of tax altogether, secure UK competitiveness in investment and employment, build on the record number of people in jobs in Britain today, lead on the worldwide effort to secure a global carbon market, address the challenges of climate change, and invest for Britain's future, particularly in education and in science.

We have set out our figures in the Budget. This year, spending on public services will be £552 billion. I

[Mr. Timms]

wonder whether the Opposition support that, given that their fiscal rule would have forced spending to be cut by £21 billion this year.

Mr. Graham Stuart: I am extremely grateful to the Chief Secretary for giving way. Independent commentators assess the cumulative impact of the Chancellor's pension tax at £100 billion. Can the Chief Secretary give us his estimate of the pension tax's impact on the savings of hard-working people throughout this country?

Mr. Timms: I do not agree with the hon. Gentleman's figure. I refer him to Lord Turner's report and I hope that he will support the reforms to the pension system that we will take forward.

Public expenditure next year will rise by £34 billion to £587 billion. Do the Tories support that figure, when they have a third fiscal rule that requires only half of growth to go to spending, and at the same time they want to cut corporation tax further and refund North sea oil companies to the tune of £2 billion? In 2008-09, public expenditure will rise by £29 billion to £615 billion. Do the Tories support that, given that they have said that they would have a cut in stamp duty on shares, worth £4 billion to £5 billion a year on top, of course, of the third fiscal rule and the further corporation tax cut?

Mr. Ben Wallace (Lancaster and Wyre) (Con): All over the world the brave men and women of the British armed forces are serving our country and doing this Government's bidding. Why is it that our privates and troopers, who bear that heavy burden, will have to pay more tax after the Budget? Is that any way to reward them?

Mr. Timms: I invite the hon. Gentleman to look at the details of the package and see, in particular, how helpful it is in improving incentives to work, and providing extra support for families with children, and pensioners. I notice that the hon. Gentleman has not wanted to support the public spending totals that we published in our Budget Red Book.

In 2010, public spending will rise by an additional £29 billion to £674 billion, as we continue to invest in the future. Do the Tories support that figure, given that they have to meet the third fiscal rule, and pay for corporation tax cuts, stamp duty cuts and a married couple's allowance? If they cannot make a commitment to meet our spending totals, and they have not done so in this debate, we will draw the conclusion that the country will draw—that in every constituency there will be cuts in schools and hospitals.

We will have increased education spending by £14 billion by 2010. We have cut pupil-teacher ratios, we have spent more than 20 per cent. extra per pupil and we have cut the basic rate of tax to 20p. We have delivered stability, affordable tax cuts and increases in spending. This Budget secures those achievements and I commend it to the House.

Question put and agreed to.

Resolved,

1. Amendment of the Law

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.

2. Income tax (charge and rates for 2007-08)

Resolved,

That income tax is charged for the tax year 2007-08; and for that tax year—

(a) the starting rate is 10%,

(b) the basic rate is 22%, and

(c) the higher rate is 40%.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

3. Corporation tax (charge and main rates for financial year 2008)

Resolved

That corporation tax is charged for the financial year 2008; and for that year the rate of corporation tax is—

(a) 28% on profits of companies other than ring fence profits, and

(b) 30% on ring fence profits of companies.

4. Corporation tax (small companies' rates and fractions for financial year 2007)

Motion made, and Question put forthwith, pursuant to Standing Order No. 51(3)(Ways and means motions).

That for the financial year 2007—

(a) the small companies' rate is 20% on profits of companies other than ring fence profits and 19% on ring fence profits of companies, and

(b) the fraction mentioned in section 13(2) of the Income and Corporation Taxes Act 1988 is 1/40th in relation to profits of companies other than ring fence profits and 1 1/400ths in relation to ring fence profits of companies.

The House proceeded to a Division.

Mr. Deputy Speaker (Sir Michael Lord): I ask the Serjeant at Arms to investigate the delay in the Aye Lobby.

The House having divided: Ayes 295, Noes 232.

Division No. 081] **[11.53pm**

AYES

Abbott, Ms Diane	Austin, Mr. Ian
Ainger, Nick	Austin, John
Ainsworth, rh Mr. Bob	Bailey, Mr. Adrian
Alexander, rh Mr. Douglas	Baird, Vera
Anderson, Mr. David	Balls, Ed
Anderson, Janet	Banks, Gordon
Armstrong, rh Hilary	Barlow, Ms Celia

Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Elman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vis, Dr. Rudi
Walley, Joan
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Claire Ward and Jonathan Shaw

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Hemming, John
Hendry, Charles
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Kawczynski, Daniel
Key, Robert
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Mulholland, Greg
Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Osborne, Mr. George
Paice, Mr. James
Paisley, rh Rev. Ian
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Pickles, Mr. Eric
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mr. Peter
Rogerson, Mr. Dan
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, Mr. Alex
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Noes:
Mr. Mark Lancaster and Mr. Tobias Ellwood

Question accordingly agreed to.

5. Inheritance tax (rates and bands for 2010-11)

Resolved,

That provision may be made for substituting the Table in Schedule 1 to the Inheritance Tax Act 1984 in relation to chargeable transfers made on or after 6th April 2010.

6. Rates of duty on alcoholic liquor

Resolved,

That—

(1) The Alcoholic Liquor Duties Act 1979 is amended as follows.

(2) In section 36(1AA)(a) (standard rate of duty on beer), for "£13.26" substitute "£13.71".

(3) In section 62(1 A) (rates of duty on cider)—

(a) in paragraph (a) (rate of duty per hectolitre in the case of sparkling cider of a strength exceeding 5.5 per cent), for "£166.70" substitute "£172.33",

(b) in paragraph (b) (rate of duty per hectolitre in the case of cider of a strength exceeding 7.5 per cent which is not sparkling cider), for "£38.43" substitute "£39.73", and

(c) in paragraph (c) (rate of duty per hectolitre in any other case), for "£25.61" substitute "£26.48".

(4) For Part 1 of the Table in Schedule 1 substitute—

Part 1

Wine and Made-wine of a Strength not exceeding 22 per cent.

Description of wine or made-wine	*Rates of duty per hectolitre*
	£
Wine or made-wine of a strength not exceeding 4 per cent.	54.85
Wine or made-wine of a strength exceeding 4 per cent. but not exceeding 5.5 per cent.	75.42
Wine or made-wine of a strength exceeding 5.5 per cent. but not exceeding 15 per cent and not sparkling.	177.99
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent. but less than 8.5 per cent.	172.33
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent. or of a strength exceeding 8.5 per cent but not exceeding 15 per cent.	227.99
Wine or made-wine of a strength exceeding 15 per cent. but not exceeding 22 per cent.	237.31

(5) The amendments made by this Resolution come into force on 26th March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

7. Rates of tobacco products duty

Resolved,

That—

(1) For the Table in Schedule 1 to the Tobacco Products Duty Act 1979 there is substituted—

Table

1. Cigarettes	An amount equal to 22 per cent. of the retail price plus £108.65 per thousand cigarettes
2. Cigars	£158.24 per kilogram.
3. Hand-rolling tobacco	£113.74 per kilogram.
4. Other smoking tobacco and chewing tobacco	£69.57 per kilogram.

(2) The amendment made by this Resolution comes into force at 6p.m. on 21st March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

8. Rates of gaming duty

Resolved,

That provision may be made for and in connection with replacing the Table in section 11(2) of the Finance Act 1997.

9. Remote gaming duty

Resolved,

That provision may be made for a duty on remote gaming.

10. Amusement machine licence duty

Resolved,

That—

(1) In section 23(3) of the Betting and Gaming Duties Act 1981, in the definition of "Category C", in paragraph (ii)(b), for "£25" there is substituted "£35".

(2) The amendment made by this Resolution comes into force on 22nd March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

11. Fuel duty rates and rebates

Resolved,

That provision may be made amending rates of duty and rebate in the Hydrocarbon Oil Duties Act 1979.

12. Rates of vehicle excise duty

Resolved,

That—

(1) Schedule 1 to the Vehicle Excise and Registration Act 1994 (annual rates of duty) is amended as follows.

(2) In paragraph 1 (general)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule otherwise than with engine cylinder capacity not exceeding 1,549cc), for "£175" substitute "£180", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£110" substitute "£115".

(3) Paragraph 1B (graduated rates for light passenger vehicles) is amended as follows.

(4) For the words from "Table A" to "date," substitute "the following table".

(5) For ", or is liable to the standard rate or the premium" substitute "or is liable to the standard".

(6) For Tables A and B substitute—

Table

CO_2 emissions figure		*Rate*	
(1)	(2)	(3)	(4)
Exceeding	Not exceeding	Reduced rate	Standard rate
g/km	g/km	£	£
100	120	15	35
120	150	95	115
150	165	120	140
165	185	145	165
185	225	190	205
225	-	285	300

The table has effect in relation to vehicles first registered before 23rd March 2006 as if—

(a) in column (3), in the last row, "190" were substituted for "285", and

(b) in column (4), in the last row, "205" were substituted for "300"."

(7) For paragraphs ID and IE substitute—

"The standard rate

ID A vehicle is liable to the standard rate of duty if it does not qualify for the reduced rate of duty."

(8) In paragraph U (light goods vehicles)

(a) in sub-paragraph (a) (vehicle which is not lower-emission van), for "£170" substitute "£175", and

(b) in sub-paragraph (b) (lower-emission van), for "£110" substitute "£115".

(9) In paragraph 2(1) (motorcycles)—

(a) in paragraph (b) (motorbicycle and engine's cylinder capacity more than 150cc but not more than 400cc), for "£31" substitute "£32", and

(b) in paragraph (c) (motorbicycle and engine's cylinder capacity more than 400cc but not more than 600cc), for "£46" substitute "£47", and

(c) in paragraph (d) (any other case), for "£62" substitute "£64".

(10) The amendments made by this Resolution have effect in relation to licences taken out on or after 22nd March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

13. Rates of air passenger duty

Motion made, and Question put forthwith, pursuant to Standing Order No. 51(3) (Ways and means motions).

That—

(1) Section 30 of the Finance Act 1994 (rates of air passenger duty) is amended as follows.

(2) In subsection (3A) (destinations in EEA States and qualifying territories etc)—

(a) in paragraph (a) (standard class travel), for kt£5" substitute "£10", and

(b) in paragraph (b) (any other case), for "£10" substitute "£20".

(3) In subsection (4) (other destinations)—

(a) in paragraph (a) (standard class travel), for "£20" substitute "£40", and

(b) in paragraph (b) (any other case), for "£40" substitute "£80".

(4) The amendments made by this Resolution have effect in relation to any carriage of a passenger on an aircraft which begins on or after 1st February 2007.

(5) But if the amount of duty due from any operator in the accounting period ending before 21 st March 2007 increased as a result of those amendments, the operator is to pay the amount of that increase as if it became due in the first accounting period ending after that day.

(6) Expressions which are used in paragraph (5) and in the Air Passenger Duty Regulations 1994 have the same meaning in that paragraph as in those regulations.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

The House divided: Ayes 296, Noes 84.

Division No. 82] **[00.10**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Anderson, Mr. David
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Killoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
MacShane, rh Mr. Denis

Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Palmer, Dr. Nick
Pearson, Ian
Pickles, Mr. Eric
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, David
Taylor, Dr. Richard
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vis, Dr. Rudi
Walley, Joan
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Claire Ward and Jonathan Shaw

NOES

Alexander, Danny
Barrett, John
Binley, Mr. Brian
Bone, Mr. Peter
Brake, Tom
Breed, Mr. Colin
Bruce, rh Malcolm
Burstow, Mr. Paul
Burt, Lorely
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Cash, Mr. William
Chope, Mr. Christopher
Clegg, Mr. Nick
Conway, Derek
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Philip
Davies, Mr. Quentin
Donaldson, Mr. Jeffrey M.
Duncan Smith, rh Mr. Iain
Evans, Mr. Nigel
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
George, Andrew
Gidley, Sandra
Goldsworthy, Julia
Gray, Mr. James
Hancock, Mr. Mike
Harris, Dr. Evan
Harvey, Nick
Heath, Mr. David
Hemming, John
Hermon, Lady
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horwood, Martin
Hosie, Stewart
Howarth, David
Hughes, Simon
Huhne, Chris
Knight, rh Mr. Greg
Kramer, Susan
Lamb, Norman
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Lilley, rh Mr. Peter
MacNeil, Mr. Angus
McCrea, Dr. William
Moore, Mr. Michael
Mulholland, Greg
Öpik, Lembit
Paisley, rh Rev. Ian
Pickles, Mr. Eric
Reid, Mr. Alan
Rennie, Willie
Robertson, Angus
Robinson, Mr. Peter
Rowen, Paul
Russell, Bob
Salmond, Mr. Alex
Sanders, Mr. Adrian
Simpson, David
Smith, Sir Robert
Stunell, Andrew
Swinson, Jo
Taylor, Matthew
Teather, Sarah
Thurso, John
Webb, Steve
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete

Tellers for the Noes:
Mr. Dan Rogerson and Mr. Jeremy Browne

Question accordingly agreed to.

14. Rates of climate change levy

Resolved,

That provision may be made about the rates of climate change levy.

15. Rate of aggregates levy

Resolved,

That provision may be made about the rate of aggregates levy.

16. Rate of landfill tax (2007)

Resolved,

That—

(1) In section 42 of the Finance Act 1996 (amount of landfill tax), in—

(a) subsection (1)(a) (the standard rate), and

(b) subsection (2) (reference to the standard rate taken to be £2 in cases of disposals of qualifying material), for "£21" there is substituted "£24".

(2) The amendments made by this Resolution have effect in relation to disposals made (or treated as made) on or after 1st April 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

17. Rates of landfill tax (after 2007)

Resolved,

That provision may be made about the rates of landfill tax.

18. Emissions trading

Resolved,

That provision may be made for the imposition of charges by the allocation of Community tradeable emissions allowances in return for payment.

19. Climate change levy (reduced-rate supplies etc)

Resolved,

That provision may be made amending Schedule 6 to the Finance Act 2000 in relation to reduced-rate supplies and exemptions.

20. Landfill tax (bodies concerned with the environment)

Resolved,

That—

(1) In section 53(4) of the Finance Act 1996 (credit: bodies concerned with the environment), after paragraph (c) there is inserted—

"(ca) provision for an environmental body to be and remain approved only if it complies with conditions imposed from time to time by the regulatory body or for the regulatory body to be and remain approved only if it complies with conditions imposed from time to time by the Commissioners (including provision for the variation or revocation of such conditions);".

(2) The amendment made by this Resolution comes into force on 22nd March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

21. Managed service companies (earnings from employment)

Motion made, and Question put forthwith, pursuant to Standing Order No. 51(3) (Ways and means motions).

That—

(1) The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.

(2) In section 7(5) (meaning of "employment income" etc), for paragraph (a) substitute—

"(a) Chapters 7 to 9 of this Part (agency workers, workers under arrangements made by intermediaries, and workers providing services through managed service companies),".

(3) In section 48(2) (workers under arrangements made by intermediaries: scope of Chapter) for the "or" at the end of paragraph (a) substitute—

" (aa) applies to services provided by a managed service company (within the meaning of Chapter 9 of this Part), or".

(4) After section 61 insert—

"CHAPTER 9
MANAGED SERVICE COMPANIES
Application of this Chapter

61A Scope of this Chapter

(1) This Chapter has effect with respect to the provision of services by a managed service company.

(2) Nothing in this Chapter—

(a) affects the operation of Chapter 7 of this Part (agency workers), or

(b) applies to payments or transfers to which section 966(3) or (4) of ITEA 2007 applies (visiting performers: duty to deduct and account for sums representing income tax).

61B Meaning of "managed service company"

(1) A company is a "managed service company" if—

(a) its business consists wholly or mainly of providing (directly or indirectly) the services of an individual to other persons,

(b) payments are made (directly or indirectly) to the individual (or associates of the individual) of an amount equal to the greater part or all of the consideration for the provision of the services,

(c) the way in which those payments are made would result in the individual (or associates) receiving payments of an amount (net of tax and national insurance) exceeding that which would be received (net of tax and national insurance) if every payment in respect of the services were employment income of the individual, and

(d) a person who carries on a business of promoting or facilitating the use of companies to provide the services of individuals ("an MSC provider") is involved with the company.

(2) An MSC provider is "involved with the company" if the MSC provider or an associate of the MSC provider—

(a) benefits financially on an ongoing basis from the provision of the services of the individual,

(b) influences or controls the provision of those services,

(c) influences or controls the way in which payments to the individual (or associates of the individual) are made,

(d) influences or controls the company's finances or any of its activities, or

(e) gives or promotes an undertaking to make good any tax loss.

(3) A person does not fall within subsection (1)(d) merely by virtue of providing legal or accountancy services in a professional capacity.

(4) A person does not fall within subsection (1)(d) merely by virtue of carrying on a business consisting only of placing individuals with persons who wish to obtain their services (including by contracting with companies which provide their services); but this subsection does not apply if the person, or an associate of the person, does anything within any of paragraphs (c) to (e) of subsection (2).

61C Section 61B: supplementary

(1) The Treasury may by order provide that persons of a prescribed description do not fall within section 61B(1)(d).

(2) An order under subsection (1) may be made so as to have effect in relation to the whole of the tax year in which it is made.

(3) In section 61B and this section, "company" means a body corporate or partnership.

(4) References in section 61B to an associate of a person ("P") include a person who, for the purpose of securing that the individual's services are provided by a company, acts in concert with P (or with P and other persons).

(5) In section 61B(2)(e), "undertaking to make good any tax loss" means an undertaking (in any terms) to make good (in whole or in part, and by any means) any cost to the individual or an associate of the individual resulting from a relevant provision, or a particular kind of relevant provision, applying in relation to payments made to the individual or associate.

(6) In subsection (5) "relevant provision" means—

(a) a provision of the Tax Acts,

(b) an enactment relating to national insurance, or

(c) a provision of subordinate legislation made under any such provision or enactment.

The deemed employment payment

61D Worker treated as receiving earnings from employment

(1) This section applies if—

(a) the services of an individual ("the worker") are provided (directly or indirectly) by a managed service company ("the MSC"),

(b) the worker, or an associate of the worker, receives (from any person) a payment or benefit which can reasonably be taken to be in respect of the services, and

(c) the payment or benefit is not earnings (within Chapter 1 of Part 3) received by the worker directly from the MSC.

(2) The MSC is treated as making to the worker, and the worker is treated as receiving, a payment which is to be treated as earnings from an employment ("the deemed employment payment").

(3) The deemed employment payment is treated as made at the time the payment or benefit mentioned in subsection (1)(b) is received.

(4) In this Chapter—

"the worker" has the meaning given by subsection (1),

"the relevant services" means the services mentioned in that subsection, and

"the client" means the person to whom the relevant services are provided.

(5) Section 61F supplements this section.

61E Calculation of deemed employment payment

(1) The amount of the deemed employment payment is the amount resulting

from the following steps—

Step 1

Find (applying section 61F) the amount of the payment or benefit mentioned in section 61D(1)(b).

Step 2

Deduct (applying Chapters 1 to 5 of Part 5) the amount of any expenses met by the worker that would have been deductible from the taxable earnings from the employment if—

(a) the worker had been employed by the client to provide the relevant services, and

(b) the expenses had been met by the worker out of those earnings.

If the result at this point is nil or a negative amount, there is no deemed employment payment.

Step 3

Assume that the result of step 2 represents an amount together with employer's national insurance contributions on it, and deduct what (on that assumption) would be the amount of those contributions.

The result is the deemed employment payment.

(2) In step 2 of subsection (1), the reference to expenses met by the worker includes, where the MSC is a partnership and the worker is a member of the partnership, expenses met by the worker for and on behalf of the partnership.

(3) In step 2 of subsection (1), the expenses deductible include the amount of any mileage allowance relief which the worker would have been entitled to in respect of the use of a vehicle falling within subsection (4) if—

(a) the worker had been employed by the client to provide the relevant services, and

(b) the vehicle had not been a company vehicle (within the meaning of Chapter 2 of Part 4).

(4) A vehicle falls within this subsection if—

(a) it is provided by the MSC for the worker, or

(b) where the MSC is a partnership and the worker is a member of the partnership, it is provided by the worker for the purposes of the business of the partnership.

(5) For the purposes of subsection (1) any necessary apportionment of payments or benefits that are referable partly to the provision of the relevant services and partly to other matters is to be made on a just and reasonable basis.

61F Sections 61D and 61E: application of rules relating to earnings from employment

(1) The following provisions apply for the purposes of sections 61D and 61E.

(2) A "payment or benefit" means anything that, if received by an employee for performing the duties of an employment, would be general earnings from the employment.

(3) The amount of a payment or benefit is taken to be—

(a) in the case of a payment or cash benefit, the amount received, and

(b) in the case of a non-cash benefit, the cash equivalent of the benefit.

(4) The cash equivalent of a non-cash benefit is taken to be—

(a) the amount that would be general earnings if the benefit were general earnings from an employment, or

(b) in the case of living accommodation, whichever is the greater of that amount and the cash equivalent determined in accordance with section 398(2).

(5) A payment or benefit is treated as received—

(a) in the case of a payment or cash benefit, when payment is made of or on account of the payment or benefit;

(b) in the case of a non-cash benefit, when it would have been treated as received for the purposes of Chapter 4 or 5 of this Part (see section 19 or 32) if—

(i) the worker had been an employee, and

(ii) the benefit had been provided by reason of the employment.

61G Application of Income Tax Acts in relation to deemed employment

(1) The Income Tax Acts (in particular, the PA YE provisions) apply in relation to the deemed employment payment as follows.

(2) They apply as if—

(a) the worker were employed by the MSC to provide the relevant services, and

(b) the deemed employment payment were a payment by the MSC of earnings from that employment; but this is subject to subsection (3).

(3) No deduction under Part 5 (deductions allowed from employment income) or section 232 (mileage allowance relief) may be made from the deemed employment payment.

(4) The worker is not chargeable to tax in respect of the deemed employment payment if, or to the extent that, by reason of any combination of the factors mentioned in subsection (5), the worker would not be chargeable to tax if—

(a) the worker were employed by the client to perform the relevant services, and

(b) the deemed employment payment were a payment by the client of earnings from that employment.

(5) The factors are—

(a) the worker being resident, ordinarily resident or domiciled outside the United Kingdom,

(b) the client being resident or ordinarily resident outside the United Kingdom, and

(c) the relevant services being provided outside the United Kingdom.

(6) Where the MSC is a partnership and the worker is a member of the partnership, the deemed employment payment is treated as received by the worker in the worker's personal capacity and not as income of the partnership.

(7) Where—

(a) the worker is resident in the United Kingdom, and

(b) the relevant services are provided in the United Kingdom, the MSC is treated as having a place of business in the United Kingdom, whether or not it in fact does so.

Supplementary provisions

61H Relief in case of distributions by managed service company

(1) A claim for relief may be made under this section where the MSC—

(a) is a body corporate,

(b) is treated as making a deemed employment payment in any tax year, and

(c) either in that tax year (whether before or after that payment is treated as made), or in a subsequent tax year, makes a distribution (a "relevant distribution").

(2) A claim for relief under this section must be made—

(a) by the MSC by notice to an officer of Revenue and Customs, and

(b) within 5 years after 31st January following the tax year in which the distribution is made.

(3) If on a claim being made an officer of Revenue and Customs is satisfied that relief should be given in order to avoid a double charge to tax, the officer must direct the giving of such relief by way of amending any assessment, by discharge or repayment of tax, or otherwise, as appears to the officer appropriate.

(4) Relief under this section is given by setting the amount of the deemed employment payment against the relevant distribution so as to reduce the distribution.

(5) In the case of more than one relevant distribution, an officer of Revenue and Customs must exercise the power conferred by this section so as to secure that so far as practicable relief is given by setting the amount of a deemed employment payment—

(a) against relevant distributions of the same tax year before those of other years,

(b) against relevant distributions received by the worker before those received by another person, and

(c) against relevant distributions of earlier years before those of later years.

(6) Where the amount of a relevant distribution is reduced under this section, the amount of any associated tax credit is reduced accordingly.

61I Meaning of "associate"

(1) Subsections (2) to (4) apply for the purposes of this Chapter.

(2) "Associate", in relation to an individual, means—

(a) a member of the individual's family or household,

(b) a relative of the individual,

(c) a partner of the individual, or

(d) the trustee of any settlement in relation to which the individual, or a relative of the individual or member of the individual's family (living or dead), is or was a settlor.

(3) "Associate", in relation to a company, means a person connected with the company.

(4) "Associate", in relation to a partnership, means any associate of a member of the partnership.

(5) If—

(a) a managed service company ("the MSC") is a partnership, and

(b) a person is an associate of another person by virtue only of being a member of the partnership,

the person is to be treated, for the purposes of this Chapter as it applies in relation to the MSC, as if he were not an associate of that other person.

(6) In subsection (2), "relative" means ancestor, lineal descendant, brother or sister.

(7) For the purposes of subsection (2)—

(a) a man and woman living together as husband and wife are treated as if they were married to each other, and

(b) two persons of the same sex living together as if they were civil partners of each other are treated as if they were civil partners of each other.

61J Interpretation of Chapter

(1) In this Chapter—

"associate" has the meaning given by section 61I,

"business" means any trade, profession or vocation,

"the client" has the meaning given by section 61D(4),

"employer's national insurance contributions" means secondary Class 1 or Class 1A national insurance contributions,

"managed service company" has the meaning given by section 61B,

"national insurance contributions" means contributions under Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992,

"PAYE provisions" means the provisions of Part 11 or PAYE regulations,

"the relevant services" has the meaning given by section 61D(4), and

"the worker" has the meaning given by section 61D(4).

(2) Nothing in section 995 of ITA 2007 (meaning of control) applies for the purposes of this Chapter."

(5) In section 218(1) (exclusion of lower-paid employments from parts of benefits code: calculation of earnings rate), in Step 1, at the end of paragraph (d) insert

"and

(e) in the case of an employment within section 61G(2) (deemed employment payment by managed service company), the total amount of deemed employment payments for the year."

(6) The amendments made by this Resolution come into force on 6th April 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

The House divided: Ayes 293, Noes 234.

Division No. 83] **[12.25 am**

AYES

Abbott, Ms Diane	Bradshaw, Mr. Ben
Ainger, Nick	Brennan, Kevin
Ainsworth, rh Mr. Bob	Brown, rh Mr. Gordon
Alexander, rh Mr. Douglas	Brown, Lyn
Anderson, Mr. David	Brown, rh Mr. Nicholas
Armstrong, rh Hilary	Brown, Mr. Russell
Austin, Mr. Ian	Browne, rh Des
Austin, John	Bryant, Chris
Bailey, Mr. Adrian	Buck, Ms Karen
Baird, Vera	Burgon, Colin
Balls, Ed	Burnham, Andy
Banks, Gordon	Butler, Ms Dawn
Barlow, Ms Celia	Byers, rh Mr. Stephen
Barron, rh Mr. Kevin	Byrne, Mr. Liam
Battle, rh John	Caborn, rh Mr. Richard
Bayley, Hugh	Cairns, David
Begg, Miss Anne	Campbell, Mr. Alan
Bell, Sir Stuart	Campbell, Mr. Ronnie
Benn, rh Hilary	Cawsey, Mr. Ian
Benton, Mr. Joe	Challen, Colin
Berry, Roger	Chaytor, Mr. David
Blackman, Liz	Clapham, Mr. Michael
Blackman-Woods, Dr. Roberta	Clark, Ms Katy
Blears, rh Hazel	Clark, Paul
Blizzard, Mr. Bob	Clarke, rh Mr. Charles
Blunkett, rh Mr. David	Clelland, Mr. David
Borrow, Mr. David S.	Clwyd, rh Ann

Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Killoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Mnon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vis, Dr. Rudi
Walley, Joan
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Claire Ward and Jonathan Shaw

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent

Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Hemming, John
Hendry, Charles
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Mulholland, Greg
Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Paice, Mr. James
Paisley, rh Rev. Ian
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Pickles, Mr. Eric
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mr. Peter
Rogerson, Mr. Dan
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, Mr. Alex
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Noes:
Mr. Mark Lancaster and Mr. Tobias Ellwood

Question accordingly agreed to.

22. Managed service companies (other provision)

Resolved,

That further provision may be made in connection with managed service companies.

23. Restrictions on trade loss relief for partners

Resolved,

That provision (including provision having retrospective effect) may be made restricting reliefs for losses made by individuals carrying on trades in partnership.

24. Chargeable gains

Resolved,

That provision (including provision having retrospective effect) may be made amending, or making amendments connected with, the Taxation of Chargeable Gains Act 1992.

25. Life policies etc (effect of rebated or reinvested commission)

Resolved,

That provision may be made amending—

(a) Chapter 2 of Part 13 of the Income and Corporation Taxes Act 1988, and

(b) Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

26. Avoidance involving financial arrangements

Resolved,

That provision (including provision having retrospective effect) may be made in relation to—

(a) section 347A of the Income and Corporation Taxes Act 1988 (annual payments),

(b) section 660C of that Act (income of settlor),

(c) sections 774A to 774G of that Act (structured finance arrangements),

(d) Schedule 23A to that Act (manufactured payments),

(e) Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships),

(f) section 228F of the Capital Allowances Act 2001 (lease and finance leaseback), and

(g) Schedule 26 to the Finance Act 2002 (derivative contracts).

27. Companies carrying on business of leasing plant or machinery

Resolved,

That provision (including provision having retrospective effect) may be made in relation to—

(a) section 343 of the Income and Corporation Taxes Act 1988, and

(b) Schedule 10 to the Finance Act 2006.

28. Lloyd's corporate members

Resolved,

That provision may be made in relation to corporate members of Lloyd's.

29. Employee benefit contributions

Resolved,

That provision may be made in relation to employee benefit contributions.

30. Schemes etc designed to increase double taxation relief

Resolved,

That provision (including provision having retrospective effect) may be made amending and extending the effect of sections 804ZA to 804ZC of, and Schedule 28AB to, the Income and Corporation Taxes Act 1988.

31. Industrial and agricultural buildings allowances

Resolved,

That provision may be made for the purposes of the Capital Allowances Act 2001 in relation to industrial buildings allowances and agricultural buildings allowances.

32. Insurance companies

Resolved,

That provision (including provision having retrospective effect) may be made about insurance companies, including companies which have ceased to be insurance companies after a transfer of business.

33. Technical provisions made by general insurers

Resolved,

That provision may be made in relation to technical provisions made by general insurers.

34. Friendly societies

Resolved,

That provision may be made amending section 464 of the Income and Corporation Taxes Act 1988.

35. Sale and repurchase of securities

Resolved,

That provision may be made in relation to arrangements for the sale and repurchase of securities.

36. Controlled foreign companies

Resolved,

That provision (including provision having retrospective effect) may be made in relation to controlled foreign companies.

37. Expenditure on research and development

Resolved,

That provision may be made about tax relief for expenditure on research and development.

38. Venture capital schemes

Resolved,

That provision may be made about the corporate venturing scheme, the enterprise investment scheme and venture capital trusts.

39. Loss relief on disposal of shares

Resolved,

That provision may be made about loss relief on disposal of shares.

40. Real Estate Investment Trusts

Resolved,

That provision (including provision having retrospective effect) may be made amending Part 4 of the Finance Act 2006.

41. Alternative finance

Resolved,

That amendments may be made of and in relation to Chapter 5 of Part 2 of the Finance Act 2005.

42. Trust gains on contracts for life insurance

Resolved,

That provision may be made amending section 498 of the Income Tax Act 2007.

43. Offshore funds

Resolved,

That provision (including provision having retrospective effect) may be made in relation to offshore funds and investors in them.

44. Securitisation companies

Resolved,

That provision may be made amending sections 83 and 84 of the Finance Act 2005.

45. Enterprise management incentives

Resolved,

That provision may be made amending Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.

46. Unpaid remuneration and employee benefit contributions

Resolved,

That provision may be made amending sections 31 and 274 of the Income Tax (Trading and Other Income) Act 2005.

47. Abolition of contributions relief for life assurance premium contributions

Motion made, and Question put forthwith, pursuant to Standing Order No. 51(3) (Ways and means motions),

That—

(1) Part 4 of the Finance Act 2004 (pension schemes etc) is amended as follows.

(2) In section 188(3) (relief for members' contributions: contributions which are not relievable pension contributions), after paragraph (a) insert—

"(aa) any contributions which are life assurance premium contributions (see section 195 A),".

(3 After section 195 insert—

"195A Life assurance premium contributions

(1) Contributions paid by or on behalf of an individual under a registered pension scheme are life assurance premium contributions for the purposes of section 188(3)(aa) if—

(a) rights under a non-group life policy (see subsection (2)) are (or later become) held for the purposes of the pension scheme, and

(b) the contributions are treated by this section as paid in respect of premiums under the non-group life policy (see subsections (3) to (5)).

(2) For the purposes of this section a "non-group life policy" is a policy of insurance under which the only benefits which may become payable are benefits payable in consequence, or in anticipation, of—

(a) the death of the individual or one of a group of individuals which includes the individual, or

(b) the deaths of more than one of a group of individuals—

(i) which includes the individual, and

(ii) the other members of which are connected with the individual.

(3) Contributions paid by or on behalf of the individual under the pension scheme are treated as paid in respect of premiums under the non-group life policy if—

(a) the payment of the contributions constitutes the payment of premiums under the policy, or

(b) the person by whom the contributions are paid intends the contributions (or an amount equivalent to them) to be applied towards paying premiums under the policy.

(4) Where the amount of the premiums under the policy in a tax year exceeds the amount of any contributions treated as paid in respect of the premiums by subsection (3), other contributions paid by or on behalf of the individual under the pension scheme in the tax year are treated as paid in respect of premiums under the policy to the extent that their amount does not exceed the difference between the amount of the premiums and the amount of any contributions treated as paid in respect of the premiums by subsection (3).

(5) But where—

(a) the benefits under the policy relate to the death of one or more of a group of individuals, and

(b) contributions are also paid under the pension scheme in the tax year by or on behalf of another member or other members of the group, the amount of the contributions paid by or on behalf of the individual which are treated as paid in respect of premiums under the policy by subsection (4) does not exceed what is just and reasonable having regard to the operation of section 188(3)(aa) in relation to the contributions paid by or on behalf of another member or other members of the group.

(6) For the purposes of this section an individual ("A") is connected with another individual ("B") if—

(a) A is B's spouse or civil partner,

(b) A is a relative of B,

(c) A is the spouse or civil partner of a relative of B,

(d) A is a relative of B's spouse or civil partner, or

(e) A is the spouse or civil partner of a relative of B's spouse or civil partner,

and for the purposes of this subsection "relative" means brother, sister, ancestor or lineal descendant."

(4) The amendments made by this Resolution have effect in relation to contributions under any pension scheme that is not an occupational pension scheme which are paid on or after 6th April 2007.

(5) But they do not have effect in relation to contributions paid at any time if the contributions are treated as paid in respect of premiums under a policy of insurance which at that time is a protected policy (see paragraphs (6) to (10)).

(6) A policy of insurance within paragraph (7) or (8) is a protected policy but only until a relevant event occurs (see paragraphs (9) and (10)).

(7) A policy of insurance is within this paragraph if—

(a) it is issued in respect of insurances made before 6th December 2006,

(b) the pension scheme became a registered pension scheme before that date, and

(c) rights under the policy became held for the purposes of the pension scheme before that date.

(8) A policy of insurance is within this paragraph if—

(a) it is issued in respect of insurances made before 6th April 2007,

(b) the pension scheme became a registered pension scheme before that date,

(c) rights under the policy became held for the purposes of the pension scheme before that date,

(d) the policy was issued in pursuance of a proposal made in writing (by whatever means) and received by or on behalf of the insurer on or before 13th December 2006,

(e) the amount of the benefits payable under the policy (at the latest of the time when the insurances were made, the pension scheme was registered or rights under the policy became held for the purposes of the pension scheme) is no more than the amount applied for in the proposal,

(f) the period for which benefits are so payable (at the latest of those times) is no longer than the period specified in the proposal, and

(g) the policy is not a protected policy by virtue of paragraph (7).

(9) For the purposes of paragraph (6) a "relevant event" occurs if, after the relevant time, the terms of the policy are varied so as to—

(a) increase the benefits payable under the policy, or

(b) extend the period during which benefits are so payable.

(10) "The relevant time"—

(a) in the case of a policy of insurance within paragraph (7) which is issued in respect of insurances made before 6th April 2006, is 20th March 2007,

(b) in the case of any other policy of insurance within paragraph (7), is 5th December 2006, and

(c) in the case of a policy of insurance within paragraph (8), is the time when it became a protected policy.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

The House divided: Ayes 292, Noes 232.

Division No. 84] **[12.39 am**

AYES

Abbott, Ms Diane	Blackman, Liz
Ainger, Nick	Blackman-Woods, Dr. Roberta
Ainsworth, rh Mr. Bob	Blears, rh Hazel
Alexander, rh Mr. Douglas	Blizzard, Mr. Bob
Anderson, Mr. David	Blunkett, rh Mr. David
Armstrong, rh Hilary	Borrow, Mr. David S.
Austin, Mr. Ian	Bradshaw, Mr. Ben
Austin, John	Brown, rh Mr. Gordon
Bailey, Mr. Adrian	Brown, Lyn
Baird, Vera	Brown, rh Mr. Nicholas
Balls, Ed	Brown, Mr. Russell
Banks, Gordon	Browne, rh Des
Barlow, Ms Celia	Bryant, Chris
Barron, rh Mr. Kevin	Buck, Ms Karen
Battle, rh John	Burgon, Colin
Bayley, Hugh	Burnham, Andy
Begg, Miss Anne	Butler, Ms Dawn
Bell, Sir Stuart	Byers, rh Mr. Stephen
Benn, rh Hilary	Byrne, Mr. Liam
Benton, Mr. Joe	Cabom, rh Mr. Richard
Berry, Roger	Cairns, David

Campbell, Mr. Ronnie
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Eagle, Angela
Eagle, Maria
Efford, Clive
Elman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Geraldine
Smith, rh Jacqui
Sneigrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vis, Dr. Rudi
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Kevin Brennan and Mr. Alan Campbell

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian

Breed, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Hemming, John
Hendry, Charles
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Mulholland, Greg
Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Paice, Mr. James
Paisley, rh Rev. Ian
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Pickles, Mr. Eric
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mr. Peter
Rogerson, Mr. Dan
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, Mr. Alex
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Noes:
Mr. Mark Lancaster and Mr. Tobias Ellwood

Question accordingly agreed to.

48. Persons by whom registered pension schemes may be established

Resolved,

That—

(1) Section 154 of the Finance Act 2004 (persons by whom registered pension scheme may be established) is amended as follows.

(2) For subsection (1) substitute—

"(1) An application to register a pension scheme may be made only if the pension scheme is an occupational pension scheme or has been established by a person with permission under FISMA 2000 to establish in the United Kingdom a personal pension scheme or a stakeholder pension scheme."

(3) After subsection (2) insert—

"(2A) Subsection (1) is to be construed in accordance with section 22 of FISMA 2000, any relevant order under that section and Schedule 2 to that Act."

(4) Omit subsection (3).

(5) In subsection (4), omit ktand section 155".

(6) Omit section 155 of that Act (persons by whom scheme may be established: supplementary).

(7) In section 273 of that Act (members liable as scheme administrator)—

(a) in subsection (5)(a), omit "was established by a person or body specified in section 154(l)(a) to (g) (insurance companies etc) and", and

(b) in subsection (7), omit "was established by a person or body specified in section 154(l)(a) to (g) and".

(8) The amendments made by this Resolution come into force on 6th April 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

49. Pension schemes etc

Resolved,

That further provision (including provision having retrospective effect) may be made in relation to pension schemes and employer-financed retirement benefits schemes.

50. Stamp duty land tax, stamp duty and stamp duty reserve tax

Resolved,

That provision may be made about stamp duty land tax, stamp duty and stamp duty reserve tax.

51. Stamp duty land tax (exempt interests)

Resolved,

That—

(1) The Finance Act 2003 is amended as follows.

(2) After section 73A insert—

"73B Exempt interests

(1) An interest held by a financial institution as a result of the first transaction within the meaning of section 71A(l)(a), 72(1)(a) or 72A(l)(a) is an exempt interest for the purposes of stamp duty land tax.

(2) That interest ceases to be an exempt interest if—

(a) the lease or agreement mentioned in section 71A(l)(c), 72(1)(b) or 72A(l)(b) ceases to have effect, or

(b) the right under section 71A(l)(d), 72(1)(c) or 72A(l)(c) ceases to have effect or becomes subject to a restriction.

(3) Subsection (1) does not apply if the first transaction is exempt from charge by virtue of Schedule 7.

(4) Subsection (1) does not make an interest exempt in respect of—

(a) the first transaction itself, or

(b) a further transaction or third transaction within the meaning of section 71 A(4), 72(4) or 72A(4)."

(3) After section 48(3) insert—

"(3A) Section 73B makes additional provision about exempt interests in relation to alternative finance arrangements."

(4) For the text of sections 71A(8), 72(7), 72A(8) and 73(5)(a) substitute "In this section "financial institution" has the meaning given by section 46 of the Finance Act 2005 (alternative finance arrangements)."

(5) This Resolution—

(a) has effect in relation to anything that would, but for the exemption provided by new section 73B inserted by paragraph (2), be a land transaction with an effective date on or after 22nd March 2007, and

(b) applies, in accordance with sub-paragraph (a), to interests irrespective of the date of their creation.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

52. Value added tax (joint and several liability)

Resolved,

That provision may be made amending section 77A of the Value Added Tax Act 1994.

53. Value added tax (deemed supplies in case of certain surrenders)

Resolved,

That—

(1) In paragraph 9 of Schedule 4 to the Value Added Tax Act 1994 (matters to be treated as supply of goods or services: application of paragraphs 5 to 8 where land forms part of assets of business etc), there is inserted at the end—

"(4) In this paragraph "grant" includes surrender."

(2) The amendment made by this Resolution has effect in relation to surrenders on or after 21st March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

54. Value added tax (valuation of deemed supplies)

Resolved,

That provision may be made amending paragraph 7 of Schedule 6 to the Value Added Tax Act 1994.

55. Value added tax (transfers of going concerns)

Resolved,

That provision may be made amending the Value Added Tax Act 1994 in relation to transfers of businesses, or parts of businesses, as going concerns.

56. Insurance premium tax (meaning of "premium")

Resolved,

That—

(1) In section 72 of the Finance Act 1994 (interpretation: "premium"), after subsection (1A) there is inserted—

"(1B) Where—

(a) an amount is charged (to the insured or any other person) in respect of the acquisition of a right (whether of the insured or any other person) to require the insurer to provide, or offer to provide, any of the cover included in a taxable insurance contract, and

(b) any payment in respect of that amount is not regarded as a payment received under that contract by the insurer by virtue of subsection (1A) above,

the payment is to be regarded as a payment received under that contract by the insurer unless it is chargeable to tax at the higher rate by virtue of section 52A above."

(2) This Resolution has effect in relation to amounts charged on or after 22nd March 2007.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

57. Petroleum revenue tax

Resolved,

That provision may be made amending enactments relating to petroleum revenue tax.

58. Amendments connected with the Gambling Act 2005

Resolved,

That provision may be made in consequence of, or otherwise in connection with, the Gambling Act 2005.

59. Vehicle excise duty (exempt vehicles)

Resolved,

That provision may be made for amending Schedule 2 to the Vehicle Excise and Registration Act 1994.

60. Limitation period in old actions for mistake of law relating to direct tax

Resolved,

That provision may be made disapplying section 32(1)(c) of the Limitation Act 1980 in relation to actions brought before 8th September 2003 for relief from the consequences of a mistake of law relating to a taxation matter under the care and management of the Commissioners of Inland Revenue.

61. Stock exchanges

Resolved,

That provision may be made in relation to stock exchanges.

62. Mergers Directive

Resolved,

That provision (including provision having retrospective effect) may be made for the purposes of complying with Council Directive No. 90/434/EEC (mergers and transfers).

63. Excise duties (small consignment relief)

Resolved,

That provision may be made revoking the Excise Duties (Small Non-Commercial Consignments) Relief Regulations 1986.

64. Relief from tax (incidental and consequential charges)

Resolved,

That it is expedient to authorise any incidental or consequential charges to any duty or tax (including charges having retrospective effect) that may arise from provisions designed in general to afford relief from taxation.

PROCEDURE (FUTURE TAXATION)

Resolved,

That, notwithstanding anything to the contrary in the practice of the House relating to the matters that may be included in Finance Bills, any Finance Bill of the present Session may contain the following provisions taking effect in a future year—

(a) provision for corporation tax to be charged for the financial year 2008;

(b) provision for substituting the Table in Schedule 1 to the Inheritance Tax Act 1984 in relation to chargeable transfers made on or after 6th April 2010;

(c) provision about the rates of climate change levy;

(d) provision about the rate of aggregates levy;

(e) provision about the rates of landfill tax;

(f) provision amending section 312 of the Income Tax (Trading and Other Income) Act 2005.

Bill ordered to be brought in upon the foregoing resolutions: And that the Chairman of Ways and Means, Mr. Chancellor of the Exchequer, Mr. Secretary Prescott, Mr. Secretary Darling, Secretary John Reid, Ms Secretary Hewitt, Secretary David Miliband, Secretary Alan Johnson, Mr. Stephen Timms, John Healey, Ed Balls and Dawn Primarolo do prepare and bring it in.

FINANCE BILL

Dawn Primarolo accordingly presented a Bill to grant certain duties, to alter other duties, to amend the law relating to the national debt and the public revenue, and to make further provision in connection with finance: And the same was read the First time; and ordered to be read a Second time tomorrow, and to be printed. Explanatory notes to be printed [Bill 86].

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

SOCIAL SECURITY

That the draft Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2007, which was laid before this House on 24th January, be approved.

That the draft Social Security, Occupational Pension Schemes and Statutory Payments (Consequential Provisions) Regulations 2007, which were laid before this House on 19th February, be approved.

That the draft Social Security Contributions (Consequential Provisions) Regulations 2007, which were laid before this House on 6th March, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

SOCIAL SECURITY

That the draft Social Security (Contributions) (Amendment No. 2) Regulations 2007, which were laid before this House on 21st February, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

SOCIAL SECURITY

That the draft Child Benefit Up-rating Order 2007, which was laid before this House on 30th January, be approved.

That the draft Guardian's Allowance Up-rating Order 2007, which was laid before this House on 30th January, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

SOCIAL SECURITY (NORTHERN IRELAND)

That the draft Guardian's Allowance Up-rating (Northern Ireland) Order 2007, which was laid before this House on 30th January, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

CORPORATION TAX

That the draft Corporation Tax (Taxation of Films) (Transitional Provisions) Regulations 2007, which were laid before this House on 27th February, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

CONSTITUTIONAL LAW

That the draft Police, Public Order and Criminal Justice (Scotland) Act 2006 (Consequential Provisions and Modifications) Order 2007, which was laid before this House on 30th January, be approved.

That the draft Tourist Boards (Scotland) Act 2006 (Consequential Modifications) Order 2007, which was laid before this House on 30th January, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

ELECTRICITY

That the draft Renewables Obligation Order 2006 (Amendment) Order 2007, which was laid before this House on 8th February, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

COMPANIES

That the draft Companies Act 2006 (Commencement No. 2, Consequential Amendments, Transitional Provisions and Savings) Order 2007, which was laid before this House on 8th February, be approved.—*[Mr. Heppell]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

SEA FISHERIES

That the Decommissioning of Fishing Vessels Scheme 2007 (S.I., 2007, No. 312), dated 6th February 2007, a copy of which was laid before this House on 8th February, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

ANIMALS

That the draft Docking of Working Dogs' Tails (England) Regulations 2007, which were laid before this House on 8th February, be approved.

That the draft Mutilations (Permitted Procedures) (England) Regulations 2007, which were laid before this House on 8th February, be approved.

That the draft Welfare of Animals (Miscellaneous Revocations) (England) Regulations 2007, which were laid before this House on 8th February, be approved.—*[Mr. Heppell]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

BETTING, GAMING AND LOTTERIES

That the draft Gambling Act 2005 (Exclusion of Children from Track Areas) Order 2007, which was laid before this House on 21st February, be approved.

That the draft Gambling Act 2005 (Mandatory and Default Conditions) (England and Wales) Regulations 2007, which were laid before this House on 26th February, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

IMMIGRATION

That the draft Integration Loans for Refugees and Others Regulations 2007, which were laid before this House on 21st February, be approved.—*[Mr. Heppell.]*

Mr. Deputy Speaker: I think the Ayes have it.

Hon. Members: No.

Division deferred till Wednesday 28 March, pursuant to Standing Order No. 41A (Deferred divisions).

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

IMMIGRATION AND NATIONALITY

That the draft Immigration and Nationality (Fees) Regulations 2007, which were laid before this House on 15th March, be approved.—*[Mr. Heppell.]*

Mr. Deputy Speaker: I think the Ayes have it.

Hon. Members: No.

Division deferred till Wednesday 28 March, pursuant to Standing Order No. 41A (Deferred divisions).

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

NORTHERN IRELAND

That the draft Northern Ireland Act 2000 (Modification) Order 2007, which was laid before this House on 20th February, be approved.—*[Mr. Heppell.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

SOCIAL SECURITY

That the draft Jobseeker's Allowance (Jobseeker Mandatory Activity) Pilot Regulations 2007, which were laid before this House on 26th February, be approved.—*[Mr. Heppell.]*

Question agreed to.

EUROPEAN UNION DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Standing Committees).

MARITIME POLICY

That this House takes note of European Union Document No. 11510/06 and Addenda 1 to 13, Commission Communication: Green Paper-Towards a future maritime policy for the Union: A European Vision for the oceans and seas; and endorses the Government's approach to discussions on these documents.—*[Mr. Heppell.]*

Question agreed to.

PETITIONS

Sub-Post Offices

12.57 am

David Maclean (Penrith and The Border) (Con): I am pleased to present a petition containing almost 12,000 signatures from petitioners in Penrith and The Border and Carlisle constituencies, who demand that the Government abandon their plans to cut 2,500 post offices, especially those scheduled for closure in

[David Maclean]

Cumbria. More than 8,000 signatures are from Penrith and The Border constituents, and have been collected in almost 100 post offices the length and breadth of the largest constituency in England and Wales. My colleague John Stephenson, the Conservative candidate for Carlisle, has collected 3,500 signatures from sub-post offices in the Carlisle constituency. Collectively, all those signatures indicate the strength of feeling among constituents in the northern half of Cumbria that our network of sub-post offices is vital, and that we do not want to lose any of them.

The petition states:

To the House of Commons,

The Petition of supporters of post offices in Penrith and The Border constituency,

Declares that Sub Post offices are a vital part of the social fabric of the local community and must be preserved. Notes that the present Post Office network in England and Wales cost £150 million per annum to maintain but that in the last year alone the Government has taken away £168 million of Government services which should continue to be done by Post Offices. Believes that mobile Post Offices cannot be a substitute for the village shop/Post Office which is often the hub of social and community life, the centre of informal networking which binds a village together. The Petitioners therefore request that the House of Commons reject Government plans to cut 2,500 Post Offices and call on them to expand the Sub Post Office network.

And the Petitioners remain, etc.

To lie upon the Table.

Inland Waterways

1 am

Andrew Selous (South-West Bedfordshire) (Con): I wish to present a petition relating to the Grand Union canal, which runs through Linslade and the town of Leighton Buzzard in my constituency. It has been signed by many of my constituents and others who currently enjoy the canal network in that part of the country.

The petition states:

To the House of Commons,

The Petition of the constituents of South West Bedfordshire and other users of Britain's inland waterways,

Declares that our inland waterways are a unique national asset that provide an important contribution to the quality of life for millions of our citizens. We therefore are deeply concerned that the Department for Environment, Food and Rural Affairs has seen fit to reduce British Waterways' grant by some £60 million over the next 5 years and that of the Environment Agency by £25 million in this financial year. We believe that these cuts will have a devastating effect on the well-being of inland waterways.

The Petitioners therefore request that the House of Commons call upon the Government to introduce legislation to solve the immediate problems caused by these cuts to current budgets and to ensure that long-term funding is guaranteed to enable continued investment and restoration of the waterways.

To lie upon the Table.

Mini Motorbikes

1.1 am

Andrew Selous (South-West Bedfordshire) (Con): I wish to present a petition mainly from the residents of the town of Dunstable and the nearby village of Totternhoe, concerning the problems caused by mini motorbikes to my constituents in those areas.

The petition states:

To the House of Commons.

The Petition of the residents of Dunstable and others,

Declares that mini-motorbikes and unregistered off-road motorbikes are causing distress and upset in Hillcroft, Brewers Hill and on many of the surrounding roads, pavements and alleyways in Dunstable as well as on the Green Lanes and farmland between Totternhoe and Dunstable. The motorbikes are causing damage to the land and the actions of the riders are intimidating both humans and wildlife. This problem is ongoing 24 hours a day, 7 days a week and is being committed by both youths and adults alike. Further declares that this is not just a local problem, but is a problem that is occurring nationally.

The Petitioners therefore request that the House of Commons urges the government to introduce legislation to restrict the use of mini-motorbikes and unregistered off-road bikes in uncontrolled areas.

To lie upon the Table.

Road Traffic Debts

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Heppell.]*

1.3 am

Mr. Austin Mitchell (Great Grimsby) (Lab): I am very lucky to be speaking to the House at this witching hour. However, the Table Office has somewhat marred the beauty, simplicity and elegance of my title, which was "The Enforcement of Road Traffic Fines by Bailiffs". I want to raise that issue because it is producing a huge extortion racket, with local authorities—which should protect the people—colluding with cheating bailiffs to impose huge and excessive charges that are then justified by lies and enforced by bullying. Those charges are imposed on motorists who have unpaid fines, many of whom do not even know that they have offended. That is the group I wish to talk about in particular. I am talking about the innocent, not the Nigerian embassy or the American embassy, or habitual offenders who do not seem to get caught. This is an extortion racket against the innocent.

I want to give an example involving my daughter, Susan Mitchell. She lives in Dulwich—all my kids are middle-class and have moved up in the world faster than I have. She arrived home from work on 5 March this year and set off to take the kids to their swimming class only to find that her car had been clamped by an enforcement firm called JBW. It was demanding £706.22, plus £1 if she paid by credit card—£707.22—to release it. It said that if that was not paid it would tow the car off and sell it.

This incident was related to an unpaid parking charge from 8 September last year. My daughter says that a ticket was not stuck on the car, and given that she was moving house at the time to a house two streets away, it seems clear that any reminder to pay and any notice of the court order had gone to the old house. We have this obstinate British habit of not sending court orders, reminders to pay and other such documents by recorded delivery. Every other European country requires proof of delivery; we do not, but we should.

The local authority, Southwark council, had been notified of my daughter's move. It had the change of address, but it did not bother to check its records; it simply handed the case to the bailiffs. The attitude was, "Here's a nice contract for JBW. Let's give them a nice little earner." JBW, the enforcement agency, claims to have checked with the Driver and Vehicle Licensing Agency—indeed, it charged my daughter £5.32 for that check—which had been notified of the change of address, so JBW knew of that change. Nevertheless, it claims to have made three visits to the old address, for which it charged my daughter £152. Incidentally, the new residents at the old address did not notice those visits, so they cannot have been door-knocking visits.

JBW also claims to have written to the old address warning of distraint action, as it is required to do. Again, it did not send that letter by recorded delivery. It explained to my daughter that it is too expensive to send these things out by recorded delivery. It gets only a statutory allowance for writing one letter—£11.20. Recorded delivery costs 68p and a first-class stamp 32p—a total of £1. So it prefers the certainties of second-class mail for the delivery of these documents, to the wrong address. It did not waste any more stamps writing to the new address, when it found it. In fact, it did not write to it at all; it simply snuck round and clamped the car.

This is the fundamental problem. Bailiffs do not want people to pay up on a first approach, which my daughter would have done once the situation had been explained to her. There is no money for the bailiffs if the person coughs up. They get fees only if they visit the house, so we get these phantom claims for calls that were never in fact made. The streets of London are presumably filled with ghostly visitors flitting from house to house, unnoticed by the householders. They get money only if they distrain or clamp the vehicle, because that entitles them to charges, which they set.

JBW clamped my daughter's car and charged her £240 for doing so, which is double the rate that it says it charges for that service. That made a total of £707, of which £155 went to Southwark. Jamie Waller, the boss of JBW, says in an affidavit that he varies charges by area, so presumably the posh areas get the higher charges and the less well-off ones get the lower charges. My daughter must therefore live in a middling-posh area.

Eventually, once my daughter had paid, JBW came to remove the clamp—at 6 o'clock in the morning the next day. Anybody in that situation would be as distressed as my daughter was. What do they do? Who do they turn to? Naturally, she rang Southwark council for help. It told her that the charge was "not unreasonable". A charge of £707 seems to me absolutely monstrous, but to Southwark council it is not unreasonable. It must pay its staff very well indeed if they can afford to pay such charges out of their own pockets. The council is very courageous in committing itself to the phrase "not unreasonable".

Southwark council also told my daughter that this was none of its business—it was between her and JBW. That is not true, because the council has a duty of care toward its residents; however, it also has a contract with JBW. However dodgy JBW might be, Southwark has a contract with it to perform this service. That makes it liable for the acts of its agents, because JBW is acting as the agent of the council. Instead of giving that useless and untrue information, the council could have told my daughter that she could have made a statutory declaration in the county court, which would have cost her £5. That would have gone to the Northampton parking fines centre, stayed the process and the clamp could have been removed. However, Southwark council was spectacularly useless and did not give my daughter that information. It did not do so because it is in collusion on this issue with JBW, because it has a contract with JBW for the charges. People are left defenceless and bullied by the bailiffs into coughing up. My daughter coughed up £707.22.

I was appalled by that enormous and ridiculous charge, so I began to investigate with the help of the London motorists action group. Sheila Harding, Philip Evans, Alison Laughton and others were all very helpful and very angry. Through those investigations, I have built up a picture of what is a huge extortion racket operated by a £6 billion industry, primarily in London but all over the country. They are private contractors on contract to public bodies.

[Mr. Austin Mitchell]

The industry is cutting corners, lying and pretending that it has done things that it has not, because the fee structure does not pay it for simply getting the money, which is what the local authority presumably wants. That is not the real job of bailiffs. Their real job is to distrain goods. That is their traditional role, and they only get any fees if they distrain goods—or clamp cars. So they fabricate charges, claim for phantom visits and use uncertified staff. In fact, Sheila Harding keeps a record of 103 inquiries about acts that should have been done by certified bailiffs, but when checked only 47 had been. I do not know whether Mr. Marsh, who clamped my daughter's car, is certified. Southwark council does not seem to know and the firm is not saying. He may be certified or he may not be. All I know is that I do not like his tone or aggressive attitude in a recording of his interview with my daughter.

Sheila Harding's research also shows that there are only 1,521 certified bailiffs in the country. Those 1,521 certified bailiffs are dealing, on 2006 figures, with 4 million liability orders for unpaid council tax, 900,000 unpaid parking charges in London and 1.6 million people in arrears with child support. They cannot do that, so they are using uncertified staff. Sheila Harding's research shows that the local authority contracts, which should be open and used to regulate the bailiffs, are useless. Some of them are secret and people have had to apply under freedom of information legislation to find out about them, none of them is published, and many of them have lapsed. One contract, Hammersmith's, was lost and all of them are weak. The result is that the extortion racket is unchecked.

I shall give some examples. Equita, which is a subsidiary of Crapita—I am sorry, I mean Capita—is the biggest firm in the business. Alex Henney was clamped by Equita and he took the case to the local ombudsman and proved that Equita and Camden had both lied about the visits made—phantom armies making phantom visits. Simon Aldridge was charged £704. He took Equita to court and the judge accepted that the visits had been claimed for but not made. Duncan McGowan was charged £2,084 and he got £1,426 back through the small claims court. I have many more examples—these are just a sample. In one case, a man had a letter dropped through his letterbox saying that a certified bailiff had visited him. He dashed out and followed the man who had delivered the letter. That man was delivering a sheaf of similar letters, and he turned out not to be a certified bailiff but just a messenger. In 2004, Equita's pre-tax profits amounted to £7.4 million, against capital employed of £5.8 million—a return on capital of 127 per cent. The company does not make that much from £10 letters and regulated fees.

Bailiff certification is a licence to filch money from people over unpaid charges. That was exposed by the BBC's "Whistleblower" programme last September. Given what I have learned through my daughter's experience and my research, the question that I want to ask is, "What should we do about it?" The problem is that private bailiffs are working on public authority contracts, so my first suggestion is that local authorities must exert tighter control over contractors. The Transport Committee recommended that in 2005. It wanted careful regulation by the local authority to ensure that charges, operations and practices were all transparent. That should be put in place: when they hand out a contract, local authorities should exercise their powers to ensure that it is not a nice little earner, but a duty to be fulfilled.

Secondly, the fees need to be regulated. The present structure is based on the old-fashioned view that bailiffs distrain goods, but it should recognise that nowadays they are about getting the money to pay charges. We need a structure that places the emphasis on getting the fines paid, not on grabbing goods—something that bailiffs want to do because that gives them access to bigger fees. Some industry leaders are trying to develop a more transparent fee scale. Good on them—I hope that they are successful and that the Government encourage them.

Finally, we need a regulator. Cowboys need a sheriff, and the mafia cannot be regulated by the mafia. Crooks—and I use that word in the Australian sense, to describe people who are "crook"—need a rule-maker to control them. The Government have proposed that the Security Industry Authority should be the regulator, but I do not think that it is up to the job. The SIA is a licensing authority, not a regulator, and bailiffs are not part of the security industry. We need a proactive regulator who can investigate complaints.

The Government began a consultation process in January but, unfortunately, they have set their face against giving the regulator the ability to investigate complaints. It is essential that someone protect people who suffer the sort of problems that I have described. It is daft to exclude investigation from the regulator's role. The regulator should disqualify, discipline, regulate fees, hear appeals, and be available to help people faced with the sort of bullying that my daughter experienced.

I must warn my hon. and learned Friend the Minister that the best that her consultation paper proposes is not good enough, and that it is a shame to see the Government back-tracking. In the 2001 Green Paper, they suggested a dedicated regulator, and that was a good idea. However, they had pulled back a little by 2003, and the Tribunals, Courts and Enforcement Bill still has not got the matter right.

It is a rare pleasure to be here at 1.18 in the morning and chatting up my hon. and learned Friend. I am enjoying the experience, and I am delighted that she is replying to the debate, as I know that she has a concern for justice and fairness. I hope that she will be bold and make sure that the Tribunals, Courts and Enforcement Bill gets this matter right.

We need a regulator who can beat the bastards, bash the bullies, control the crooks, comfort the complaining and ease the pains of the people. Unless we get that, the sort of extortion racket that I have described will continue. I hope that my hon. and learned Friend will give us a regulator who can deal with these people.

1.19 am

The Parliamentary Under-Secretary of State for Constitutional Affairs (Vera Baird): First, may I congratulate my hon. Friend the Member for Great Grimsby (Mr. Mitchell) on securing parliamentary time for this important and timely debate? The

Department for Transport is responsible for policy and the statutory framework for the enforcement of some road traffic regulations, including parking penalties and debts resulting from them. My Department is responsible for the bailiff certification process. Section 78 of the Road Traffic Act 1991 allows the Lord Chancellor to make orders for road traffic debts to be enforced by certificated bailiffs. It should be those certificated bailiffs, working for local authorities, who deal with the enforcement of road traffic debts. My hon. Friend referred to the Tribunals, Courts and Enforcement Bill, which finished its Committee stage in the House of Commons today. It includes important changes to enforcement agent law, which I hope he will find more convincing than he expects. Enforcement agent law is mixed up in myriad legislative fragments and in the common law. The role of bailiffs has evolved piecemeal over centuries. There is a need for the law to be clear, as well as a need to regulate the individuals and businesses responsible for the activities. What we are doing is to legislate and to regulate.

The Bill consolidates enforcement agent law and puts it all in one place, which is going to make it a lot easier for enforcement agents, creditors, the advice sector and debtors to understand it. Those provisions will apply to the enforcement of road traffic debts. Schedule 12 sets out a new procedure that must be followed when enforcing debts by taking goods. It is a framework, and further detail will be provided in the regulations to follow. A detailed policy statement has been laid before the House that sets out what we intend to include in regulations. In paragraph 160 of that statement, we set out what the enforcement agent will need to provide to the debtor when entering the premises. That information will include charges which have been made, information on any further charges that could be made in relation to the debt, and an outline of avenues of complaint and rights of appeal, including how to appeal against excessive fees.

There are different fees depending on the type of debt. The Bill provides for one fee structure and puts all fees in one place, which should empower people to resist abuse. Importantly, there will be an up-front fee element, payable to bailiffs so that they do not act entirely in pursuit of a cut of the cash recovered—we hope that that will help. It will be necessary, through the consultation on the detail, to ensure we get the level and nature of the fees right to avoid possible abuses such as grabbing goods and phantom visits of the kind discussed by my hon. Friend. As I said, there will be an appeal route and a complaint route. The Bill includes an enhanced and extended certification process, which will make a major contribution towards our goal of a fully regulated, trained and professionalised enforcement industry. No one at all save state employees can practise as an enforcement agent or bailiff unless they are certificated after that provision comes into force.

Under the new certification process, certificates will be issued by a county court judge, as they are now, but the conditions will be much stricter. There will be a greater emphasis on training, especially in diversity awareness, conflict avoidance and dealing with the vulnerable. In my view, that is about getting all members of the bailiff industry to understand, as many of them already do, that they are working in the public interest, and are not simply debt collectors working single-mindedly in the interests of their creditors on a commission. They are agents of the public authorities, notably the courts. However it is our longer-term intention for the whole enforcement industry, other than Crown employees, to be overseen by an independent regulatory body, and we are confident that the Security Industry Authority is an appropriate body to cover such bailiffs. An affirmative order under the Private Security Industry Act 2001 will bring bailiffs within the terms of the Act. On 30 January, as my hon. Friend said, a joint consultation paper was issued by the Department for Constitutional Affairs and the Home Office on the regulation of enforcement agents. The SIA contributed to that consultation, and we indicated that it is our preferred option. The consultation will end in about a month, and an announcement will be made in the summer.

The SIA's regulatory structures are strong. Since it has been able to regulate doormen properly, it has done a good job. It has raised standards immensely—the good-quality professionals are pleased with that—and it has got rid of many of the bandits.

Mr. Mitchell: I do not think that will be strong enough. The SIA is not a regulatory body; it is a recording and registration body. Bailiffs are not part of the security industry. Abuse is rife and there will be more cases—for example, as the police issue on-the-spot fines—that press further down the social scale, where difficulties are unique. People need a body to which they can appeal; the body needs to be able to investigate and hear appeals, and the SIA cannot do that.

Vera Baird: I realise that my hon. Friend is not yet convinced that the SIA is the right body. I have already outlined step 1: nobody will be a bailiff unless they are certificated by the court, which should get rid of a large number of the bandits. As my hon. Friend says, there are not a large number of certificated bandits and many of the types of people to whom he referred are still in the business. Training will be part and parcel of the job of the SIA. I would have thought that my hon. Friend's constituency experience was similar to mine, in that the quality of doormen has infinitely improved since the SIA had a proper role in regulating them. Although there is a difference between a bailiff and a doorman, it seems to us that the SIA is the right body to take the regulatory role.

The SIA has regulatory structures; it will have the right tools to encourage compliance and will work first to achieve it rather than using enforcement. However, it will set the competences required for individuals and accredit training, and ensure that all enforcement agents have achieved levels of competency. It will also licence the managers and supervisors of front-line operatives and provide a voluntary approved contractor scheme for business.

The SIA's enforcement policy code sets out in detail that it will use oral and written warnings first if it finds that companies or individuals fail to comply, but there are also penalties in the Private Security Industry Act 2001—a fine of up to £5,000 maximum or six months' imprisonment for various offences. In addition, we will be looking at the possibility of using alternative dispute

[Vera Baird]

resolution for complaints. There will thus be an interim system of enhanced certification with the emphasis on training, but there will be full-scale regulation soon. I urge my hon. Friend to respond to the consultation with some of the stories he has told us tonight.

On the actuality of the enforcement of road traffic debts, there is a set procedure which the Government believe gives motorists adequate opportunities to demonstrate that a penalty charge notice has been incorrectly issued. It is also intended to give them ample opportunity to pay. It is only when a motorist disregards the unpaid and unchallenged penalty charge notice that it becomes a debt and the matter will be sent to a bailiff. Only then will the motorist have a bailiff at their door. It is the motorist's responsibility to settle their debts and avoid enforcement.

The parking operational guidance from the Department for Transport to local authorities is being redrafted and will be sent out for consultation later this year. We will take the opportunity then to enhance the existing guidance to local authorities on their contracts with bailiffs, so we will approach the matter from that angle, too.

Although my hon. Friend is clearly unhappy with the current position I hope he can see three things: first, that the Government are apprised of the problem; secondly, that we are legislating for simplification and certainty of bailiff powers, so that everyone will know what they are—the information will be promoted through leaflets and websites; and thirdly, that we are intent on regulating strictly and strongly the bailiff industry, a small part of which has been responsible for the kind of depredations to which he has referred tonight.

I am sorry that my hon. Friend has had such trouble in his family. He is right to bring it to the attention of the House and I congratulate him again on securing the debate. We intend to protect citizens against such things happening in the future.

Question put and agreed to.

Adjourned accordingly at twenty-nine minutes past One o'clock.

House of Commons

Wednesday 28 March 2007

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

INTERNATIONAL DEVELOPMENT

The Secretary of State was asked—

Clean Drinking Water

1. **Gordon Banks** (Ochil and South Perthshire) (Lab): What measures his Department is taking to provide clean drinking water in developing countries. [130160]

The Secretary of State for International Development (Hilary Benn): We will double our investment in water and sanitation in Africa, where the millennium development goal is most off-track, to £95 million a year by 2007-08, and then more than double our funding to £200 million a year by 2010-11.

The Department for International Development's global call to action on water and sanitation is pushing for more investment, for money to be better spent and for the right structures to be put in place to help to make that happen.

Gordon Banks: I thank my right hon. Friend for his answer. Does he agree that the voluntary sector and the Churches have a significant role to play in providing clean water in developing countries? May I bring to his attention one such project, which is run by Auchterarder parish church in my constituency? Through its endeavours, it is providing clean drinking water to 1,000-plus people in the villages of Debele Kejima, south-west of Addis Ababa. Will he take time to come to Auchterarder to speak to Stewart Robertson and other people from Auchterarder parish church to see the good work that they have done and are planning, and to see their future plans on sanitation and hygiene education, which are vital to developing countries?

Hilary Benn: I will do my best to accept my hon. Friend's kind invitation to visit his constituency. I congratulate the members of the Auchterarder parish church on the efforts that they are making. In the fight to bring clean water and sanitation to more of our fellow human beings, we need all the help we can get.

Malcolm Bruce (Gordon) (LD): As the Secretary of State will know, the Select Committee on International Development is about to publish a report on water and sanitation. Sanitation itself is often under-valued. It is key to achieving many of the millennium development goals. Will he undertake to ensure that his Department's money goes to training and educating people in developing countries to enable them to deliver appropriately water and sanitation and to enable the millennium development goals to be achieved?

Hilary Benn: I accept the right hon. Gentleman's point. I look forward to receiving the report when it is published. People tend to focus on water and to forget about sanitation. What we really need are taps and toilets. He is right that education is important. That is why, in investing in education, we ensure that we invest in toilets in schools. As we know, without toilets, girls will often not go to school as they get older. Those programmes include education about the importance of washing hands. On a recent visit to Malawi to see one such programme, we saw a brand new toilet block that we helped to fund with our development assistance. There was a big sign over the seat that said, "Now wash your hands." That makes precisely the point that the right hon. Gentleman makes.

Joan Ruddock (Lewisham, Deptford) (Lab): Further to that question and answer, may I ask my right hon. Friend to recognise the role of women in African villages in the management of water and sanitation projects? Will he in particular commend the health extension workers scheme, which the Select Committee saw in Ethiopia? We are prepared to provide much more money, but it is also necessary to encourage African Governments to make that a priority within their own spending Departments.

Hilary Benn: I could not agree more with my hon. Friend on the last point. One of the puzzles in all this is why Governments in some developing countries have not got the message more loudly about the importance of clean water and sanitation. In my experience, as she says, it is women in villages and elsewhere who are most concerned about that matter, not surprisingly, as they spend most of their day fetching and carrying water. If girls have to do that, one of the consequences is that they cannot go to school. We know the impact that that loss of opportunity has on the lives of girls. I assure my hon. Friend that we will continue to do all the things for which she asks.

Mr. Gary Streeter (South-West Devon) (Con): I commend the Secretary of State for the work that he is doing on clean water. However, is it not true that the United Nations has 23 agencies dealing with water in one way or another? Would it not be better if there was much more focus among the donor communities and the organisations trying to help in that situation, so that we could really try to tackle the problem and some of the 6,000 children who die every day of diarrhoea would not have to die?

Hilary Benn: The hon. Gentleman is right. That is why, in answer to the original question, I said that we need to get the right structures in place. This year's "Human Development Report" was all about water. It was a cracking report. First, we need one every year to keep our eye on the ball. Secondly, we need the international community to come together and say,

"What are the gaps? How are we going to fill them?" Thirdly, directly relating to the hon. Gentleman's point, we are arguing that in each country there should be one UN body that takes the lead. As a Government, we will put our money through the one UN body that is nominated in each country. That would be a powerful incentive to the UN system to get its act together. It is good that all those bodies take an interest, but when it comes to helping countries to make progress, they need one plan, one body and one way in which the international community provides help.

Anne Snelgrove (South Swindon) (Lab): My right hon. Friend will be aware from the correspondence that we have had of the concern of many of my constituents about water issues in developing countries, and I thank him for his response on water privatisation in particular. What have his Department's budgets been for water and sanitation over the past five years?

Hilary Benn: We have just published a further report looking at the total effect of our investment in water and sanitation, and in the last year for which the figures are available we spent bilaterally and multilaterally £242 million. I have a lot of correspondence about water and sanitation, which I greatly welcome. When it comes to public, private or community-led provision, I am interested in investing more of our money in what works to bring clean water to people, and that is where we should put our effort.

Lynne Featherstone (Hornsey and Wood Green) (LD): Is the Secretary of State aware that Norway has withdrawn its funding for the public-private infrastructure advisory facility, because its projects involving water have so often failed and been so widely criticised? How does the Secretary of State scrutinise the use of UK taxpayers' money? If we are unable to do so effectively, is he likely to withdraw British funding from the PPIAF?

Hilary Benn: The PPIAF is having a real impact, not just in relation to water, but in other areas. The one example that I can think of is that it has helped to improve the availability of mobile phones in Afghanistan, which is good for helping the economy there to grow and develop. As I said a moment ago, in the end I am interested in investing money in what works. There are examples of private sector water provision that work and there are spectacular failures. There are examples of public provision that work and there are those that have been spectacular failures. The conclusion that I draw from that is that it does not matter so much whether it is one or the other, we should be putting cash, effort and time into what really makes a difference. I will assess our contribution to the PPIAF on that basis.

Mr. Andy Reed (Loughborough) (Lab/Co-op): Hon. Members have come up with many useful suggestions that will improve the situation and my right hon. Friend understands the issues of water pretty well, but does he agree with Tearfund, which in its report "Making every drop count" states:

> "But, first and foremost, 'quantity' of finance issues stand out as being absolutely paramount to the problem of increasing coverage in the country."—

in this particular case referring to Ethiopia? All the improvements would make a difference, but can he assure me and other hon. Members that he will make every effort internationally to pump up the amount of money that is available to tackle the situation, so that we get somewhere near the 2015 millennium development goals.

Hilary Benn: I am happy to give my hon. Friend that assurance. That is exactly why in Africa where the problem is greatest, as I told the House a moment ago, we will double and then double again our investment. We need more investment, but we also need to help countries to be able to spend it. Apart from rural areas, the big challenge will be to provide clean water and sanitation to the growing cities and towns of the developing world, because in the next 50 years, first in Asia and then in Africa, that is where a majority of people will be coming to live. Just as in the 19th century in Britain local authorities were responsible for providing the sewers and putting in the taps, we need to find ways of getting more funding to local authorities in developing countries to make the investment and to regulate the provision of water and sanitation, because it is on them that the burden of dealing with the problem will fall.

Mark Simmonds (Boston and Skegness) (Con): I have recently observed in Bangladesh that it is possible to make progress on water and sanitation with, for example, microcredit schemes, enabling the manufacture of sanitation facilities in small, rural communities. The Secretary of State has admitted that DFID has not performed on the issue and has taken its eye off the ball. As my hon. Friend the Member for South-West Devon (Mr. Streeter) rightly pointed out, the UN has 23 unco-ordinated agencies working on water and sanitation, and the EU water initiative has been excruciatingly slow and mired in bureaucracy. For the sake of the 2.6 billion people who do not have access to water and sanitation, what steps is DFID taking to improve its performance, international coherence and donor co-ordination to ensure the replication of such schemes across the developing world?

Hilary Benn: The hon. Gentleman might give a bit of credit for the change that has been taking place over the past couple of years. It was the international community that took its eye off the ball, but that is beginning to change too. The World Bank is now investing more money, in part supported by our efforts, and we have a large programme in Bangladesh, which I do not know whether the hon. Gentleman had a chance to see.

The EU water initiative has been pretty patchy. Much more impressive is the EU water facility, because that allows countries to bid for funding to invest in the kind of things that I was talking about a moment ago, both rounds of which have been oversubscribed. In the global call for action, I am now arguing that we should embed funding from the EU in an EU water facility on a permanent basis through the next round of the European development fund, because it is about increasing the quantity of investment and about putting the right structures in place. That is why at the World Bank spring meetings we will have a gathering, at which Paul Wolfowitz will be present, in order to make progress.

Africa (Sustainable Forestry)

2. **Paddy Tipping** (Sherwood) (Lab): What steps he is taking to increase sustainable forestry in Africa. [130161]

The Parliamentary Under-Secretary of State for International Development (Mr. Gareth Thomas): We are committing more than £73 million for forestry work in Africa, including £50 million announced last week by my right hon. Friend the Chancellor for a Congo basin forest fund. Our funding is helping to improve governance and secure environmental benefits, and potentially could help to safeguard the livelihoods of more than 50 million poor people.

Paddy Tipping: Does the Minister accept that one of the important steps that could be taken is for the Government and the wider public sector to buy only legal and sustainable timber? Is he confident that the central point of expertise on timber procurement is properly resourced and that its messages are widely understood across the public sector?

Mr. Thomas: I agree with my hon. Friend that there is much that the Government, through public procurement, can do to send strong signals about the need to use sustainable and legal sources of timber. At central level, the Government have set an example by setting out through the CPET what we want to see happen. We need to work with local authorities to help them see the benefits in that direction, and we need to encourage other Governments across the European Union and across Organisation for Economic Co-operation and Development countries to do so, too. Yesterday, I met my Norwegian and Swedish counterparts and we are encouraging them to look at exactly that issue.

Michael Fabricant (Lichfield) (Con): The Minister is right to say that there is huge importance in maintaining forestry—quite apart from anything else, to stop land slips and other forms of erosion. Has he had any meetings with the Waitrose Foundation, which is doing valuable work in Southern Africa training people not only in horticulture and maintaining farms, but in sustainable forestry?

Mr. Thomas: The hon. Gentleman is absolutely right to highlight one particular benefit of forests. He may know that about 2 billion people worldwide depend on forests in some shape or form, so not only do donors and development agencies such as ours have a responsibility, we also need to work with the public sector, as my hon. Friend the Member for Sherwood (Paddy Tipping) said, and with the private sector, to which the hon. Member for Lichfield (Michael Fabricant) referred. I have not yet met members of the Waitrose Foundation, but if he wants to bring them to see me, I shall be happy to meet them.

Mrs. Betty Williams (Conwy) (Lab): My hon. Friend will be aware of the Secretary of State's visit to the university of Wales, Bangor last year. When considering sustainable forestry in Africa, will he look at the work being undertaken at the university of Wales, Bangor on the impact on forests of climate change and elevated carbon dioxide levels?

Mr. Thomas: I welcome the work that is taking place at Bangor and I know that my right hon. Friend's visit was useful. I will of course discuss with him the research benefits that were explained to him, as my hon. Friend the Member for Conwy (Mrs. Williams) described. We need more effort from public sector and private sector bodies in terms of research into the importance of deforestation and what we can do to counter it. We need to work with bodies in the private sector and with other Governments around the world to step up the effort to combat deforestation.

British Aid

3. **Mr. David Burrowes** (Enfield, Southgate) (Con): What steps he is taking to promote the independent evaluation of British aid. [130162]

4. **Angela Watkinson** (Upminster) (Con): What steps he is taking to promote the independent evaluation of British aid. [130163]

The Secretary of State for International Development (Hilary Benn): UK aid is subject to external scrutiny through independent monitoring by the Select Committee on International Development, audit by the National Audit Office and peer review by the Organisation for Economic Co-operation and Development. DFID's policies and country programmes are evaluated by external experts and findings are published. However, we can and should go further, so I intend to establish a mechanism to ensure more independent evaluation of DFID's impact and I will inform the House of my proposals in due course.

Mr. Burrowes: I am grateful to the Secretary of State for that answer. Assuming that he wishes to see recipient countries spend aid in an effective and accountable manner, when the Department is extending its aid reach into fragile states with often limited democratic credentials, why are the Government not doing more to show that they are responding and producing external scrutiny? Given that the Secretary of State says that the quality of governance has a huge impact on development, surely it is time for the Government to get its own house in order.

Hilary Benn: I hope that the hon. Gentleman listened to the answer that I just gave before asking a supplementary question that he may have written before he heard what I had to say. I accept entirely that we can do more to ensure that there is independent evaluation of the work that we are doing, but there is a considerable amount of scrutiny currently and in the more difficult places in which we work we take seriously our responsibility to ensure that we can demonstrate an impact. That is why, in those cases, we often do not give direct budget support, but provide assistance through programmes and projects in other ways.

Angela Watkinson: I welcome the Secretary of State's statement that he is going to follow Conservative party proposals to have an independent aid watchdog in this country. Does he agree that as the Department for International Development is set to double its budget, we owe the British taxpayer a zero tolerance policy on corruption in aid budgets?

Hilary Benn: I agree with the hon. Lady. I take with the utmost seriousness my responsibility to ensure that every penny of our aid goes to where it is intended. Every Member of the House, regardless of what party they belong to, should be interested in ensuring that a rising aid budget has the best possible impact.

Hugh Bayley (City of York) (Lab): Does my right hon. Friend agree that part of the business of scrutiny of aid in developing countries must be carried out by the Parliaments of those countries and their public accounts committees? Will the Secretary of State tell the House how his new governance fund will be used to strengthen the capacity of Parliaments to do that work and scrutiny, and will our National Audit Office look at their reports and use them in its independent audit of his Department's work?

Hilary Benn: I agree with my hon. Friend completely on that point. The governance and transparency fund that we are establishing will in part be used to support parliamentarians in building their capacity to hold their Governments to account. The Public Accounts Committee and the work of the National Audit Office are really good examples of how to do that. We enjoy the benefit of their wisdom and experience, and occasional probing from time to time. I do not see why our colleague parliamentarians and Ministers in developing countries should not enjoy the same experience.

Ms Sally Keeble (Northampton, North) (Lab): I welcome my right hon. Friend's statement. I hope that his Department will look in particular at evaluating the spend on orphans and vulnerable children. I wonder whether he would agree that the untying of aid from trade, and the introduction of the poverty focus by the Labour Government was probably the single most effective step in improving the effectiveness of UK aid.

Hilary Benn: I agree with my hon. Friend. They were important decisions, taken for exactly the right reasons. On spending on orphans and vulnerable children, one of the reviews that we have been carrying out has been into the impact of our approach to HIV and AIDS and that is one of the issues at which it has been looking.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): Some £50 million of unearmarked aid will be given to the Afghan reconstruction trust fund this year. Having been a part of the process of paying that aid, I know that it involves handling large bundles of cash and taking them down to the provinces in Afghanistan. Given the current levels of corruption to be found in some provinces in Afghanistan, what specific measures are in place today to ensure that that money is being well spent?

Hilary Benn: The most important measure that is in place is the Afghan reconstruction trust fund, which is managed by the World Bank on behalf of all the donors that put in funding, including the United Kingdom Government, and it pays out only in response to certified expenditure. What is that money being spent on? As the hon. Gentleman knows, it is being spent on helping to pay the salaries of teachers and other public servants who are trying to build the capacity of the Government of Afghanistan to respond to the needs of their people.

Mr. Andrew Mitchell (Sutton Coldfield) (Con): The Secretary of State is aware that, over the last year, we have been pressing the Government to set up a truly independent aid evaluation process, so we welcome the answer that he gave just now—although I hesitate to point out to him that he gave exactly the same answer two months ago. Will the Secretary of State accept that the issue is about not only aid effectiveness, but development effectiveness and demonstrating results and outcomes so that taxpayers can have confidence that their money is being well spent?

Hilary Benn: I do accept those latter points, which is precisely why I have informed the House today that I intend to set up a mechanism. I said two months ago that I was looking at proposals. One of the things that we are doing is assessing the experience of other countries, such as the Netherlands, Denmark and Sweden, which have been addressing the same issue. It is important that we are all able to offer reassurance to the British public that Britain's aid is making a difference, as it is.

Mr. Mitchell: We congratulate the Secretary of State on adopting this Conservative proposal.

Following cross-party support last year for the Bill introduced by the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), the Secretary of State is required to report to Parliament on the impact of Government policies on development and developing countries across the range of relevant Government Departments. Will he tell the House how he is getting on with that process and when he expects to be able to report?

Hilary Benn: We are getting on fine and we will publish the outcome of that work in the Department's annual report, which will appear at the beginning of May.

Abolition of the Slave Trade

5. **Mr. Anthony Wright** (Great Yarmouth) (Lab): How his Department is marking the 200th anniversary of the abolition of the slave trade. [130164]

The Parliamentary Under-Secretary of State for International Development (Mr. Gareth Thomas): Last month, we published the booklet "Breaking the Chains", which highlights the ongoing need to fight slavery and the clear link between modern slaves and global poverty. In October, in partnership with the Foreign and Commonwealth Office, the International Labour Organisation and Anti-Slavery International, we will hold a conference to explore what further action we can take.

Mr. Wright: I thank my hon. Friend for that response and commend the book to everyone. It is a sad reflection of society that it was just 200 years ago that we had to abolish slavery. However, it is also an indictment of today's society that slavery still exists in all forms, whether that is child slavery or human trafficking. In India, with the Dalit system, individuals are paid just 80p a day and have to try to survive on that pittance. Does my hon. Friend agree that we will need to do an awful lot more before we can say that slavery has truly been abolished?

Mr. Thomas: I agree that we have an awful lot more to do as an international community before we can start to say that modern slavery is coming to an end. My hon. Friend is right to highlight the specific circumstances of the Dalits in India. I hope that he will be reassured by our commitment to helping those Dalits to improve their circumstances through our efforts on primary education in India. My right hon. Friend the Chancellor committed a further £200 million of aid to invest in primary education, which is designed to help all Indian citizens, including Dalits, to access the education that they need.

Mr. Peter Bone (Wellingborough) (Con): Does the Minister agree that the practical step that the Government could take to mark the 200-year anniversary of the abolition of the slave trade would be to create in this country a human traffic commissioner who would be independent of the Government, as has been done in the Netherlands, to deal with the equivalent of today's slave trade: human trafficking?

Mr. Thomas: There is a series of practical steps that the Government can take, and are taking, to address modern slavery. One of the most obvious things that we can do is to continue to address poverty in Africa and the Caribbean, as we are doing. It is one of the reasons why Labour Members have spent so much time and effort trying to secure a debt relief deal. One of the benefits of such a deal is that debt relief in Nigeria will help to pay for an extra 120,000 teachers so that we can get another 3.5 million children in school. Such initiatives are probably the surest way to help to tackle modern slavery.

Darfur

6. **Tony Lloyd** (Manchester, Central) (Lab): What assistance he plans to give to the African Union in Darfur. [130165]

The Secretary of State for International Development (Hilary Benn): The UK has committed £67 million to the African Union mission in Sudan since it was set up, including £35 million in this financial year. Our funds have covered vehicles, ground fuel and troop airlift, as well as personnel costs. We are ready further to support the political process, which is being led by the AU and the United Nations, both financially and politically. We are also pressing other donors to do more.

Tony Lloyd: The pre-condition for humanitarian assistance in Darfur must be a proper resolution of the military conflict. Will my right hon. Friend confirm that the Sudanese Government are both moving arms into Darfur and allowing their military planes to be disguised as being part of the UN humanitarian mission? In that context, is it not time for the international community to carry out proper military enforcement of the no-fly zone?

Hilary Benn: I share the concerns that my hon. Friend expresses about what is going on in Darfur. It is precisely for that reason that we are drafting a tough new UN Security Council resolution that will cover sanctions against individuals, improved monitoring of the violence and the extension of the arms embargo. As my right hon. Friend the Prime Minister has said, we are looking at the capacity to ensure that planes cannot be used to bomb the innocent civilians of Darfur.

John Bercow (Buckingham) (Con): Given that the new United Nations humanitarian co-ordinator, John Holmes, has warned that morale among aid workers is so fragile that one security incident could prompt a humanitarian collapse, endangering the lives of tens of thousands of refugees and internally displaced people, can the right hon. Gentleman tell the House what particular steps he and his Department are taking to avert that grisly prospect?

Hilary Benn: We are continuing to provide significant humanitarian assistance. As the hon. Gentleman will know, we are the second largest donor in the crisis in Darfur. The second thing that we are doing is giving support to John Holmes in his task to get the Government of Sudan to stop putting obstacles in the way of the humanitarian effort. That is the goal that he was pursuing during his visit this week. The third thing that we are doing is putting pressure on the Government and the rebels to come around the negotiating table, because it is the banditry and general lawlessness that is the principal cause of the low morale and the difficulties that the humanitarian community is facing.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [130080] **Mr. Lee Scott** (Ilford, North) (Con): If he will list his official engagements for Wednesday 28th March.

The Prime Minister (Mr. Tony Blair): This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I will have further such meetings later today.

Mr. Scott: Will the Prime Minister please look into the fact that my constituents in Ilford, North are faced with the prospect of having to travel for 35 minutes by car or for more than an hour by public transport to get to the nearest accident and emergency department under the present proposals?

The Prime Minister: I appreciate entirely the hon. Gentleman's concern and he will know that no firm proposals have been made yet. His local health service has made a set of propositions or is engaged in consultations, and those—as it has said—will be based on the safety of constituents, especially those using emergency services. It is important that we recognise that some 26 public hospital schemes have been opened in the strategic health authority that covers his area, with a value of £1.7 billion. There are three schemes under construction and no fewer than 25 local improvement finance trust—LIFT—schemes for local services have been opened. So I understand his concern, but no decisions have yet been made on the proposals. The important thing will be to ensure that people get the very best care possible. The hon. Gentleman will also, I hope, recognise that sometimes it is in the interests of those who have suffered strokes, heart disease or trauma to be able to go to the best specialist services available, with the best paramedic care.

Mr. George Howarth (Knowsley, North and Sefton, East) (Lab): May I congratulate my right hon. Friend and the Government on the patience that they have shown in helping to bring about the restoration of devolution in Northern Ireland? May I also congratulate all of the parties in Northern Ireland on having the courage to take hold of the power that the people in Northern Ireland have placed in their hands? Does my right hon. Friend agree that alongside power goes responsibility, including the responsibility to set a reasonable level of public expenditure?

The Prime Minister: I agree entirely with what my right hon. Friend says and I thank him for his thanks to me and others engaged in that. I would however like to give my thanks to those who have shown such leadership in Northern Ireland and to the people who have shown and decided in the recent election that they want a future for Northern Ireland in which people from different perspectives can come together and share power on the basis of peace. That is a sensible and lasting solution for the people of Northern Ireland and I know that it is one that enjoys broad support across the United Kingdom.

Mr. David Cameron (Witney) (Con): May I join the right hon. Member for Knowsley, North and Sefton, East (Mr. Howarth) in congratulating the Prime Minister on bringing the negotiations to a successful conclusion and also those who are taking part in power sharing? It has been difficult for them, but they are doing a brave and, I believe, a great thing.

There can be no excuse for Iran taking our Royal Navy personnel captive in Iraqi waters and holding them prisoner. They should be released immediately. The Prime Minister said that negotiations were entering "a different phase". While he clearly must not say anything that jeopardises our personnel, can he tell us what that might involve?

The Prime Minister: I am sure that it is the position of everyone in this House that our thoughts are with our servicemen and the servicewoman and their families. Their safe return is our paramount concern.

However, let me be very clear as to what has happened here. These personnel were patrolling in Iraqi waters under a United Nations mandate. Their boarding and checking of the Indian merchant vessel was routine. There was no justification whatever, therefore, for their detention; it was completely unacceptable, wrong and illegal. We had hoped to see their immediate release. This has not happened. It is now time to ratchet up the diplomatic and international pressure in order to make sure that the Iranian Government understand their total isolation on this issue.

This morning, we published the details of the exact co-ordinates and position of our forces when detained. They were 1.7 nautical miles within Iraqi territorial waters. The master of the civilian merchant vessel has confirmed this. Initially, on Saturday, the Iranian Government gave us their co-ordinates for the incident. Those co-ordinates turned out to confirm that the vessel was indeed within Iraqi waters. After this was pointed out to them, they subsequently gave a different set of co-ordinates, this time within Iranian waters.

We are now in contact with all our key allies and partners to explain the incontrovertible fact that the seizure of the 15 British personnel was utterly without foundation and to step up the pressure on the Iranian Government to deliver their immediate release.

Mr. Cameron: I know that the whole House, and I believe the country, will be grateful for that very full answer. As the Prime Minister said, our service personnel were operating under a UN mandate. Does he agree that, as a result, the UN should make it crystal clear to Iran that the present situation is completely unacceptable? Can he tell us the steps that he is taking to mobilise support in the UN and among our allies in the EU and NATO, and among sympathetic Gulf states, to maximise the pressure on Iran?

The Prime Minister: I thank the right hon. Gentleman for his support. We have been speaking extensively to all our key allies and partners. I spoke this morning to Prime Minister Erdogan of Turkey, who has been in touch with the Iranian Government. The German Chancellor this afternoon in her speech to the European Parliament will speak on behalf of the European Union, as Germany has the presidency, and make it clear that the European Union as a whole finds the situation entirely unacceptable and believes that these people should be released. We are also in close contact with our partners and other members of the United Nations Security Council, and of course, next week the UK assumes the presidency of the UN Security Council.

We are in touch with everyone within Europe, NATO, the United Nations and our key allies in the Gulf region. We will do everything we can to make the Iranian Government realise that this is a situation that can only result in one sensible and fair outcome—the release of people who were merely doing their job under a United Nations mandate.

Mr. Cameron: The Prime Minister says that there is absolutely no doubt that when our service personnel were taken, they were in Iraqi territorial waters. Given that UK forces are operating all the time in Iraqi waters and they are all operating under a UN mandate, will he make sure that they have clear rules of engagement? *[Interruption.]*

The Prime Minister: No, I am glad that the right hon. Gentleman has raised the issue of rules of engagement, because I think that it is important that we deal with it. First, I should make it absolutely clear that the rules of engagement do allow our forces to take whatever measures are necessary in their own self-defence. However, in my view, it was entirely sensible that those on the spot conducted themselves and behaved in the way that they did. They were coming down off the merchant civilian vessel, having checked it, and they were then surrounded by six Iranian vessels, which were heavily armed. If they had engaged in military combat at that stage, there would undoubtedly have been severe loss of life. I think that they took the right decision and did what was entirely sensible. Of course, we always keep the rules of engagement under constant review to make sure that we are carrying out our functions and protecting our people properly, but my understanding is that those who were out there and patrolling these waters believed that the rules of engagement are right.

It is important that we understand one other additional fact: by the time HMS Cornwall knew that our forces had been detained unlawfully by the Iranians, they were in Iranian waters, and again military engagement would have put a lot of lives at risk. I think that they took the right decision, and it is important that such decisions are left to people on the ground.

Mr. Jimmy Hood (Lanark and Hamilton, East) (Lab): Is my right hon. Friend aware of the tax-and-spend policies of the Scottish National party for the coming Scottish Parliament elections, which would cost hard-working families in Scotland £5,000 each? What advice does he have for those who are tempted to follow the SNP into the abyss of separation, divorce and the break-up of the United Kingdom?

Mr. Speaker: Order. I say to the Prime Minister that the question is out of order.

Sir Menzies Campbell (North-East Fife) (LD): May I add my congratulations to those who have been responsible for making such progress in Northern Ireland?

In relation to Iran, I content myself simply by offering my support to the Government in their efforts to ensure the early release of our marines and sailors.

Why is it, as the Government's own report demonstrated this week, that the poorest fifth of people in this country have a lower share of national income than they did in 1997?

The Prime Minister: As I was trying to point out to the right hon. and learned Gentleman last week, we have raised some 600,000 children out of relative poverty, and, I think, almost 2 million out of absolute poverty, but the percentage rise in incomes for the bottom 40 per cent., between 1979 and 1997, was way below that of the top 40 per cent. That has been reversed over the past few years, and a combination of a strong economy, tax credits and the minimum wage have delivered, for the first time in years, real reductions in poverty.

Sir Menzies Campbell: If the Prime Minister will not answer that question, perhaps I might try another. After last week's Budget, does he accept that those earning less than £18,500 a year who are not eligible for tax credits will have to pay an increase in income tax? How fair is that?

The Prime Minister: Again, if I could ask the right hon. and learned Gentleman to look at the matter in the round, over the past 10 years those families have seen their income rise in percentage terms by more than the top people. *[Interruption.]* The Tories may shout, but they opposed every one of the measures to reduce poverty in our country. As a result of the investment in tax credits, families with children, in particular, have benefited enormously over the past few years. I agree with the right hon. and learned Gentleman that we have to do even more. That is why the measures announced by the Chancellor will actually take an additional 200,000 children out of poverty. All the time, as the economy grows, we have to put even more resources into tackling child poverty. This Government are doing it; the last Conservative Government did not.

Miss Anne Begg (Aberdeen, South) (Lab): As a result of last week's Budget, by 2009 Scottish families will, on average, be £200 a year better off, and for poorer families the figure rises to £350. What does my right hon. Friend think will happen to the income of those same families if, by 2009, Scotland has embarked on the road to independence?

The Prime Minister: There is no doubt at all that the problem is not merely that taking Scotland out of the United Kingdom will lead to a huge economic risk for Scotland and for Scottish industry, which is so closely connected with the UK economy, but the fact that the tax and spending plans of the SNP would mean that families would be £5,000 a year worse off. In addition, the SNP has a 3p local income tax, which would also deliver lower living standards for precisely the people whom my hon. Friend is talking about.

Q2. [130081] **Mr. Stewart Jackson** (Peterborough) (Con): Yesterday, I read that Sir Alistair Graham said that the Prime Minister had "undermined trust" in politicians and had "failed on ethical standards", and that radical changes are needed to the ministerial code. In view of that, does he feel qualified to offer his successor advice on reviewing the code, given the lamentably low standards of public probity that the Prime Minister has presided over in the past 10 years?

The Prime Minister: I am afraid that I completely and totally disagree with Sir Alistair Graham. He is entitled to his opinion, but I am entitled to mine.

Geraldine Smith (Morecambe and Lunesdale) (Lab): The Government have done a superb job in regenerating our inner cities, but is it not now time to put the same energy, commitment and resources into regenerating British seaside resorts such as Morecambe and Blackpool?

The Prime Minister: I agree that it is indeed important that we regenerate our seaside resorts. That is precisely why the regeneration package for Blackpool, for example, is so important, but all our seaside resorts benefit from a strong economy that has seen low interest rates, low unemployment and high employment, and not the disastrous boom and bust policies of the 18 years before us.

Mr. David Cameron (Witney) (Con): In his Budget, the Chancellor put up the rate of corporation tax faced by every small business in the country. Why?

The Prime Minister: Because overall it was better for business that we cut—*[Interruption.]* Yes, overall it was better for business that we cut the level of corporation tax, and we have now taken it down from 33p in the pound to 28p in the pound. We have also taken capital gains for small businesses down from 40 per cent. to 10 per cent., and that is why there has been such growth in small businesses in the past 10 years.

Mr. Cameron: Someone needs to tell the Prime Minister that there are two rates of corporation tax, and the one for small businesses is going up. It will be paid by every firm in the country. When it comes to large companies, the Chancellor followed our advice

and cut the rate and simplified the system, but when it comes to small companies, he did the opposite—he increased the rate and he has made the system more complicated—so why is he punishing small firms?

The Prime Minister: We are not punishing small firms. As I just pointed out to the right hon. Gentleman, as a result of the tax measures that the Chancellor has announced over the years—*[Interruption.]* Actually, according to the international surveys, the United Kingdom became the biggest recipient of foreign direct investment of any country in the world. *[Interruption.]* Well, small business also benefit from that, and if we look, for example, at the rate paid on capital gains by small business, when we came to power it was 40 per cent. We took it down to 10 per cent., which is a huge boost for small business. Let me say something else to the right hon. Gentleman: small businesses, like large businesses, benefit from a strong economy. Over the past 10 years, we have delivered a strong economy. The only experience that he has had as someone running our economy—*[Interruption.]*—yes, it was being present on Black Wednesday: hardly a great recommendation.

Mr. Cameron: What business is interested in are the tax rates that it is going to have to pay now, and they are going up. The Prime Minister quotes the foreign direct investment figures, but does he not know that half of that is accounted for by one company—Shell—undergoing restructuring? Perhaps he ought to bother to read the Budget. The Forum of Private Business said that it would "further burden" them. The British Chambers of Commerce says that it is

"damaging for small and medium sized business".

The Federation of Small Businesses said that those businesses feel "dismay", and two thirds of small businesses say that the Budget will have a damaging effect. I choose to believe them, rather than him. The right hon. Gentleman has only 12 weeks left as the First Lord of the Treasury. Instead of the pointless search for the Environment Secretary's backbone, why does he not use that power and withdraw that tax hike?

The Prime Minister: The reason why we got into the economic problems that we did when the right hon. Gentleman was working at the Treasury was that the last Conservative Government promised tax cuts and spending rises at the same time. What is his proposal now? Exactly the same—tax cuts and spending rises, which will lead, as they did then, to precisely the same result. We have a very, very clear choice between a Chancellor who has delivered the strongest economy on record—

Hon. Members: Where is he?

Mr. Speaker: Order. There is a lot of shouting. Mr. Stuart, you are doing very well at the shouting, so perhaps you can be quiet and set us all a good example.

The Prime Minister: As I said, we have a choice between a Chancellor who has the strongest economic record of any Chancellor in any main country over the past 10 years and a Conservative party that was a disaster economically when it was last in power and would be a disaster again if it ever got its hands back on the economy.

John McFall (West Dunbartonshire) (Lab/Co-op): May I tell the Prime Minister that businesses in my constituency have welcomed the Budget enthusiastically, with the reduction in corporation tax, and that individuals in the constituency, particularly pensioners, have welcomed the increase in the threshold for tax and savings. However, there is deep concern among a number of my constituents that that economic prosperity will not prevail. What reassurance can the Prime Minister give me that after May constituents will not be faced with extra taxes, and that we will ensure the continuation of that prosperity?

The Prime Minister: Of course, as my right hon. Friend rightly implies, the single most important thing for all businesses is a strong and stable economy. The thing that wrecked so many businesses in the late 1980s and early 1990s was the second recession under the Conservatives. It is important to keep that stability going, which is why we reject the tax and spending policies of the Conservatives. Also, what would be a disaster for local business in Scotland is a 3p on income tax local rate.

Q3. [130082] **Greg Clark** (Tunbridge Wells) (Con): Last week's Budget cost Britain's charities £70 million a year in Gift Aid. The Chancellor did not mention that in his Budget speech, he failed to mention it in the Red Book, and he failed to mention it in any of the Budget documentation. Was the Prime Minister informed, and does he approve?

The Prime Minister: I approve entirely of the Budget. Over the past few years, as a result of what the Chancellor has done, we have given enormous support to charities—*[Interruption.]* Oh yes, and what is more, we will give further support to charities in one very important way. We will allow charities to perform much more of the tasks previously done by the traditional public sector—for example, in the management of offenders. The hon. Gentleman and his colleagues voted against that when the Bill came before the House.

Mr. Mark Hendrick (Preston) (Lab/Co-op): My right hon. Friend will be aware that by next year NHS spending will have tripled since the Government came to office. We have 85,000 more nurses and 32,000 more doctors. *[Interruption.]* Is it not true that the NHS is safe in this Government's hands?

The Prime Minister: Opposition Members were asking, "Where has the money gone?" Let me tell them. We now have the lowest waiting lists and lowest waiting times on record. When we first came to office, people were often dying while waiting for their operation on the national health service. Today, they get it. We have had 100,000 fewer deaths from heart disease. That is where the money has gone. We are saving tens of thousands of lives in better and faster cancer treatment. That is where the money has gone, and it has gone, yes, in better pay for nurses, doctors and consultants—proposed by us and opposed by the Conservatives.

Q4. [130083] **Mr. Philip Dunne** (Ludlow) (Con): While the Prime Minister plans his lecture tour, is he aware that many servicemen and women whom he has committed to active tours overseas have returned in a traumatised state to barracks, alongside troops training

to go on active deployment to the very same theatres? With five years until Selly Oak is fully operational, he surely still has the time to delay closure of the Royal Naval hospital Haslar next week, and to commission specialist military units in designated hospitals to provide proper treatment to our troops.

The Prime Minister: What the hon. Gentleman says is not correct. It does nothing for the morale of our armed forces for it to be said that they are not getting proper treatment—*[Interruption.]* Perhaps he will just listen to me for a moment. It is important for our forces that their families are not worried by completely inaccurate stories that their loved ones do not get the proper care that they should have. If the hon. Gentleman visits Selly Oak, staff there will tell him exactly what they are doing, with a military managed ward and the best specialist care. They will also explain to him why the decision taken by the last Conservative Government, though rightly, to close down Haslar is necessary and correct, because of the degree of specialist treatment that the troops need when they are severely injured. It is not correct to say that they are not getting excellent care from the Defence Medical Services, which are superb, and also from the general NHS staff, who are utterly dedicated.

Gwyn Prosser (Dover) (Lab): No one wants too much central Government control, but what can we do about Conservative county councils like Kent, which has just squandered £300,000 supporting an airline that never took off, wants to set up a television station of its own, and is paying its chief executive more money than the Prime Minister?

The Prime Minister: That is an interesting thought for the future. Let me say to my hon. Friend that there is a very clear remedy in those circumstances, which is to vote Labour in the local elections.

Q5. [130084] **Damian Green** (Ashford) (Con): The Prime Minister just talked about better and faster cancer treatment. The Royal College of Radiologists says that cancer victims should receive radiotherapy treatment within four weeks of having an operation. A constituent of mine who has been a nurse in the NHS for 40 years was operated on January and is now having to wait 12 weeks before she gets her radiotherapy treatment—a common waiting time in Kent. Can he explain why, in this vital life-saving area into which he has poured lots of public money, things for my constituents are getting worse, not better?

The Prime Minister: Obviously, I cannot comment on the individual case because I do not know about it, but I am happy to look into it. Given that the health service treats 1 million people every 36 hours, I am not suggesting, in any shape or form, that there are not people who do not get the care that they deserve or do not still have to wait too long. However, let me point out that within the hon. Gentleman's strategic health authority there are over 4,000 more nurses, 600 more consultants, 400 more GPs, and 450 more dentists, if I may say. Moreover, there has been a massive investment in the health service that has meant that overall, whereas thousands of people used to wait 12 months, 18 months or more, now virtually no one waits more than six months.

I am happy to look into the individual case that the hon. Gentleman mentions, but the fact is that the whole business of waiting and access to the health service over the past 10 years has been transformed. We need to go further, and we will—by the end of next year, we will have an 18-week maximum waiting time for in-patients and out-patients, including diagnostics, and an average of seven to eight weeks, in effect ending traditional waiting in the national health service. There may still be cases, which are obviously wrong if they exist, where people are waiting too long, but it is surely important to balance that up with the overall picture, which is immensely positive.

David Taylor (North-West Leicestershire) (Lab/Co-op): In a statement to mark the 50th anniversary of the European Union, the Pope said that Europe's moral, cultural and historical values were forged by Christianity, that the EU was denying those facts, and that any detachment from its Christian roots by Europe was a form of apostasy, not only from God but from itself. As a leading Christian in this place, would my right hon. Friend care to comment on the Pope's view?

The Prime Minister: Frankly, I would not. I do not think that the Pope needs me as his spokesman, so it is better that he makes his statement and I make mine. I would say that we should be immensely proud of the values represented by the European Union, where we now have a unified Europe, east and west. Without in any way detracting from our firm, independent sovereignty as a nation, I think that the European Union has been good for this country over the past 30 years and good for Europe over its lifetime.

Q6. [130085] **Dr. William McCrea** (South Antrim) (DUP): Does the Prime Minister accept that a commitment to exclusively peaceful means must of necessity include the dismantling of all terrorist structures, including the IRA army council?

The Prime Minister: The Independent Monitoring Commission is the body that is charged with deciding whether that commitment to exclusively peaceful and non-violent means is being adhered to. As the hon. Gentleman will know, it has a further report coming in the next few weeks. However, it has made its statement that the IRA is indeed abiding by that principle, and I think that it has the people best placed to make the judgment.

Q7. [130086] **Mr. Mike Hall** (Weaver Vale) (Lab): My right hon. Friend will recall that on 21 March 1993 the IRA exploded two bombs in Bridge street in Warrington, killing Johnathan Ball and Tim Parry. My close friends, Colin and Wendy Parry, have worked tirelessly over the past 14 years to build community relations in Northern Ireland and in the Republic of Ireland, and have made a unique contribution to the peace process. May I ask my right hon. Friend to redouble his efforts and work very closely with the right hon. Member for North Antrim (Rev. Ian Paisley), the Member for Belfast, West (Mr. Adams), my hon. Friend the Member for Foyle (Mark Durkan) and the hon. Member for North Down (Lady Hermon) to ensure that the foundations that were laid on Monday result in a permanent peace in Northern Ireland and that Johnathan and Timothy did not die in vain?

The Prime Minister: I pay tribute to what my hon. Friend has done on this issue over the years. Now is an appropriate moment, even as we look forward in Northern Ireland, to remember Johnathan Ball, Tim Parry and also Bronwyn Vickers, who I believe was injured in the explosion and died some time later. We extend our sympathy to the families of all the victims of the troubles. In respect of Colin and Wendy Parry, they have shown a quite extraordinary spirit of forgiveness and determination to promote reconciliation. They can be very proud of the work that they have done over the years. It is interesting that the spirit that they represent has, ultimately, triumphed over hatred, discord and conflict. Surely that should give us hope for the future.

Mr. Alex Salmond (Banff and Buchan) (SNP) *rose—[Interruption.]*

Mr. Speaker: Order. He is an hon. Member of this House and must be heard.

Mr. Salmond: May I strike a note of consensus with the Prime Minister? On Monday, he said that the election campaign in Scotland was going "brilliantly"—I agree with him. In his latest brilliant foray into Scotland, he attacked Sir George Mathewson, the former chairman of the Royal Bank of Scotland as being "self-indulgent" and suggested that he was not a "real" business man. Will the Prime Minister tell me what is the more self-indulgent—someone of vast experience who speaks up for independence as being good for the Scottish economy and society, or is it someone who proffers vast loans in the hope of buying a seat in the House of Lords?

The Prime Minister: I did not criticise Sir George as a business man at all, but I criticised his view on independence, which I am entitled to do. Let me explain to the hon. Gentleman why I believe that separation is so wrong. Scotland benefits from the Union, just as England benefits from it. We are able to have a stronger Scottish economy with 200,000 more jobs and Scottish unemployment below the UK average for the first time in a generation. The hon. Gentleman's policies would not just tear Scotland out of the United Kingdom—*[Interruption.]*

Mr. Speaker: Order. The hon. Gentleman was heard because I allowed it; he will now listen to the Prime Minister.

The Prime Minister: Of course, the polls indicate that this is a real fight. People in Scotland will have to make up their minds whether they want the policy that the hon. Gentleman represents, which is separation—with all the risks that it entails, with tax and spending policies that would mean a £5,000 hit for average households and a 3p local income tax—or whether they want to continue with what has happened to the Scottish economy and living standards over the last 10 years, which has meant Scotland's unemployment being below the UK average for the first time, 200,000 extra jobs and a booming Scottish economy. That is the choice and I look forward to debating with the hon. Gentleman from now until polling day.

Iranian Seizure of Royal Navy Personnel

12.33 pm

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): I would like to make a statement about the current situation regarding the 15 British service personnel detained by Iranian forces on Friday of last week, and say that the Government are doing all they can to ensure that they are released immediately. I should say at once—I am sure I speak for the whole House—that our thoughts and prayers at this moment are with all our detained personnel in Iran and their families.

I would like to begin by explaining the facts of what happened last Friday and the actions we have taken since, and to share with the House some of the details about the location of the incident on which the Ministry of Defence briefed this morning. At approximately 0630 GMT on 23 March, 15 British naval personnel from HMS Cornwall were engaged in a routine boarding operation of a merchant vessel in Iraqi territorial waters in support of Security Council resolution 1723 and of the Government of Iraq. They were then seized by Iranian naval vessels.

HMS Cornwall was conducting routine maritime security operations as part of a multinational force coalition taskforce operating under a United Nations mandate at the request of the Iraqi Government. The taskforce's mission was to protect Iraqi oil terminals and to prevent smuggling. The boarding party had completed a successful inspection of a merchant ship 1.7 nautical miles inside Iraqi waters when they and their two boats were surrounded by six Iranian vessels and escorted into Iranian territorial waters.

On hearing this news, I immediately consulted the Prime Minister and the Secretary State for Defence, and asked my permanent under-secretary to summon the Iranian ambassador to the Foreign and Commonwealth Office. We set out our three demands to the ambassador: information on the whereabouts of our people; consular access to them; and to be told the arrangements for their immediate release. Cobra met that afternoon, as it has done every day since. On 24 March my colleague the Parliamentary Under-Secretary of State, Lord Triesman, held a further meeting with the ambassador to repeat our demands. He has had several such meetings since that date.

At that first meeting the Iranian ambassador gave us, on behalf of his Government, the co-ordinates of the site where that Government claimed that our personnel had been detained. They were not, of course, where we believed that the incident took place but we took delivery of them as the statement of events of the Government of Iran. On examination, the co-ordinates supplied by Iran are themselves in Iraqi waters.

On Sunday 25 March, I spoke to Minister Mottaki, the Iranian Foreign Minister, as I did again yesterday. In my first conversation, I pointed out that not only did the co-ordinates for the incident as relayed by HMS Cornwall show that the incident took place 1.7 nautical miles inside Iraqi waters, but that the grid co-ordinates for the incidents that the Iranian authorities had provided to our embassy on Friday 23 March and to Lord Triesman on Saturday 24 March also showed that the incident had taken place in Iraqi waters. I suggested to the Iranian Foreign Minister that it appeared that the whole affair might have been a misunderstanding which could be resolved by immediate release.

In Iran, our ambassador, Geoffrey Adams, has met senior Iranian officials on a daily basis to press for immediate answers to our questions. He has left the Iranian authorities in no doubt that there is no justification for the Iranians to have taken the British Navy personnel into custody. He has provided the grid co-ordinates of the incident which clearly showed that our personnel were in Iraqi waters and made it clear that we expect their immediate and safe return. I should tell the House that we have no doubt either about the facts or about the legitimacy of our requirements.

When our ambassador and my colleague Lord Triesman followed up with the Iranian authorities on Monday 26 March, we were provided with new, and—I quote—"corrected" grid co-ordinates by the Iranian side, which now showed the incident as having taken place in Iranian waters. As I made clear to Foreign Minister Mottaki when I spoke to him yesterday, we find it impossible to believe, given the seriousness of the incident, that the Iranians could have made such a mistake with the original co-ordinates, which, after all, they gave us over several days.

There has inevitably been much international interest in the situation, particularly given our personnel's role in a multinational force operating under a UN mandate. I have spoken to a number of international partners, including the American Secretary of State Rice, the Turkish Prime Minister Erdogan and the Saudi Foreign Minister, Prince Saud. We have also been keeping other key international partners informed, and I am pleased to be able to tell the House that many of them have chosen to lobby the Iranians or to make statements of support. I am particularly grateful to my colleague Hoshyar Zebari, the Iraqi Foreign Minister, who has confirmed publicly that the incident took place in Iraqi waters, and called for the personnel, who are acting in Iraq's interests, to be released.

The Iranians have assured us that all our personnel are being treated well. We will hold them to that commitment and continue to press for immediate release. They have also assured us that there is no linkage between this issue and other issues—bilateral, regional or international—which I welcome. However, I regret to say that the Iranian authorities have so far failed to meet any of our demands or to respond to our desire to resolve this issue quickly and quietly through behind-the-scenes diplomacy.

That is why we have today chosen to respond to parliamentary and public demand for more information about the original incident, and to get on the public record both our and the Iranian accounts, to demonstrate the clarity of our position and the force of the Prime Minister's words on Sunday 25 March when he said:

> "there is no doubt at all that these people were taken from a boat in Iraqi waters. It is simply not true that they went into Iranian territorial waters, and I hope the Iranian Government understands how fundamental an issue this is for us. We have certainly sent the message back to them very clearly indeed. They should not be under any doubt at all about how seriously we regard this act, which is unjustified and wrong."

[Margaret Beckett]

The House might also be aware that, even if the Iranian Government mistakenly believed that our vessels had been in Iranian waters, under international law warships have sovereign immunity in the territorial sea of other states. The very most that Iran would have been entitled to do, if it considered that our boats were breaching the rules on innocent passage, would have been to require the ship to leave its territorial waters immediately.

We will continue to pursue vigorously our diplomatic efforts with the Iranians to press for the immediate release of our personnel and equipment. As Members of the House will appreciate, with sensitive issues such as these—as with the recent Ethiopian case—getting the balance right between private, but robust, diplomacy and meeting the House's and the public's justified demand for reliable information is a difficult judgment. I am very grateful for the support that the foreign affairs spokesmen of other parties, you, Mr. Speaker, and others in the House have given us over the past few days, and I hope that that will continue.

As the Prime Minister indicated yesterday, however, we are now in a new phase of diplomatic activity. That is why the Ministry of Defence has today released details of the incident, and why I have concluded that we need to focus all our bilateral efforts during this phase on the resolution of the issue. We will, therefore, be imposing a freeze on all other official bilateral business with Iran until the situation is resolved. We will keep other aspects of our policy towards Iran under close review and continue to proceed carefully. But no one should be in any doubt about the seriousness with which we regard these events.

Mr. William Hague (Richmond, Yorks) (Con): I thank the Foreign Secretary for her statement. When she demands the safe and swift return of our Royal Navy personnel, she has the united support of the House. We support the Government in the firm but measured approach that they have adopted so far, as well as the announcement that she has just made about the freezing of other bilateral business.

Clearly the seizure of our personnel was unjustified, and the evidence that the Foreign Secretary and the Ministry of Defence have presented shatters the credibility of any claim that our personnel were operating in Iranian waters. The Government are right to use every diplomatic channel, and to have avoided early escalation of the matter beyond the publication of the evidence and what she has said in her statement. If this turns into a protracted dispute, this country is placed in the strongest moral and legal position by having approached the issue in this way. Is it not vital for Iran to understand that such actions only damage its standing in international opinion? This country's response must be one that increases its international support.

I commend our forces for the difficult and dangerous tasks that they are undertaking in Iraq and its territorial waters, under a clear UN mandate, and in support of the stability of that country. I also welcome the Government's action to keep the families of those involved—who are very much in our thoughts, as the Foreign Secretary has said—fully informed.

Can the Foreign Secretary say what justification was given by the Iranian ambassador or Foreign Minister for their failure to provide consular access to our personnel, or to reveal their location? Is it not unacceptable that British officials have not been given access to them? Has she received any indication of when that will finally take place? Have the Government managed to ascertain exactly who is believed to be holding them in custody? In their communications with the Iranian authorities, will the Government make it absolutely clear that any repeat of the mistreatment experienced by the British marines held by Iran in 2004 will be viewed with the utmost seriousness in this country?

The Government will be aware of speculation that some in Iran view the detention of British personnel as an asset that can be traded in for concessions. Have any demands been made by Iran—the Foreign Secretary did not mention any in her statement—in relation to their capture?

Can the Foreign Secretary indicate what effect, if any, the incident has had on the ability of British naval forces to continue to operate in Iraqi waters? On the rules of engagement, will she and the Defence Secretary be able to assure the House that any changes requested by those commanding our forces will be granted?

Three years ago, eight British personnel were seized by Iran from the Shatt al-Arab on the ground that they had violated Iranian waters. Will the Foreign Secretary say what conclusions were drawn from that experience? In particular, was any understanding sought with Iran, or offered by it, about the waters in which British naval forces operate, and about the fact that such operations pose no threat to the Iranian state? Will the Ministry of Defence look again at its configuration of forces in the area, so that the forces undertaking these tasks are fully protected, or better protected, or better able to deter interference with their activities?

We support what the Prime Minister has said about British efforts moving into a different phase. If agreement to release the personnel is not forthcoming in the coming days, will not the correct way to pursue their release be multilateral and through the UN, since Britain is operating under a UN mandate? Will the Government take all necessary steps to ensure that if the situation endures we will have the maximum support from the UN Security Council and the EU, which has very extensive trading and financial links with Iran and our many friends in the region? In that way, the greatest possible degree of international unity can be brought to bear.

Finally, the international effort to convince the Iranian Government to suspend their nuclear programme and return to negotiations passed an important milestone on Saturday, with the agreement of a Security Council resolution widening UN sanctions against Iran. Will the Foreign Secretary assure the House that that separate matter will in no way weaken our resolve, or that of other nations, to enforce those UN sanctions, so that nuclear proliferation in the middle east can be resisted?

Margaret Beckett: I thank the right hon. Gentleman for his response to the statement, and for his concern. I am grateful for the very welcome co-operation that he has willingly given. He asked what justification had been given for withholding consular access and

information about the location of our personnel, and so on. Nothing that I could call justification has been given. All that has been said is that investigations are continuing. I spoke to the Iranian Foreign Minister yesterday, and he said for the first time that consular access would not be given until the investigations were completed. Prior to that, delivery had been taken of the request for consular access, but no commitment had been given. We have been given no clear indication as to where or by whom our personnel are being held. I share entirely, as I am sure does the whole House, the right hon. Gentleman's observation about the grave concern with which we would view any mistreatment.

To date no demands have been made by the Government of Iran. What has been said is that this is a technical but very grave breach of Iran's borders, and that investigations into it are continuing. We do not judge that it will make a difference to how our people operate, but the right hon. Gentleman is right to say that if the commanders on the ground were to seek a change in the rules of engagement—which they have not done—that would be treated with the utmost seriousness.

The right hon. Gentleman asked about a range of people. We have contacted everyone we can think of who might have an influence, and sought to get them to bring that influence to bear. He may be aware that the Foreign Minister of Germany, which has the EU presidency at the moment, recently made a statement on behalf of the EU. I therefore assure the House that we will pursue every avenue and channel to try to bring this matter to a satisfactory conclusion.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): May I echo the thanks to the Foreign Secretary expressed by the right hon. Member for Richmond, Yorks (Mr. Hague) for coming to the House to make this statement? I also thank her for all the information that she and her officials have made available to us.

We share the Government's anger and concern about this illegal abduction of UK service personnel. Our thoughts are with them and their families. It is outrageous that Iran has compounded its serious breach of international law by refusing even to confirm where the marines and sailors are held, never mind allowing the basic humanitarian requirement of consular access. This episode has been an epic misjudgement by Iran.

Does the Foreign Secretary believe that the episode is a one-off, designed to test British attitudes, or part of a deliberate strategy to ramp up pressure against all the coalition forces in the region? We understand that there is constant Iranian activity in those waters, but can she say whether there has been any change in the pattern since the illegal seizure last week?

On the diplomatic front, given Iran's many complex political layers, can the Foreign Secretary tell us on which levels British diplomatic efforts are focused? As part of moving into the different phase, what formal assistance has been offered or is available from our European, American and other international partners?

Will the Foreign Secretary re-emphasise that nobody in Britain will accept links to any other issues—or, indeed, anything other than the swift return of the British service personnel and full Iranian compliance with all Iran's international obligations?

Margaret Beckett: I thank the hon. Gentleman, too, for his co-operation and that of his colleagues. There is no indication of whether this is a one-off event, or of the significance that it might have. We are not aware of any change in the pattern of Iranian behaviour in the Gulf. The right hon. Member for Richmond, Yorks (Mr. Hague) asked about the Iran nuclear file. The incident took place close to the vote in the Security Council but, I repeat, the Iranians have told us that they are not making a link between that and any other issue. I assure him and the House that that will make no difference to our determination. Indeed, it is a constant source of astonishment to me that it seems not to dawn on some of the authorities in Iran that behaving in that manner increases rather than diminishes people's concern about how they would behave if they had a nuclear weapon.

The hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore) asked me at what level we were operating. The answer is: at every level we can—official level and ministerial. Everywhere where there are levers to pull, we are pulling them. I am delighted to say that we have been offered wholehearted and strong support from our many allies to whom we have spoken. They have all expressed grave concern and been willing to try help in dealing with the Iranians. Indeed, they have done that.

Mr. Don Touhig (Islwyn) (Lab/Co-op): I thank my right hon. Friend for coming to the House and making the statement. The Government should be commended by hon. Members of all parties for their approach to seeking the release of our forces, who were illegally seized by the Iranians. I echo her point about nuclear weapons. Many people will consider the Iranian action provocative and aggressive. More people around the globe will treat it as that the longer the Iranians refuse our legitimate demands for the release of our service people.

Margaret Beckett: My right hon. Friend is right to say that that concern exists. The genuine gravity with which all those to whom my colleagues and I have spoken received the news, especially once we could explain clearly to them the strength of the evidence that we hold, was noticeable. Clearly, everyone was thinking through the implications of that behaviour for the whole international community.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): All of us here fully understand the difficulties that the Foreign Secretary and her colleagues experience in dealing with the dysfunctional, pariah organisation of a Government in Iran. May I take her back to an earlier part of her statement, in which she mentioned support from others, including the United Nations? Is she confident, given the importance of speedy resolution, that the European Union and the United Nations would be prepared, at short notice, to step up to severe levels of sanction and embargo as a consequence of the action in Iran, and let Iran know in advance that that is where matters are heading if a speedy withdrawal does not occur?

Margaret Beckett: As the right hon. Gentleman will appreciate, all those issues are under discussion. We are anxious to proceed in a way that will encourage Iran to

[Margaret Beckett]

realise that, as we have urged from the beginning, the best way to resolve the matter is speedily and peacefully. The presidency of the EU has made a statement. A meeting of European Union Foreign Ministers, which I shall attend, takes place this weekend. We will discuss those matters then. We are considering, through our mission in New York, whether there are ways in which we wish to raise the matter through the UN system.

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): I thank my right hon. Friend for coming to the House. We all wish for a speedy and successful resolution to the matter. Many serving and former serving naval personnel live in my constituency, and they understand only too well what the families of the detained personnel are going through. Does my right hon. Friend agree that we should emphasise the importance of the reason for the Royal Navy's presence in the first place? It was not only protecting oil platforms that provide the income for the reconstruction of Iraq, but preventing any possibility of sabotage, which would have horrendous environmental consequences for the whole Gulf.

Margaret Beckett: I am grateful to my hon. Friend for her remarks. I know that she speaks for her constituents. She is right about the environmental problems that could be caused by action in that part of the Gulf. However, as I am sure that she and other hon. Members know, approximately 85 per cent. of Iraq's gross national product passes through that gateway. That is why those involved are acting not only in the interests of the Government and people of Iraq, but on behalf of the United Nations.

Mr. John Maples (Stratford-on-Avon) (Con): As our forces in the Gulf are operating under a United Nations Security Council resolution, Iran's action is a breach not only of international maritime law but of that resolution. I do not understand why the Government's first action was not to go straight back to the Security Council and secure a resolution ordering Iran to return our personnel whom it captured.

Margaret Beckett: We chose first to deal with the issue bilaterally, and in a way that we hoped would be most speedily effective. Obviously we will consider the matters that the hon. Gentleman raises.

Jeremy Corbyn (Islington, North) (Lab): I thank the Foreign Secretary for her statement. In her discussions with the Iranian authorities, have they sought at any stage to raise the wider issue of sanctions imposed against Iran because of the dispute over its alleged nuclear developments?

Margaret Beckett: No, the Iranians have not raised those issues. I say to my hon. Friend, with great respect, that the "allegation" comes from the International Atomic Energy Agency.

Mr. Gregory Campbell (East Londonderry) (DUP): May my colleagues and I associate ourselves with the position of establishing international relations to try to bring the matter to a speedy and satisfactory conclusion? We give our wholehearted support to the Government's endeavours to do that. Our thoughts and prayers are with the personnel and their families. The Foreign Secretary referred to getting the balance right between private and robust diplomacy. Will she assure hon. Members that there will be no attempt to go—or attraction towards going—down the route of accommodating any demands that Iran may make in trying to resolve the issue?

Margaret Beckett: I am grateful to the hon. Gentleman and his colleagues for their support. Of course, we remain determined to try to ensure that the British Government's policy is the policy that we should pursue. I repeat that up to now, the Iranians have not made demands. They have simply made an allegation, which we believe is now disproved, that their borders have been crossed.

Clive Efford (Eltham) (Lab): May I add my words of appreciation to those of other hon. Members about the Government's approach of attempting to avoid escalating confrontation? Our concerns must primarily be about the personnel who have been taken. All that the House can do at this time is offer its full support to the Government, and unite to provide maximum support for the Government's endeavours. In addition, will my right hon. Friend say whether procedures have been reviewed to ensure that, as far as is practical, no ship can be isolated in such a way in future by any Iranian ship in the area?

Margaret Beckett: I thank my hon. Friend for his remarks and his support. Of course we are considering all the implications of the matter. As for what he says about our handling of the matter in the initial stages, I even went so far as to point out to the Iranian Foreign Minister that the one thing that would certainly cause the British media lose all interest in the case would be the emergence of good news.

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): I commend the Foreign Secretary and the Foreign Office for the professional way in which they are trying to secure the release of the personnel. Does she accept that on past form Iran is unlikely to respond purely to diplomatic representations? Will she therefore discuss with other European Foreign Ministers, when she meets them this weekend, whether their countries, particularly France, Germany and Italy, would be willing perhaps privately to make it clear to the Iranian Government that, if they do not release the British personnel in the very near future, there will be a joint European response involving economic pressure and perhaps the temporary suspension of export credit guarantees to Iran?

Margaret Beckett: I am grateful to the right hon. and learned Gentleman for his remarks, particularly in respect of my officials. I understand the point that he is making. It is not necessarily the case that Iran has not always responded primarily to diplomatic efforts. We will certainly keep those up at every level, but obviously I will discuss with my colleagues this weekend whether there are proposals that the EU can consider.

Mr. Crispin Blunt (Reigate) (Con): The only crumb of comfort in the Foreign Secretary's statement is that Iran officially is saying that there is no link with other

issues. In her assessment, what link is actually being made in Iran with the arrest of the five Iranian diplomats at Christmas by the Americans, and with the 300 Iranians who are being held by the Americans? There appears to be a dispute between the State Department and the Pentagon about the merits of releasing some of those prisoners. Remarks have been attributed to General Petraeus, who has said that he is refusing to release them and that he intends to hold the prisoners

"until they run out of information or we run out of food".

What is her assessment of the actual reasons for the seizure of our personnel? What is the popular mood in Iran?

Margaret Beckett: Actually, there are two crumbs of comfort. One is that the Iranians also say that our personnel are fit and well and are being well looked after. Obviously, we very much hope that that is indeed the case. The hon. Gentleman asks me about other links. All I can say to him and to the House is that it was the Iranians who volunteered that they were not making any link between that and any other issues. Indeed, it was referred to more than once to me as a technical breach, but a very important technical breach. They are not making links; we would be unwise to do so.

Pete Wishart (Perth and North Perthshire) (SNP): I assure the Foreign Secretary that she has the full-hearted support of both Plaid Cymru and the Scottish National party in her efforts to bring about the early release of the sailors. Although we accept fully the Ministry of Defence's account of the location of the ship, can she clarify that there is no ongoing dispute between the Iranian and Iraqi Governments about the exact location of the border?

Margaret Beckett: No, there is none. I am grateful to the hon. Gentleman for his remarks. There is no dispute between the Iranian and Iraqi Governments about the position of the border. Although I did not highlight this in my statement, the House will be aware that our account and our assertion that the ship and the personnel were in Iraqi waters is borne out by the captain of the merchant vessel that our personnel had finished inspecting and by an Iraqi fisherman in the area who first reported the incident.

Sir Nicholas Winterton (Macclesfield) (Con): I commend the Foreign Secretary and the Prime Minister on what they have told the House today. It is good that the House is united across all parties on the action that the Government are taking, but is not what has happened a very serious precedent? Is it not an act of piracy by a nation state? Not only is it an act of piracy, but the Iranians are denying the human rights of the naval personnel who are involved, in that they have denied them the right of access to consular and other authorities who may represent them. Are we in touch with the Russian President about the matter?

Margaret Beckett: I thank the hon. Gentleman for his remarks. Indeed, this is a very serious matter. As I indicated a few moments ago, it was most noticeable that, when we were discussing and explaining to colleagues from a variety of countries across the Gulf and beyond what had happened, everyone regarded this as a very dangerous and worrying precedent. I am not sure that anyone has yet spoken to the Russian President, but we are in touch with all allies and colleagues who we believe may be able to help.

Patrick Mercer (Newark) (Con): There is no doubt that, while this incident has been going on, there have been at least two other incidents of explosive attacks against our troops in southern Iraq. Those devices seem to have come from across the Iranian border. Can the Foreign Secretary assure the House that we will continue to put pressure on Iran to stop that sort of behaviour to guard our soldiers' lives?

Margaret Beckett: I can certainly give the hon. Gentleman and the House that assurance. We will not cease from maintaining what we believe to be the proper stance and approach to the issues that are raised by a variety of policies pursued by the Government of Iran.

Mr. Julian Brazier (Canterbury) (Con): The whole House supports the Government's strategy for recovering our personnel. The Foreign Secretary said that HMS Cornwall was part of a taskforce. Was it operating alone when the incident took place? Was close air support available?

Margaret Beckett: I believe that HMS Cornwall was indeed alone. It has helicopters, so in that sense air support was available.

Mr. Colin Breed (South-East Cornwall) (LD): A year ago, when I visited HMS Bulwark, which was roughly in the same position as HMS Cornwall, I was told that we had completed our training of the Iraqi navy, which was to undertake the task of boarding parties. Why is it not performing the task of those boarding parties? Why are we continuing to do it with royal naval personnel?

Margaret Beckett: I am not entirely sure whether the information that the hon. Gentleman has been given is entirely correct, but of course all the circumstances surrounding the matter will be reviewed as time goes on. However, he will understand that the first priority is the personnel themselves.

Ann Winterton (Congleton) (Con): Will the Foreign Secretary have a word with the Secretary of State for Defence to ensure that in future no British forces operate in Iraqi waters—which are known to be extremely dangerous; past incidents proved that—unsupported and without appropriate protection and back-up? Could there not be other incidents in future—we very much hope not—and might this not be a dangerous precedent given that, possibly bearing in mind the current rules of engagement, there is no meaningful deterrent against the Iranians?

Margaret Beckett: As I have said to a number of colleagues, all the circumstances of the case will of course be considered. There will be a careful review of the courses of action that the Government should pursue in future, but I repeat that the focus at present is on action on the diplomatic front to recover our personnel.

Mr. Brooks Newmark (Braintree) (Con): I thank the Minister for her extremely thorough statement, in which she said that she was assured that there was no link at all with other issues, bilateral, regional or international. However, my concern is that the President and his party have performed extremely poorly in domestic elections recently. What assessment has she made of the connection with that particular matter?

Margaret Beckett: None, to be perfectly honest. Obviously, it is possible to speculate, but no real hints are being dropped and no demands are being made. It is said to be a one-off incident and we are treating it as such.

Mr. Philip Hollobone (Kettering) (Con): Although press and media freedom is important, has not it been completely irresponsible of elements of the British press and media to publish highly personal details about some of the individuals who have been captured by the Iranians, which inevitably will be used in their interrogation, when they will be without access to any of our consular facilities?

Margaret Beckett: I can only share the concern expressed by the hon. Gentleman, which I think is felt across the House.

Mr. Gary Streeter (South-West Devon) (Con): The Foreign Secretary will be aware that HMS Cornwall is based at Devonport naval base, which is part of Plymouth. Many of the 15 people will therefore be my constituents and those of the hon. Member for Plymouth, Devonport (Alison Seabeck). Can she reassure us, particularly with the Secretary of State for Defence sitting beside her, that every possible support will be given to the families of those 15 personnel, who will be going through daily hell as the situation unfolds? Will she confirm that she either has or will make it clear that if any of those 15 are paraded in some public relations stunt on Iranian television, whether blindfolded or not, it will be seen as an act of the utmost provocation?

Margaret Beckett: I am grateful to the hon. Gentleman and I know that he and my hon. Friend the Member for Plymouth, Devonport (Alison Seabeck) share concern for their constituents. We have tried to do what we can to support the families through a very difficult time. The Ministry of Defence has appointed a visits officer for each family and assigned a media shielder to try to help them to deal with the inevitable pressure, and particularly to deal with what may inevitably sometimes be inaccurate reporting. Further than that I would say only that, of course, all these issues are a matter of concern.

The hon. Gentleman raises the question of whether the personnel may be shown on Iranian television. There has been some hint that that might occur, and we have expressed grave concern. From the beginning, our meetings with the Iranian ambassador have included an expression of exactly the kind of concern that he identifies about treatment, humiliation and so on.

Points of Order

1.11 pm

Mr. Peter Bone (Wellingborough) (Con): On a point of order, Mr. Speaker. Today at Prime Minister's questions, the Prime Minister claimed that virtually no one was waiting more than six months for an NHS operation—

Mr. Speaker: Order. That is not a point of order. The hon. Gentleman can seek clarification on such matters through, for example, parliamentary questions or an Adjournment debate. He cannot dissect through a point of order what the Prime Minister has done or has failed to do.

Mr. Graham Stuart (Beverley and Holderness) (Con): On a point of order, Mr. Speaker. I am always grateful for your guidance. The Chancellor commissioned a comprehensive review of local taxation—the Lyons report, a more than 600-page tome—at great public expense to the British taxpayer. Having buried it on the day of the Budget, the Government have failed to give any idea of their response to that important report. I hope that you, Mr. Speaker, agree that that is unacceptable, and I wonder what you might be able to do to ensure that the Government give a proper response to the House on this very important report.

Mr. Speaker: I will not be drawn into whether I agree with what a Minister says or otherwise. I am not allowed to support or criticise a Minister on anything with regard to his statement. I am not telling the hon. Gentleman what to do, but if he is unhappy about something, he and his parliamentary colleagues can make complaint by way of an early-day motion, he can take the matter up in Treasury questions, or he can table written questions for answer by Treasury Ministers.

BILL PRESENTED

Telecommunications Masts (Planning Control)

Andrew Stunell, supported by Tom Brake, Mr. Dan Rogerson, Lorely Burt, Annette Brooke, Mr. Mark Oaten and Mark Hunter, presented a Bill to amend the law relating to planning in connection with telecommunications masts and associated apparatus; to amend the electronic communications code in connection with telecommunications masts and associated apparatus and make further provision about that code; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 29 June, and to be printed [Bill 87].

Employment Assistance (Wales)

1.13 pm

Mr. Wayne David (Caerphilly) (Lab): I beg to move,

That leave be given to bring in a Bill to empower the National Assembly for Wales to make provision about transport opportunities for long-term incapacity benefit claimants who have gained employment; and for connected purposes.

A couple of weeks ago the Minster for Employment and Welfare Reform came to my constituency to speak at an employment summit. Everyone who attended recognised that the Government, in partnership with the Welsh Assembly Government, had achieved enormous success in reducing unemployment in the south Wales valleys. In Wales as a whole there are now more people in work than ever before.

However, everyone at that meeting also agreed that there was still a lot to do if we are to achieve full employment. The pathways to work programme underlines the fact that the central task is successfully to tackle the issue of economic inactivity. Unfortunately, in the south Wales valleys, because of the legacy of heavy industry, a huge number of people are languishing on incapacity benefit. Those are people who were written off by the Tories when they decimated the coal industry and now this Government have the task of breathing new life once again into communities and individuals who have been ignored for so long. Let me be clear: we are not talking about people who are lazy or workshy, as some of the Tories would have it. These are proud people who have been treated with contempt by consecutive Conservative Governments. Our task today is to work with our people to provide support, encouragement and real opportunities.

Nowhere in Britain is the problem of economic inactivity more entrenched than in the area at the heads of the south Wales valleys. Recently, the Bevan Foundation indicated both the scale of the problem and some innovative ways forward. Undoubtedly, one of the problems in helping people off welfare and into work is the topography of the area. From Blaengwynfi in the west to Blaenavon in the east, there are what the writer Gwyn Thomas once called the gulches of south Wales—deep ravine-like valleys, running from north to south. The problem with such topography is twofold. First, it makes it very difficult for industry to locate, and secondly, it makes it very difficult for people to travel to work, especially if they have to travel east-west rather than north-south.

In one of the Welsh Assembly's Committees that looked at economic inactivity in Wales, the lack of transport was correctly identified as one of the main barriers to work. Transport was also referred to time and time again at the employment summit that I referred to earlier. Only the other day, a constituent explained to me how he was faced with the difficulty of travelling from his home in the village of Graig-y-Rhacca across the Rhymney valley to his place of employment just south of Ystrad Mynach. That is a classic example of how just one individual had difficulty in travelling east-west rather than north-south.

In many valley communities poor public transport is part of the fabric of life. A large number of communities do not have passenger rail links and in many cases buses do not service industrial estates and business parks. Where business parks are serviced, bus timetables rarely reflect shift-working patterns. Owning a car for many people is a practical necessity. Those unable to afford a car are frequently left immobile and isolated. Limited access to personal transport is a labour market barrier often cited by new deal participants.

In the long term, the answer is to improve public transport, and the Welsh Assembly Government, through their newly devolved powers, are working hard on that. In the short term, car ownership or access to cars is the only way to enable many people on benefit to secure employment. Of course we should be concerned about carbon emissions, but this is one of the rare cases where car ownership would have a positive social advantage.

In that respect, Working Links, a public-private partnership, is engaged in truly path-breaking work. In the valleys of south Wales, Wheels4Work and Wheels2Work are two unique loan schemes that provide cars, commercial vehicles and scooters free of charge to people requiring personal transport to enable them to get work. Today, the two initiatives have some 80 vehicles and have helped over 400 people into employment.

There is also the question of helping individuals who want to work when they have particular disabilities or conditions. I cite the example of a constituent of mine, Anthony Wilson. Anthony is a young man who suffers from epilepsy. He found a part-time job in the next valley and was supported by Jobcentre Plus, but Jobcentre Plus was unable to help him with his transport costs. Because of his condition he needed a taxi to get to and from work. Working Links was able to provide assistance and 12 months later Anthony Wilson is still in work. Fortunately, in my area we have Working Links, which complements the work of Jobcentre Plus, but it does not have contracts everywhere, so there are gaps that need to be filled.

One of the features of the past couple of years has been the increasingly positive partnership between the Department for Work and Pensions and the Welsh Assembly Government. My suggestion is that we need to consider how best to deepen that relationship; the will is there but we need to look into how the relevant legislation and regulations can be modified and fine-tuned to enhance the relationship. We need to consider in particular whether we need enabling legislation to allow the WAG to intervene in DWP programmes to provide more transport opportunities. Under the Government of Wales Act 2006, the National Assembly for Wales has the opportunity to propose legislation that can then be handled speedily by Parliament.

I hope that due consideration will be given to my proposals. Problems due to transport difficulties are more widespread in the south Wales valleys than in any other part of the country. Devolution is about finding particular solutions to particular problems. This is a problem particular to the south Wales valleys, which is why I propose that consideration be given to the Welsh Assembly gaining the ability to intervene more proactively in the welfare to work agenda.

Question put and agreed to.

Bill ordered to be brought in by Mr. Wayne David, Mr. Don Touhig, Ann Clwyd, Mr. Dai Havard, Nia Griffith, Chris Bryant, Julie Morgan, and Chris Ruane.

EMPLOYMENT ASSISTANCE (WALES)

Mr. Wayne David accordingly presented a Bill to empower the National Assembly for Wales to make provision about transport opportunities for long-term incapacity benefit claimants who have gained employment; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 88].

Communications Allowance

1.22 pm

The Leader of the House of Commons (Mr. Jack Straw): I beg to move,

(1) That this House approves the First Report of the Members Estimate Committee 2006-07 (HC 319) on a Communications Allowance, and is of the opinion that provision should be made with effect from 1st April 2007 for a Communications Allowance in accordance with paragraphs (2)–(4) below.

(2) The allowance shall be for the purpose of assisting Members with expenditure incurred wholly, exclusively and necessarily in communicating with the public on parliamentary business, and the scope of the allowance shall be as set out in the First Report of the Members Estimate Committee.

(3) The allowance shall be at a rate of £10,000 per year for each Member, uprated annually in line with any increase in the Retail Price Index.

(4) The detailed rules and guidance for the Allowance shall be determined and reviewed from time to time by the Members Estimate Committee.

Mr. Speaker: With this we will take the motions on Notices of Questions, etc. During September, Select Committees (Reports) and Parliamentary Contributory Pension Fund.

Mr. Straw: If I may, I will begin by offering congratulations to my hon. Friend the Member for Sherwood (Paddy Tipping)—[HON. MEMBERS: "Hear, hear."]—on his appointment earlier today by our right hon. Friend the Prime Minister as Deputy Leader of the House, in place of my hon. Friend the Member for Edinburgh, South (Nigel Griffiths).

I should like to deal first with the three motions that are pretty uncontentious, Nos. 4, 5 and 6. The motion on notices of questions in September makes permanent the arrangements that we agreed on an experimental basis last September for taking written questions during September. They seemed to meet the approbation of the House, so I hope that Members find the motion acceptable.

Mrs. Theresa May (Maidenhead) (Con): I apologise to the Leader of the House for intervening so early in his speech, but will he clarify a point in the second paragraph of the motion? It states that the

"motion to appoint tabling days and answering days... may be made by a Minister of the Crown."

I assume that means just one Minister, in fact the Leader of the House, and not that each Minister in each Department can set separate days.

Mr. Straw: It is indeed one Minister. The reason why the motion was worded in that way is that the precise days in September we need to prescribe will need to take account of such things as party conferences, but the Minister will be the Leader of the House.

Motion No. 5 relates to Select Committee report embargoes and extends the embargoed period allowed from 48 hours to 72 hours to take account of weekends, publication on a Monday or on a Tuesday after a bank holiday, and so on. I cannot believe that we will spend a lot of time on that motion.

Motion No. 6 makes provision for the appointment of a beneficiary from the Parliamentary Contributory Pension Fund to the trustees. Sir Graham Bright, whom many of us remember as a distinguished Member of the House, has been suggested by the Former Members Association, which does good work on behalf of former Members, and I hope that the House will accept that nomination.

I come now to the communications allowance. Last November, as the report on the communications allowance sets out in paragraph 1, the House resolved by a majority of 91 to agree the principle of instituting a communications allowance. The Members Estimate Committee was asked to bring forward more precise proposals for the House to approve, which are before us today. The Committee set out what an allowance should cover, how it should operate and a proposed level. It proposed an allowance for the purpose of assisting Members

"in the work of communicating with the public on parliamentary business"—

as agreed by the House in November, with the scope described in its report and subject to rules and guidance updated from time to time by the Committee. It proposed that the allowance should begin at a level of £10,000.

The purpose of the allowance is, above all, to contribute towards public understanding of what Parliament is for and what it does—something which, as the Committee highlighted, has become a high priority. In 2004, the Modernisation Committee observed:

"It is beyond the influence of the House of Commons, let alone this Committee, to arrest international trends of declining participation and trust. However... it can do more to make it easier for people to understand the work of Parliament, and it can do more to communicate its activity to the world outside."

In 2005, the Hansard Society Commission, chaired by Lord Puttnam, declared:

"Parliament should be an accessible and readily understood institution, a Parliament that relates its work to the concerns of those in the outside world... Parliament must be viewed through a far more engaged and informed public eye."

In 2006, the Power report concluded that

"it is widely felt that MPs do not engage with or listen to their constituents enough between elections".

One does not have to sign up to every one of those propositions to accept the basic message that it is important for the health of our democracy for the public to know more about what we do. A survey commissioned last year by the Committee on Standards in Public Life found that although 85 per cent. of people believed that it was "extremely" or "very" important for MPs to explain the reasons for their actions, only 23 per cent. of people believed that most MPs actually do so.

Dr. Julian Lewis (New Forest, East) (Con): Can the Leader of the House clear up a point that is troubling me? If my memory serves me correctly, the original proposals for the motion we are debating were made in the aftermath of the 2005 general election, when it was found that certain Members of Parliament had possibly abused the paid-for postal system to make mass mailings. Can he relate that to what is being proposed today and reassure the House that the motion is not a retrospective justification for that misbehaviour?

Mr. Straw: It is certainly no retrospective justification for any misbehaviour. The hon. Gentleman may be aware that the Committee on Standards and Privileges, chaired by his right hon. Friend who is sitting behind him—

John Bercow (Buckingham) (Con): My right hon. Friend the Member for North-West Hampshire (Sir George Young).

Dr. Lewis: My hon. Friend is the fount of all wisdom.

Mr. Straw: As ever.

The Committee investigated at least one complaint, possibly two, about a Member. I think that it found against the complaint and made some observations about the operation of the system in respect of paid-for envelopes. Another decision will be made in parallel with the proposal today, if the House agrees it—Mr. Speaker has already indicated that he will cap the provision of paid-for envelopes at £7,000. As I shall spell out, it will not be possible for Members to use the communications allowance—if it is approved—to purchase additional paid-for envelopes. Although this is a matter of some controversy across the parties, not least my own, I accept—and I have done from the moment that I got this job—that it is unacceptable for there to be no limit on the amount for paid-for envelopes.

Bob Spink (Castle Point) (Con): Does the right hon. Gentleman accept that there is a disconnect with the public and that it is important for MPs to communicate with their constituents who contact them? I have received a referendum signed by 8,500 of my constituents on Canvey Island against a major accident hazard site that is proposed for the island and which concerns them greatly. The referendum had a massive turnout of 68 per cent. of the total voting population of Canvey Island, and 99.5 per cent. of the people voted against the proposed liquefied natural gas plant. That is now going to appeal. I must write to all those people to tell them what happened to their petition and what they must do next to write to the inspector to make sure that their rights are upheld. That is 8,500 people I will have to write to perhaps twice this year. How am I going to be able to do that within the allowances?

Mr. Straw: As it happens, and as the hon. Gentleman knows, I know his constituency, including Canvey Island, well. There are probably a higher number of hazardous sites in his constituency than in any other constituency that I can think of, certainly in the south of England. We all need to be grateful, even though we do not realise it, to the constituents of Canvey Island, because it is through those sites that such vital services are provided to the rest of the country. I have been trying to do the mental arithmetic: £7,000 should provide 21,000 or so envelopes, which would still cover his requirements. However, in addition the Members Estimate Committee makes it clear in its recommendations that, in such circumstances, he would be able to write to people who had written to him by way of a petition, and he would be able to make use of the communications allowance in so doing if he wished. Overall, it is a better and a clearer system. The problem about the paid-for envelopes was that their use just grew. There has been no proved allegation of abuse of the system, but it cannot be acceptable for any particular budget item not to have a cap on it.

Martin Salter (Reading, West) (Lab): Does my right hon. Friend agree that, far from a justification for high spending, the proposed financial cap of £10,000 and £7,000 represents a significant reduction in the resources available to higher spending Members, if one relates the figures back to the Members' allowance table for 2005-06, where some of our colleagues managed to exceed £30,000?

Mr. Straw: I accept that.

Dr. Julian Lewis: Overspending Members.

Mr. Straw: Higher spending Members.

I should say to the hon. Member for Castle Point (Bob Spink) that the great advantage of interventions—some would say the only advantage—is that one can get the truth from the officials' Box in answer to a previous intervention while one is listening to the next one. The accurate answer to his question is that he could both use the communications allowance and top that up from the incidental expenses provision and, I am told, to a degree from staffing virement. So, he will be all right. I care about his constituents.

Jo Swinson (East Dunbartonshire) (LD) *rose—*

Miss Julie Kirkbride (Bromsgrove) (Con) *rose—*

Mr. Straw: If the hon. Member for East Dunbartonshire (Jo Swinson) will allow me to make a little progress, I will then give way to her and the hon. Lady for somewhere in Worcestershire.

John Bercow: Bromsgrove.

Mr. Straw: Bromsgrove—a fine place.

The communications allowance will assist Members with making the idea of Parliament and the work of its Members better understood. The Committee explains that the allowance would cover costs for Members of

"engaging proactively with their constituents through a variety of media."

The Committee continues:

"It could be used for the production of unsolicited communications...to help Members inform their constituents about what they have been doing and to consult them on key issues"

of importance to them locally. In better facilitating lines of communication between MPs and the public, it is important that the allowance is set up in a way that means that it does not become a propaganda tool used to entrench the position of incumbents. I know that the right hon. Member for Maidenhead (Mrs. May), the shadow Leader of the House, is concerned about that.

While we are on the issue of incumbency, I will just say, because I am sure that we will hear a bit more about this matter—it is at the heart of any argument between us and the Opposition on this matter—it is a simple arithmetical fact that, irrespective of party, the Government party will have more incumbents than the Opposition party. However, as the right hon. Lady

[Mr. Straw]

knows as a member of the Members Estimate Committee, we have worked hard to ensure that the measure is not there to entrench the position of incumbents. In anticipation of her making any partisan point, which I am sure she will not, I would also say that I do not remember concern about incumbency ever passing the lips of any Conservative Member of Parliament when they were sitting on the Government Benches for 18 years.

What I do remember in those 18 years is how often we in the Opposition pleaded for more Short money. All our applications for Short money were turned down. So if the right hon. Lady thinks that she is hard done by as a member of the shadow Cabinet, she should have tried being in the shadow Cabinet for the 10 years that I was there, between 1987 and 1997. I record—I am sure that she will wish to bring this out—the extraordinary selfless generosity of this Government in not doubling, not trebling, but almost quadrupling the amount of Short money from £1.6 million in 1997 to £6.3 million in 2006.

Mrs. May: Will the Leader of the House confirm that in addition to the changes to the Short money, the Government have also introduced the policy development grant, which is available not only to Opposition parties, but to the Government?

Mr. Straw: I accept that, but that is neutral as between the parties, unlike the Short money. I am not complaining about the Short money.

Martin Salter *rose—*

Mr. Straw: I notice that my generosity has been such that my hon. Friend is suggesting that I should resign.

Martin Salter: Yes, I am sure that there is an even greater role for my right hon. Friend in the months to come.

In the spirit of sheer partisanship, will my right hon. Friend comment on the fact that the other thing that happened in the 18 years under the Conservative party was a ballooning in the budget for the Central Office of Information, to the extent that every council tax payer and every ratepayer in my town and across the country had a delightful little leaflet explaining the advantages—

Mr. Deputy Speaker (Sir Michael Lord): Order. We ought to confine ourselves to the matters immediately before the House.

Mr. Straw: Thank you very much, Mr. Deputy Speaker. We will pass lightly over that. I promised to give way to the hon. Member for East Dunbartonshire.

Jo Swinson: On the subject of the sums that taxpayers will have to pay, the Leader of the House may remember that when we debated the issue on 1 November, I did some arithmetical calculations on the back on an envelope and suggested that

"the proposed allowance could be an additional £6 million of taxpayers' money".

His response was:

"I do not believe for a second that the net cost will be as the hon. Lady describes." —[*Official Report*, 1 November 2006; Vol. 451, c. 312.]

However, we find in the booklet that has been produced by the Members Estimate Committee that

"it is estimated that the total annual cost of the Communications Allowance would be about £6 million."

When the House voted on the matter last time, it was under the impression that the cost would be less. What is his opinion of that figure? It obviously was not too difficult to work out. It is a huge amount of taxpayers' money and, in my view, it is not warranted.

Mr. Straw: The maximum gross cost is easy, arithmetically, to work out: it is 650 times £10,000. We can all do that sum, can we not? What I was disputing was the idea that people would spend up to the maximum. That is not the case for other allowances. I understand that, in general, other allowances are spent at the level of about 90 per cent.—I have just had semaphore confirmation of that from the Box. It also needs to be borne in mind that an estimate—these are only estimates; time will tell whether they are correct—has been made of a possible saving of £400,000 in respect of those who currently draw allowances above the £7,000 limit. Even if the cost were to be at the £6 million level, I happen to think that it would be money well spent. I quote in my support the hon. Member for Croydon, Central (Mr. Pelling)—a Conservative Member—who said in the debate on 1 November:

"It is too easy to dismiss the proposed allowance as extra money for Members of Parliament, when it is actually an initiative that would put a cap on irresponsible behaviour."—[*Official Report*, 1 November 2006; Vol. 451, c. 381.]

I believe that.

Miss Kirkbride: I would like to refer to the Leader of the House's previous answer. Although Members have not been found guilty of misusing their allowances, some have had to reimburse the Fees Office for envelopes that were used mistakenly. Why has the right hon. Gentleman chosen the amounts of £7,000 and £10,000 for these allowances? Were the figures pulled out of a hat?

Mr. Straw: I will ask for more briefing from the Box—

Mr. Deputy Speaker: Order. The right hon. Gentleman keeps referring to direct contact with the Box. We do not normally do that in the House.

Mr. Straw: And I should know that after a few months in this place. I will seek further elucidation from my deputy.

John Bercow *rose—*

Mr. Straw: Let me answer the question asked by the hon. Member for Bromsgrove (Miss Kirkbride). I am not aware of any circumstances in which Members have been required to return envelopes, although that does not mean that they do not exist.

In the end, the setting of the allowance was a matter of judgment. We judged that the sum was relatively modest and reasonable. The decision on advising

Mr. Speaker—this is his decision, not ours—on the maximum that could be spent on paid-for envelopes was taken using the judgment that the amount would cover the majority of Members. That amount is the point at which the normal bell curve distribution starts getting very skewed. The mean expenditure is £4,500 to £5,000, so the amount would cover most Members' activities.

Sir George Young (North-West Hampshire) (Con): Will the Leader of the House explain why he did not await the judgment of the Senior Salaries Review Body on this allowance, which happens with all other allowances?

Mr. Straw: This is a new allowance. I was not aware that we were required to await the judgment of the SSRB in respect of new allowances. I have written and given evidence to the board about the fact of the allowance, which is my responsibility. I think that this is an appropriate way of doing things. I am not sure that the SSRB would have been in a better position to make a judgment. I happen to believe that it is important—I hope that he agrees, as Chairman of the Standards and Privileges Committee—that we put a cap on the paid-for envelopes.

John Bercow: I congratulate the hon. Member for Sherwood (Paddy Tipping) on his appointment. Some of us remember that in an earlier incarnation, under the tutelage of the right hon. Member for Derby, South (Margaret Beckett), his mellifluous tones had a soothing impact on the House in all sorts of difficult circumstances.

On the use of the allowance, will the Leader of the House clarify the position on the content that broadly would and would not be permissible? Paragraph 10 on page 4 of the Members Estimate Committee's report, which is on the scope of the allowance, states on the one hand that unsolicited mailing may be undertaken, but on the other it cites the caveat that the material should not promote one party or denigrate another. What if Members of one party, conscious of controversy surrounding a particular policy, were to seek to craft letters to go out to their constituents, perhaps en masse, that made no reference to another political party or its position, but were simply an attempt to trumpet the merits of that policy? Could the allowance be used and potentially abused for that purpose?

Mr. Straw: I hope that the hon. Gentleman, whose ingenuity goes before him, will excuse me if I do not offer arbitration on specific examples. I think that the rules are fairly clear. Although the line between what is parliamentary and what is political is a fine one, it is pretty clear in practice—everyone understands the difference. I will come on to describe what the allowance is for and what it is not for.

Bill Wiggin (Leominster) (Con): As I understand it, £7,000 of the allowance may be spent on stationery and pre-paid envelopes, which will leave about £3,000 for other things such as websites—[Hon. Members: "No."] If I am wrong, I am sure that I will be corrected. Will the Leader of the House examine the situation at election time regarding websites that are funded by what is essentially taxpayers' money?

Mr. Straw: An important aspect of what we are doing is tightening the arrangements for websites quite considerably.

Mr. David Heath (Somerton and Frome) (LD): Will the Leader of the House give way?

Mr. Straw: Yes, and then I am going to provide information to the House—not that I have been failing to do so up to now.

Mr. Heath: Of course, it is information that I require. Let me bring the Leader of the House back to the answer that he gave to the hon. Member for Castle Point (Bob Spink). When the Leader was talking about spending more than the £7,000 limit on pre-paid envelopes, I thought that I heard him say, with nods of approbation from others who might or might not be in the Chamber, that other allowances could be used to increase the spending on pre-paid envelopes beyond £7,000, which would make the limit a nonsense. As I understand it, paragraph 19 of the Members Estimate Committee's report clearly forbids the issue of pre-paid envelopes beyond the £7,000 limit. Is that correct?

Mr. Straw: The hon. Gentleman is correct—he says what I hope that I said. It will be possible for Members to use the allowance to pay for the postage of communications above and beyond the £7,000 for pre-paid envelopes, but it will not be possible to use any other allowance to pay for additional envelopes over the £7,000 limit.

Mr. Heath: What is the point then?

Mr. Straw: We were advised that if we wanted the staff to have effective control, we would have to set the limit at £7,000—full stop. If the system does not work properly, I am sure that the House will be able to review it in due course.

Allow me to give the House further information, which, after communing through the ether, has now arrived—this shows the power of prayer to those who dispute it. A few hon. Members have been asked to repay costs for pre-paid envelopes to the Serjeant, usually because of a misunderstanding about the rules. The sums are usually small: the cost of a few hundred envelopes.

I am reminded that I wrote to the SSRB in advance of discussions on the allowance. It gave its blessing and said that it would return to the matter in its evidence when the triennial review is published in the summer.

This is a relatively short debate, but I have already been speaking for 24 minutes—I have been taking interventions for 22 minutes and speaking for a couple—so I will canter through what the allowance is not for and what it is for. It is not for party political advocacy or for Members to undermine the reputation of others. It is not to give incumbents an advantage over challengers. Accordingly, the report states that the allowance would not be used for fundraising, encouraging people to join a party, campaigning for or against a candidate, or advancing arguments to promote a particular political party or organisation. As I have said, the boundaries between parliamentary and party political work can be difficult to draw, but we all understand where they lie.

[Mr. Straw]

The Department of Finance and Administration and the Fees Office are accustomed to handling the distinction in respect of constituency reports and newsletters, which are sent out by Members on both sides of the House and are a useful initiative.

All members of the MEC who have considered the matter know that there are occasions when Members on both sides of the House make mistakes. That is especially a danger in respect of the ever-changing world of websites, in which the rules have not kept pace with developments. The MEC saw evidence of websites of Members of all three major parties that were not in accordance with the current rules. If those websites had been submitted as a hard-copy draft of an annual report, they would never have got past the Department of Finance and Administration. In fact, I do not think that anyone would have had the cheek to put them forward. However, the websites were in place and using public money for purposes other than parliamentary purposes.

Websites that are funded from the communications allowance should be used only for parliamentary purposes. To ensure that there is much better control, we have decided to make the rules clear and to say that it will not be acceptable for Members to allow publicly funded web pages to be contained in another domain or website, and vice versa. Members will have a parliamentary website, and they may have separate websites if they wish to fund them from other sources. Parliamentary websites will close down when Parliament is dissolved after a general election is called.

A website must comply with the same rules on the content of material as any other publication, and it must contain on the home page a statement that it is funded from parliamentary allowances. Any links to other sites must make it clear electronically that the reader is leaving the parliamentary-funded website. However, websites are becoming increasingly sophisticated and it is important that the MEC should have asked the DFA to monitor website content so that the MEC can be assured that the allowances are being used for the stated purposes.

As I have said, we have proposed a level of £10,000 per Member, and we think that that is reasonable. It will go hand in hand with the establishment of a cap on envelopes. Most—including me—spend an average of between £4,500 and £5,000. Most Members fall on the normal distribution curve, spending between £2,500 and £7,000, but some were spending considerably more. That will now end. The estimated take-up is about 90 per cent.

Mr. Graham Brady (Altrincham and Sale, West) (Con): The Leader of the House has talked about his own postage, which is average. Does he believe that in communicating with his constituents in Blackburn he will need the use of the £10,000 additional communications allowance?

Mr. Straw: I may do. To make the reverse of the incumbent's point, I am lucky enough to represent a single town and to have served it for a long time—I am now in my 28th year. It has an evening paper that circulates in only five constituencies, and the BBC has wisely sited Radio Lancashire's headquarters in Blackburn rather than any other town in Lancashire. All that makes communication with constituents easier. Serving a single town makes it much easier for me to hold open-air meetings, as I still do, in the centre of town and to hold residents' meetings around the town—

John Bercow: That money would buy a lot of tannoys.

Mr. Straw: That is true. If I represented a series of villages, communication would be more difficult. I have, for the first time ever, sent round an annual report, approved in every particular of course by the Fees Office, and it seems to have been well received. People have been interested to learn what I have been doing and how to contact me at my surgeries. Rather than increasing my incumbency support, it has just led to a much higher demand on my staff in terms of my surgeries.

The administration of the allowance will be run by the Fees Office and draft rules have been set out in the booklet. They will be revised from time to time.

Dr. Tony Wright (Cannock Chase) (Lab): Although the proposal is advantageous to me, as to all of us, I have the most profound reservations about it. It will be an exercise in shameless self-promotion. It will be used to tell people how wonderful we are, and that will be paid for by our constituents. It is a worthy objective, but I caution my right hon. Friend that it may do more harm than good.

Mr. Straw: I very rarely disagree with my hon. Friend, but I disagree profoundly with what he has just said. I do not happen to think that the annual report that I sent out for the first time was in the category that he describes, nor is the work that the hon. Member for Castle Point described. He said that he had received a petition from some 8,000 of his constituents expressing concern about the siting of a liquid petroleum gas terminal on Canvey Island. My hon. Friend may not know Canvey Island, but I do, and it already has many similar sites. Responding to that is not shameless self-promotion; it is doing a Member's job. I resist my hon. Friend's suggestion, which is not worthy of him.

Bob Spink: Rather than the proposal being advantageous to Members, does the Leader of the House agree that our constituents might find it advantageous to them for us to tell them what is going on, keep them involved and give them another means of contact with us? Like me, he will know no Members who would knowingly abuse the system. It will be up to Members to use the system with good will. We are all honourable Members and we will all do that.

Mr. Straw: I agree with the hon. Gentleman. The House will credit me with spending 18 years in opposition without complaining about that fact, except within my party, or about the Government's use of incumbency. Nor did I suggest that the voting system had disadvantaged us. I thought that we were in opposition because we had failed to convince enough voters to vote for us and we needed to change our ways. We all need to be concerned about the distance between the electors and the elected, and if we are to improve that we must not just ask for support at elections, but

explain to people what we are doing between elections and provide them with reassurance.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Will my right hon. Friend confirm that if the proposals are accepted, it will not be compulsory to use the £10,000? If people do not want to use it to tell their electorate how wonderful they are, they do not have to do so. Does the proposal include a provision that the allowance will be paid only to those people who vote for it?

Mr. Straw: Now my hon. Friend asks too much. He is right to say that use of the allowance is not compulsory. Many of the allowances are not used at the moment. I use slightly less than the full office costs and staffing allowances. As for who will use it, let us wait and see, but I suspect that there will be some difference between those who vote against the allowance and those who then use it.

Geraldine Smith (Morecambe and Lunesdale) (Lab): Does the Leader of the House agree that the British public are not stupid? It would be extremely foolish for Members to send communications that were obviously shameless self-promotion, because that would backfire on them. We must use the allowance carefully because the public will be watching. Communication should be about issues that affect them and that are important to them.

Mr. Straw: I agree with my hon. Friend. Experience has shown that the public see through those who go in for what my hon. Friend describes. In her case, when we had the tragedy of the Chinese cockle pickers—with which she dealt expertly—she did get more publicity, but it was not a question of shameless self-publicity. Rather, it was a Member of Parliament doing her job well. It was entirely fair that her constituents should have recognised that at the following election. That was democracy in action.

I have said enough about this allowance. It has been the subject of careful consideration by the MEC, on which all parties are represented, and I commend it to the House.

1.58 pm

Mrs. Theresa May (Maidenhead) (Con): I begin by welcoming the Deputy Leader of the House to his new role. I am sure he was delighted, as was the Leader of the House, that the Prime Minister was able to appoint him just in time for the recess Adjournment debate tomorrow.

I wish to emphasise how important today's debate is. The world moves on, the style and manner of Government move on, and Parliament must move on, too. It is vital to our democracy that Parliament remains relevant to the outside world and remains capable of serving it well. In recent weeks, we have debated reform of the other place and party funding. Today's debate might attract less attention from outside, but how we do our job as MPs, how we hold the Government to account and how we communicate with our electorate are all issues that are crucial to the health of our democracy.

We have come a long way since Edmund Burke gave his address to the electors of Bristol in 1774. Modern Members of Parliament—perhaps I should say most modern Members of Parliament—do not see themselves just as expert deliberators, aloof from their constituents. Yes, we are deliberators and debaters, holding the Government to account, but we are also representatives of our communities. As such, we want to listen to and communicate with our constituents. I suspect that if we did not, we would enjoy the same fate as Mr. Burke, who was turfed out at the next election. Perhaps I am being unfair to Burke, because even in his address to the electors of Bristol he said that

> "it ought to be the happiness and glory of a representative to live in the strictest union, the closest correspondence, and the most unreserved communication with his constituents."

I hope that even the traditionalists among us will agree that Members need to be able to communicate properly with their constituents, and I agree with the Government that if we are to do so, the rules need to change. However, we do not agree with the proposals in the communications allowance motion tabled by the Leader of the House.

I recognise that the proposals have been discussed and agreed by the Members Estimate Committee, and that the House is agreed on the need to tackle the overuse and potential abuse of stationery, as my hon. Friend the Member for New Forest, East (Dr. Lewis) said earlier. I am a member of the Committee, and I agree that the issue needs to be addressed, but, as I made clear in the previous debate on the issue and on a number of other occasions, I fear that what is proposed will not just replace the abuse of stationery supplies and bring Parliament up to date but will give an enormous taxpayer-funded advantage to sitting Members of Parliament.

The Leader of the House is effectively proposing that each hon. Member should get a £13,000 increase in expenses, because we would keep the incidental expenses provision, which will go above £20,000, we would get a new communications allowance of £10,000 and, allied to that, Mr. Speaker will cap the stationery allowance at £7,000. The total adds up to an increase of £13,000 because the £7,000 cap on stationery is £3,000 more than the average amount spent by Members, so on average, there would be an extra £13,000 of taxpayers' money for each Member.

Members talk sincerely about the need to communicate properly with our constituents, but we owe it to them to make sure that we spend their taxes wisely. Does the House really believe that all constituents think that we spend their taxes wisely? We all know what the reaction was of the press and the people when our travel expenses were published recently. It is fair to say that people's scepticism about politicians led them to think that we all had our noses in the trough. Of course, that is not true. There is a need to ensure that the budget and expenses available to MPs enable us to do our jobs effectively, and there is a responsibility on the media to be careful in their reporting of such matters, but we must be mindful of the views of those who bestow on us the privilege of sitting in Parliament.

According to the official figures, several Members already claim more than £20,000 a year in stationery and postage costs. I see that the hon. Member for

[Mrs. Theresa May]

Hendon (Mr. Dismore) is in his place in the Chamber, and we may well hear from him later on how he spent £37,000 of taxpayers' money on stationery. When we last debated the subject, he said in *Hansard* on 1 November 2006, in column 355, volume 451, that that was "a matter of pride" to him, and that that spending made him a good Member of Parliament. I look forward to hearing what else he has to say on the matter.

Mr. Andrew Dismore (Hendon) (Lab): The right hon. Lady notified me of the fact that she would refer to me today; I got her e-mail minutes before the debate, but I am grateful even for that notice, as I had not planned to speak today. I would simply say that those people who are concerned about the issue should read my comments in the previous debate, in which I quoted a large number of constituents who were grateful to receive the information that I was providing to them. It is a matter of pride to me that I have been a high spender, because it shows that I have been working as hard as I can to keep my constituents informed. I simply regret that today's decision will mean that I am less able to do that.

Mrs. May: I am happy to apologise to the hon. Gentleman for having given him such late notice of the fact that I intended to refer to him in the debate, although as he is the Member who has spent the most on stationery, I think it unlikely that the debate would have taken place without him being referred to. I simply point out, as I did in the previous debate, that although he says that his communications with his constituents are gladly welcomed, turnout in his constituency at the election was just 58 per cent. In fact, he had a larger drop in his percentage share of the vote than Members in neighbouring constituencies did. Perhaps he might like to think about that, and reflect that his voters might like him a little bit more if they heard from him less.

Mr. Dismore: As I say, I was not planning to speak in the debate. I simply repeat a point that I made in the previous debate: as far as I am concerned, the spending is not about trying to build an incumbency, or about trying to boost my personal vote somehow. It was about trying to keep constituents informed. Indeed, many of the people to whom I write are Conservative supporters and always will be. I have no prospect whatever of persuading them to vote for me, and I fully accept that, but it is part of our duty as Members to make sure that we keep in contact with all our constituents, of whatever political hue. I do not regard that as part of a vote-building operation.

Mrs. May: I note the hon. Gentleman's comments. I refer him to the comments that the Leader of the House made in opening the debate, in which he referred to the need for Members of Parliament to encourage greater interest in what is happening in Parliament, and our communications are part of that. I suggest to the hon. Member for Hendon that the 58 per cent. turnout at the election indicates that despite all his communications, he is not able to encourage people to participate in the democratic process to the extent to which they do in some other constituencies.

Jim Sheridan: The right hon. Lady is an extremely experienced parliamentarian, but when we send out annual reports, as I believe she does regularly, who actually pays for them? Secondly, will she discourage Members of her party who decide not to vote for the proposals not to exceed the £7,000 limit, if the proposal is accepted?

Mrs. May: On the hon. Gentleman's last point, nobody will be able to exceed the £7,000 limit, because there will be a cap, and once they have reached £7,000, no more envelopes and stationery will be available to them. On annual reports, if he would like to look at a copy of my annual report, he will see that it is paid out of my incidental expenses provision. I am able to communicate with my constituents with the expenses provisions already available to Members of Parliament.

Jo Swinson: Will the right hon. Lady give way?

Mrs. May: I will give way one more time, and then I will make some progress.

Jo Swinson: I am grateful to the right hon. Lady for giving way. She makes the point that the IEP enables us to communicate with constituents. Does she accept that for some Members, perhaps those in London or other areas with very high rents, the IEP is not sufficient to enable them to do that? It would perhaps be better to deal with those who suffer from that problem by providing a different rate of IEP for people with particularly high rent rates. That would be better than using a sledgehammer to crack a nut, and increasing the expenses for everyone.

Mrs. May: The hon. Lady makes a valid point; many Members who represent constituencies similar to mine, Maidenhead in the south-east, find it difficult, within the IEP, to rent premises in the constituency and have sufficient funds available to do the other things for which the IEP is intended. That is a separate issue, and the Senior Salaries Review Body might well consider it an issue for Members of Parliament that is to be dealt with in an entirely different way.

To go back to the issue of high spending by some Members of Parliament on stationery and supplies, I—and many others, I suspect—question how Members with very large claims are able to use that amount of stationery and envelopes while staying within current rules. Of course we are all aware of cases that have come before the Committee on Standards and Privileges or the Serjeant at Arms on the potential misuse of stationery and envelopes—that is, their use in ways that should not be paid for by the taxpayer. Indeed, the Parliamentary Commissioner for Standards has said that the misuse of Members' allowances is the most common accusation relating to sleaze. He says:

> "In recent times, there has perhaps been more of a focus on complaints alleging the improper use of parliamentary allowances."

I would ask the Government why, if that is already a serious problem, they support adding to it by creating the new allowance. Of course political communication is necessary, but it must be funded by the parties and not the taxpayer. Otherwise, we run the serious risk of favouring incumbent politicians at the expense of their rivals and opponents.

I would say to the Leader of the House that it is strange that he is supporting a new allowance for incumbent Members at the very time when the Government are supporting caps on local campaigning expenditure for their political opponents. Some people have described the communication allowance as a "save our seats" fund. I would not say that, because I am not sure that anything will save Labour seats if the Chancellor is its leader, but we need to make sure that taxpayers' money is not used illegitimately for electoral advantage.

Members will undoubtedly argue that in modern times politicians must communicate more with their constituents, and I certainly agree, but modern times also offer modern means of communication, and those do not necessarily involve spending great sums of taxpayers' money. Indeed, Members increasingly rely not on post and the press, but on websites, e-mail, blogs, text messages, and social networking services such as Facebook.

Martin Salter: On that theme, does the right hon. Lady agree—and will she read into the record—that it is fundamentally wrong for a Member of Parliament's annual report to include a party political logo?

Mrs. May: The rules are absolutely clear on what can, and cannot, be included in an hon. Member's annual report.

Martin Salter: That is a no, then.

Mrs. May: As I have made clear, the rules are absolutely clear on what can, and cannot, be included in annual reports. Many hon. Members ask the Department of Finance and Administration, as I do, to check the text of annual reports to ensure that we do indeed abide by the rules and do not risk going outside them.

I accept that the role of a modern Member of Parliament is very different from that of previous generations of politicians. We are all familiar with the stories of times gone by. Enoch Powell used to compose handwritten letters to constituents in the Library. *[Interruption.]* My hon. Friend the Member for Buckingham (John Bercow) is doing his Enoch Powell impersonation from a sedentary position—and very good it is too. I remember a story about a former Member who used to read his constituents' letters on the Terrace so that he could drop them into the river. I suppose that that is one way of keeping communication costs down, but I do not imagine that many Members would keep their seats for long by doing so these days.

I accept that the rules need to be adapted to reflect modern circumstances. For example, it is odd that if we receive 50 letters on a particular subject, we are supposed to write 50 different replies to meet the rules about circulars. It is sensible that that should change. If we receive letters about a planning application from 10 houses in a small street, we are not allowed to write to the other houses in the street. It is sensible that that should change. As Members, we are increasingly involved with community groups, campaigns and social action projects. It is sensible that we should be permitted to contact them without waiting for them to approach us. There are therefore good reasons for changing the rules on the expenditure of Members' allowances, but there is little justification for increasing Members' budgets. My personal preference is for Members to be given a single budget that would cover office costs, communications and stationery and for them to be free to choose how they spend it within the rules and within the budget. That would get round the rather strange situation that will arise, and to which the hon. Member for Somerton and Frome (Mr. Heath) referred, in which there will be a limit on the number of prepaid envelopes that can be used by hon. Members. However, they can use other allowances to communicate through the post with their constituents and to buy postage stamps for that purpose. Indeed, they can vire money from their staffing allowance to do so. I think that there is a reason for changing the rules, but I do not think that there is a reason for introducing a new communications allowance, which will enhance the role of incumbents.

May I touch briefly on the motion on the tabling of questions during September? If Parliament does not sit in September, it is absolutely right that Members should have the opportunity to hold Ministers to account. The system for questions and statements last year was a welcome intervention, and I am sure that the House is grateful to the Leader of the House for introducing it. As with last year, this year's motion proposes that Members should table questions for three days for answer on three subsequent days. I see no reason why Members should not be able to table questions throughout the recess, and the Leader of the House should consider that. I hoped that the changes this year would extend last year's opportunities, and I am disappointed that they do not do so. As the party conference season evolves, the need for the House to have such a long recess may disappear. I would not argue that conferences themselves should disappear, although I gather that that happened to the Labour party spring conference this year, but I would certainly argue for a change of approach to them. Conferences are not a chance for a holiday, as some people have viewed them in the past, but an opportunity for healthy political debate. I have long made the case for conferences to be held at weekends and in different locations to enable that to take place.

John Bercow: I agree that right hon. and hon. Members certainly ought to be able to table written questions throughout the recess. Given that, on the whole, the Leader of the House, in common with a number of his predecessors, has been pretty demanding of ministerial colleagues in asserting the need for timeous replies, does my right hon. Friend agree that he should be no less exacting in his requirements of Ministers for answers to questions during the recess than he would be for answers to questions during term-time?

Mrs. May: I entirely agree. Indeed, it is the manner in which the Leader of the House has shown himself willing both to place requirements on his ministerial colleagues and to accede to requests from the House for greater timeliness of responses from ministerial colleagues that leads me to hope that, in relation to questions in September, he will make just those points to his ministerial colleagues, and reconsider limiting the opportunities for questions during the recess to only three days.

Mr. Straw: On the first point made by the hon. Member for Buckingham (John Bercow), yes, I will seek

[Mr. Straw]

to ensure that all those questions are answered in a timely way. That was generally the case in September, but there were some exceptions, which we followed up. As I recall, particular exceptions concerned Departments that had been overwhelmed by questions. However, the Departments are there to answer questions, and that is what is expected of them.

On the hon. Gentleman's second concern, it is just a practical point, but may I make it clear to the House that I do not regard those arrangements as set in stone? They ought to be kept under regular review. My concern, in tabling the resolution as a permanent one is to ensure that there is a facility for questions in September. If we can extend it, so much the better.

Mrs. May: I am grateful to the Leader of the House for that response. As I said, he is always willing to listen to the House, and I am grateful for what he said on the matter.

Holding the Government to account and how we do so and do our full job as Members of Parliament are what today's votes are about. However, like the curate's egg, the motions are good in part. As I said, the opportunity for questions in September is welcome, and we will support it. The rules regarding Members' allowances undoubtedly need updating, and I certainly support changing them, but we cannot, and will not, support a new taxpayer-funded allowance that risks becoming a spin budget for incumbent MPs.

2.16 pm

Martin Salter (Reading, West) (Lab): It is a pleasure to follow the right hon. Member for Maidenhead (Mrs. May). She may say that she cannot, and will not, support that allowance, but I guarantee that a large proportion of Opposition Members will not have any problems at all in claiming it, irrespective of the way in which they choose to vote today.

This morning I had the pleasure of giving evidence to the Modernisation Committee with the hon. Member for Buckingham (John Bercow). We submitted a radical prospectus to assist the Leader of the House and colleagues on the Modernisation Committee in their inquiry into strengthening the role of Back Benchers. As part of that radical prospectus, we drew attention to the fact that the role of a Member of Parliament has changed out of all proportion in the past 20 or 30 years. In fact, when the Leader of the House skilfully bashed into the long grass the dreadful Roy Jenkins report on electoral reform, he drew attention to the figures—the hon. Member for Castle Point (Bob Spink) will be interested in this—on right hon. and hon. Members' postage. Those figures were drawn from the House of Commons Post Office itself, and are quite illuminating. In the 1950s, the average number of letters received by a Member of Parliament was in the order of 15 to 30 a week. As we all know, thanks to the delightful person who invented e-mail and thanks to all the other electronic devices, as well as a general increase in demand from constituents, that figure is now between 300 and 500 a week.

There is a resource implication for a Member of Parliament's communication role. We are communicators, certainly: one of the greatest skills that we need as Members of Parliament is to be able to communicate effectively—and, I would say, briefly. In evidence that we cited to the Modernisation Committee this morning, Professor Philip Cowley said:

> "As a general point with the pull of the constituency—and the constituency is becoming more important for lots of reasons, one of which is an increasing expectation—Parliament...is to respond".

Professor Lord Norton of Louth, who is a constitutional expert—

Mr. Graham Stuart (Beverley and Holderness) (Con): A great man.

Martin Salter: Indeed—*[Interruption]*—and a Conservative—*[Interruption.]* I shall try to make myself heard above the heckling from the Leader of the House. Professor Lord Norton of Louth said in his evidence to the Modernisation Committee:

> "If the constituency demand increases—which it has, decade by decade—if you cannot close off demand, you have to manage the supply side...There is...a resource implication."

The problem with the arguments put forward by the right hon. Member for Maidenhead is that she is talking about closing off the supply side. I have some problems with the notion of putting a limit on freepost envelopes. I accept that there were abuses of the system, but that would choke off the supply side. In a representative democracy, surely the people are the boss. They determine how busy we are by the way they relate to us.

Mr. Greg Hands (Hammersmith and Fulham) (Con): The hon. Gentleman describes a situation that is familiar to me—the increased incoming correspondence to me as a Member of Parliament. I represent the second largest constituency in Britain in population terms. It is a very urban constituency which generates an awful lot of casework. What we are talking about here is something different. The hon. Gentleman is speaking of allowing MPs to engage in reactive communication with constituents, which I am in favour of. That is quite different from proactive communication—unsolicited communication with constituents—for which I think there is little demand.

Martin Salter: I commend the hon. Gentleman for his assiduous work in his constituency, but I draw his attention to some of the figures in the tables—for example, for 2005-06 and other tables showing the published list of expenditure on postage. The hon. Member for Spelthorne (Mr. Wilshire), with whom I have discussed the matter in some detail, had a petition regarding the closure of Ashford hospital, a place that I know well, with 25,000 signatures. He needs to react to that. The current system would probably stop him doing that.

The hon. Member for Castle Point was reacting to his constituents. It is fundamentally wrong to describe the allowance as solely for proactive work—solely for self-promotion. What the hon. Member for Castle Point described was doing his job effectively, not allowing constituents to put their names to a round-robin letter or petition about a matter of considerable local concern and letting that disappear into the ether. If Members of Parliament end up having to put a notice in the local paper saying, "Sorry. We've busted

the allowance. We're not allowed to write to you till next year," what sort of representative democracy is that?

Mr. Stewart Jackson (Peterborough) (Con): I commend to the hon. Gentleman the words of the hon. Member for Sunderland, South (Mr. Mullin), who is in the Chamber, who described the proposals as "vanity publishing" when they were last discussed. Surely it is incumbent upon the hon. Member for Reading, West (Martin Salter) and others who support the proposals to explain to my constituents, who are puzzled, why the Government are seeking to curtail legitimate campaigning with respect to third-party contributions to campaigning between elections, yet expect taxpayers who may not have voted for that Member's party to support that expenditure—that vanity publishing—with taxpayers' money?

Martin Salter: If the hon. Gentleman seriously thinks that the activities of the Countryside Alliance—or, in America, Swift Boat Veterans for Truth—was legitimate political campaigning, he is living in cloud cuckoo land. That was about intimidation and buying support.

In this technological era, we need to be able to respond quickly and effectively to organised lobby groups. As the technology has moved on, so our response is tracked electronically and very carefully. We know of the website TheyWorkForYou, which tracks responses and how quickly we get back to constituents. More and more, we are living in a goldfish bowl as a result of technology, and the advanced communication techniques used by non-governmental organisations, interest groups, community associations and, yes, political parties. It is wrong that Members of Parliament are expected to do their job, to take the kicks and the brickbats, without the ability to respond in at least a semi-21st century manner.

Jo Swinson: The hon. Gentleman mentions the new technology, which has increased the postbag of many MPs—the electronic postbag. Does he accept that responding in this electronic age does not necessarily have the same resource implications in terms of finance, because e-mailing is next to free? There is certainly a staff implication for dealing with that resource, but it will not necessarily always require staff. In some ways it could be argued that our postage bills should be coming down.

Martin Salter: I agree with the hon. Lady. However, many people may e-mail us for information and in response we may mail out a Select Committee report. We could mail it out in electronic form, but I find that my constituents do not thank me when I send them weighty documents that crash their systems, and still welcome old fashioned forms of communication.

Bob Spink: I agree with much of what the hon. Gentleman is saying. He argues that, from time to time, issues arise in Members' constituencies and Members must have the ability to respond. He will know, as he has the figures in front of him, that last year I spent £3,800 on my envelopes, which was slightly less than the average, so I certainly am not a serial abuser of the system. This year I will spend considerably more because of the issue of the LNG plant on Canvey Island. I am grateful to the Government for facilitating the good service that I give to my constituents.

Martin Salter: The hon. Gentleman is distinguishing himself in the debate through his contributions. I would go further. We should turn the question round and ask why are focusing on him, or the hon. Member for Spelthorne or sometimes my hon. Friend the Member for Hendon (Mr. Dismore)—who, I concede, invites attention.

I would focus on hon. Members who are happy to draw a £60,000 salary and appear to have a zero against their postage budget head. I am not sure what the hon. Member for Bethnal Green and Bow (Mr. Galloway) is doing on behalf of his constituents. I am not sure what Sinn Fein Members are doing on behalf of their constituents. They seem to be happy to claim every other allowance, but can get through a whole year without writing to a single constituent.

The hon. Member for Castle Point probably will not want to agree with my next point. I have been looking at figures for Members of Parliament who are happy to claim their full salary, are happy to claim the full allowances, but also appear to have a number of outside interests. They are not necessarily giving time to this place. They are not necessarily being conscientious. How can they be, if they are serving three, five, six or, in the case of one hon. Member, 18 different paymasters?

Information dug up by a former Member a couple of years ago shows that Members of Parliament with outside interests participate in only 65 per cent. of Divisions, whereas those of us who are full-time MPs, who spend all our allowances on services for our constituents and who are diligent about what we do—the vast majority of us, in all parts of the House—participate in 91 per cent. of Divisions.

I would take more seriously some of the protestations from Opposition Members if they were prepared to examine the real scandals, such as Members of Parliament moonlighting or drawing salaries and not writing a single letter to their constituents in the course of the year. Perhaps that is what the debate should focus on.

The debate and reports of the Members Estimate Committee were informed by a previous report from the Modernisation Committee to which it was my privilege to contribute. That report, published in June 2004, was entitled "Connecting Parliament with the Public". The report was informed by a questionnaire that was sent out to all Members of the House of Commons which covered the rules relating to the use of prepaid envelopes and direct mail. What emerged was that as MPs cannot communicate with constituents on matters on which they themselves are statutory consultees, write to their constituents about matters before Parliament, or consult them about the implementation and the effect of legislation on their lives and their communities, it is important to amend the House rules.

The right hon. Member for Maidenhead conceded that the definition of a circular communication was nonsense, and that individual letters to 50 people on the same issue will clearly not happen. We have all been breaking the rules. Let us be honest—we have all been

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at it, and I more than most, probably, because it is common sense to do so. It cannot be right that as Members of Parliament we have less ability to engage with our constituents than councillors. Councillors in my constituency and across the country are perfectly within their rights to ask the Member's secretary to mail out, at council tax payers' expense, a survey about a particular issue in their area. We cannot do that because we are not allowed to be proactive. We are restricted to replying to people who have written to us.

How have I gone about overcoming that in my constituency? I have got hold of every petition on God's earth. I have made sure that huge numbers of people have come to me. I have been incredibly busy. I have a substantial database. That gives me the ability, within the rules, to mail out on a range of issues to an awful lot of people, but it is a make-work exercise. What I like about the new rules for the communications allowance is that I will have the ability to be proactive in an appropriate manner. How can it be right for all of us as consultees on post office closures not to be able to communicate that fact through the House of Commons postage system to our electors and communities who may lose a post office? That is a subject on which Opposition Members get extremely aerated, and rightly so.

I can write to 500 people telling them what I have done on their behalf and taking up their case, but only if they contact me first, yet a local councillor can be proactive about such issues. The right hon. Member for Maidenhead is right to say that we need some changes, but they will require resources because, as the hon. Member for Castle Point observed, proactive constituency work may have a resource implication when issues blow up in the constituency at any given point.

Mr. Stewart Jackson: One thing that the hon. Gentleman can never be accused of is hiding his light under a bushel; I think that he is putting in an entry for parliamentarian of the year. Does he agree that we can ameliorate the problem of using surveys simply by removing any questions on voting intentions? I understand that surveys were abused, particularly by Liberal Democrats, who brought the system into disrepute by including questions on voting intention questions, which led to its being curtailed.

Martin Salter: The hon. Gentleman needs to be careful, as I have seen many examples of Conservative literature—I have some here—which are clearly in breach of the rules, and have sought voting intentions. Yes, the Lib Dems are famous for it, but no party is without guilt. I can honestly say that in the survey work that I have done, using the incidental expenses provision—the resources of the House of Commons— I have never sought to establish party political affiliation. In fact, some general surveys are deeply suspect. I hope that the Members Estimate Committee will take cognisance of that fact, and of the fact that they can be cross-referenced with political canvass returns.

We need the right to be proactive and to gauge opinion on issues such as hospital closures and massive planning cases, as my new best friend, the hon. Member for Castle Point has highlighted, but general requests for attitudes, which can be put into a computer system to see whether someone might be classified as a swing voter, are an abuse of the parliamentary system, and we have rules of procedure to deal with that.

Mrs. May: The hon. Gentleman says that the need to communicate and take up issues through petitions and so forth may lead to resource increases, but that need not be the case. For example, we are both campaigning on First Great Western rail services in our constituencies. Last year I had a 2,500-signature petition on that issue, and 900 signatures came through the website. Would not it be helpful if the House accepted e-petitions, so that we could reduce the cost of responding to our constituents? I hope that the Procedure Committee will make that change.

Martin Salter: I recommend that the right hon. Lady read the excellent evidence given today by myself and the hon. Member for Buckingham to the Modernisation Committee, which, sadly, she was not there to hear. If she had found the time to attend—she was obviously sending letters to her constituents—she would have heard us make the case for a proper petition process in this place. I also note that, according to page 5 of the report, the provisions that can be funded from the new communications allowance include e-petitions and e-communications, which represent an increasing element of our casework.

John Bercow: The hon. Gentleman is making a forceful and powerful speech. However, I suggest that we need not be shy about this. The amount of constituency correspondence and the number of single issue campaigns instigated within our constituencies are inexorably on the increase, and there will inevitably be a cost attached, by whatever means we respond to them. Let me remind him of what I said in evidence this morning, which my right hon. Friend the Member for Maidenhead was unable to hear: despite all the people who e-mail us, we have to be conscious that there are still substantial numbers of people who will continue to write through the pigeon post, and who deserve every bit as timeous a reply as the e-mail enthusiasts. That costs, and we should say so.

Martin Salter: I could not agree more. In fact, as a renowned Luddite myself, I take some pleasure in ensuring that I respond, usually on the basis of need but certainly in date order, to Mrs. Miggins with her spidery writing, who is every bit as entitled to my attention as someone—we all have these people among those we represent, sadly—who e-mails an hour and a half after their original e-mail, usually at 4 in the morning, to ask why we have not replied. *[Interruption.]* From Estonia, in the case of my hon. Friend the Member for Ealing, North (Stephen Pound). He has a big personal vote there.

The right hon. Member for Maidenhead protested a bit too much with her array of soundbites on what a dreadful day for democracy the approval of this allowance would be. Any abuse of parliamentary facilities is to be regretted, including the abuse of luncheon clubs and dining facilities. I understand that

we are to hear more about that in weeks to come, and there could be an awful lot of humble pie eaten on the Conservative Benches.

Some Members of Parliament are very assiduous in their correspondence, and some are not. There is a massive range in the amounts of money spent on postage. Just for the record, last year I came in at £5,500—well within the average. Some Members made it up to £37,000, while many struggled to make £300 or £400. There is no golden rule as to how we do our job. Different constituencies have different demands, and different issues will bubble up. This set of proposals will limit the activities of some of the high spenders; it is not, as Opposition Members suggest, about misspenders. As the hon. Member for Buckingham said, we do not have to be shy about this. People respond to our reaching out, and to good, non-partisan, informative communication. We should welcome our ability to compete on equal terms with those—sometimes lobby groups, certainly local councillors—who have more resources at their disposal than we do.

Mr. Graham Stuart: Is the hon. Gentleman aware that the website TheyWorkForYou.com and its sister site WriteToThem.com list data on the length of time that people on its system take to respond to letters? Is he further aware that of the worst 50 MPs in terms of slowness of response, most are Labour Members? Conservative Members fear that MPs of whatever party who are not assiduous will be given £10,000 to spend proactively, through their staff, on propaganda that they will send out to give a misleading sense of their activities when they are not providing the basic services for their constituents that the hon. Gentleman so passionately espouses.

Martin Salter: I have two points in response to that rather poor intervention. First, as we have heard, TheyWorkForYou.com gives a very inaccurate representation of people's contributions to the work of Parliament. A speech is recorded with the same validity as an intervention. Many of us with relatively high postage bills are assiduous in our correspondence with Ministers when taking up issues on behalf of our constituents, and get a lot more information as a result of writing letters and presenting an argument than we ever will from a parliamentary question. One can do both, but TheyWorkForYou.com does not indicate in the slightest how assiduous a Member has been in corresponding with a Minister or a Department on a specific issue.

Secondly, if the hon. Gentleman thinks that one can drive a coach and horses through these rules, I remind him that they were drawn up on a unanimous basis by the Members Estimate Committee, with input from the right hon. Member for Maidenhead. Which part of them would he change?

Mr. Stuart: I was specifically referring to the sister site, which measures the length of time that Members take to respond to letters, and which gives a fairly dismal reading for a number of Members who fail to respond properly to their constituents in terms of basic written communication. The fear is that people like that will be given this £10,000 to spend, through their staff, on propaganda, which is a far cry from using it for the positive purposes that the hon. Gentleman is talking about.

Martin Salter: I wish the hon. Gentleman could make his mind up: he is either attacking hon. Members who do not use the postage, or blaming those who use the postage too much. He cannot have it both ways.

I am glad that the hon. Member for Reading, East (Mr. Wilson) is now in the Chamber, as it enables me to cite an annual report that has been circulating in the borough of Reading. It helps us to understand why the right hon. Member for Maidenhead was circumspect in her answer about the use of party logos. As we can see, this is a report from "Rob Wilson, MP" and it includes the Conservative party logo of Reading, East Conservatives and is funded through the incidental expenses provision—

Mr. Deputy Speaker: Using visual aids in the Chamber is discouraged. Will the hon. Gentleman explain what he wants to say?

Martin Salter: It includes the Conservative party logo, which I would suggest is probably a breach of the—

Mr. Rob Wilson (Reading, East) (Con): Will the hon. Gentleman give way?

Martin Salter: As I have named him, I certainly will give way to the hon. Gentleman.

Mr. Wilson: The hon. Gentleman should be made aware that this was all checked out and run through the correct departments. Also, I have a confirmatory e-mail from the department, which confirms that the discreet use of logos is allowed on parliamentary reports. I therefore expect an immediate retraction and an apology.

Martin Salter: I think then that we need to consider the promotion of council candidates within annual reports. I think there is an issue—[HON. MEMBERS: "Withdraw."]—about putting out parliamentary reports during election periods. I am very happy to concede that if the hon. Gentleman has had his annual report checked out, that is fine, but I would question as a matter of principle whether it is right for MPs to circulate annual reports, featuring pictures of councillors or council candidates, during an election period. I think that that is something that the Members Estimate Committee should address. It is certainly something that I have always been very careful to avoid.

Mr. Stewart Jackson: On a point of order, Mr. Deputy Speaker. Is it not normal convention and good manners that when a Member cites another Member in respect of contentious issues, they should give the hon. Member to whom they are referring reasonable notice of that fact before the debate?

Mr. Deputy Speaker: It is always difficult to know exactly what is going to come up in a debate. Any hon. Member addressing the House is entirely responsible for the words he uses and the matters he raises. As far as I am concerned, nothing unparliamentary was said in those last remarks. I would say, however, that when we start to particularise and identify individual

[Mr. Deputy Speaker]

Members in a debate, there is a danger of going too far, so I suggest that it is better to keep our remarks more general.

Martin Salter: Thank you, Mr. Deputy Speaker. May I read it into the record that I was very careful not to name any hon. Members to whom I had failed to give advance notice unless they were in the Chamber The hon. Member for Reading, East came into the Chamber.

To conclude, the arguments against the communications allowance are, to say the least, confused and contradictory. The evidence that we need the tools to do the job properly is overwhelming and high spenders are going to be limited. Members would do well to reflect on the Hansard Society Commission on the Communication of Parliamentary Democracy, which said:

"Voters continue to respect their local MPs and much of the effective communication of what Parliament does, especially at the local level and in the local media, is currently through the constituency member. The level of informed, transparent and engaged democracy that any citizen of the 21st century has a right to expect, is, of necessity, comparatively expensive. Cut-price democracy will never represent much of a bargain."

I want to echo the words of the hon. Member for Buckingham: we should not be modest about giving ourselves the resources to do our jobs properly on behalf of our constituents.

2.44 pm

Mr. David Heath (Somerton and Frome) (LD): I thank the Leader of the House for introducing this short debate and I congratulate the hon. Member for Sherwood (Paddy Tipping), who it is great to see back in the post that he previously occupied. He always did a wonderful job, particularly on pre-recess debates, and it is good that he will have the opportunity to exercise his skills again so soon in his revised career. I am sure it will thrill him.

I shall deal with the provisions before us in ascending order of controversy. First is the proposal to appoint Sir Graham Bright as managing trustee of the parliamentary contributory pension fund. I do not believe that any Member will wish to disagree with that. I enter just one caveat; it does not relate to Sir Graham. I thought that we had established a little while ago as a matter of protocol—it has been happening in statutory instruments Committees when dealing with the confirmation of an appointment—that it is appropriate to circulate to those who will make the decision a curriculum vitae of the individual concerned. We should not assume that everybody knows the person. In this instance, the explanatory notes might have provided a brief resumé of Sir Graham Bright's career in order to allow Members to take an informed decision. Had that happened, I am sure that they would have come to the view that I and the rest of the House share—that he will be an admirable member of the pension fund panel.

On Select Committee reports and the period of embargo, I have no problem with changing the rules if that is the wish of Select Committees. I hope, however, that it will not become normal practice to extend the period of embargo, because that runs the risk of Select Committees falling into the same trap that Ministers so often fall into—of briefing before a report is published to an inappropriate extent. I can envisage circumstances in which a longer period of embargo may be sensible, but I hope that it will not be the norm.

On notice of questions, I wholly welcome what has been done to normalise, as it were, the ability to table questions in recess. I am still not reconciled to the long summer recess and I still want to see changes to our political calendar to enable us to sit more regularly and therefore avoid being unable for a quarter of the year to hold the Government to account. However, given that we have what we have, it is right to be able to table questions. I would like to see it extended and I believe that the Leader of the House opened the door to that.

There is a quid pro quo, and I suggest to right hon. and hon. Members that they need to exercise more care about their prolixity in putting down questions. We all know the reality: often it is not Members but their researchers who think up jolly good questions in abundance. I am not sure that having so many questions and so few answers of any profundity necessarily improves understanding of what the Government are doing. Perhaps an element of self-denying ordinance might be helpful.

John Bercow: I agree that a self-denying ordinance would be a good idea so that literally reams upon reams upon reams of written questions are not tabled. To some extent, it is a matter for Members to exercise a degree of control over the operation of their own offices, but as a self-confessed technophobe who is seeking late in life to overcome this condition, may I ask the hon. Gentleman whether he thinks that there are any technological means by which one could prevent the onward transmission of huge quantities of material, of which a Member may not be aware? In other words, are there not blocks that one could operate?

Mr. Heath: I am sure that there are, but I am wary of suggesting that that should be the case because there are sometimes very good reasons why a number of questions need to be tabled. What I am really appealing to is the good sense of Members to realise that there are limits in tabling questions, but nevertheless to welcome the opportunity to table them. Of course, when one was required to put down a question by going to the Table Office with one's hand-scrawled note and signature at the bottom, that was itself a limiting factor, which we have now moved away from.

I want to move on to the contentious issue of the communications allowance. I believe that Members on both sides of the House will have a free vote on the motion, as we always do on House matters, and I have had no indication of how my right hon. and hon. Friends intend to vote. We have to be extremely careful when we are seen by those outside to be awarding ourselves yet another allowance of substantial size without any clear indication of how it is to be spent, or of how it will be of advantage to our constituents rather than to us as incumbents in parliamentary seats.

The right hon. Member for Maidenhead (Mrs. May) and my hon. Friend the Member for East Dunbartonshire (Jo Swinson) mentioned that the

imbalance between the cost of providing office space in different constituencies was not reflected in the present allowance structure. That needs to be addressed, as it curtails the amount of money available to some hon. Members in pursuing their constituency or parliamentary work, simply because so much of their budget is pre-empted by office accommodation costs that they cannot avoid.

The proposed communications allowance represents a significant sum of money. The last time we discussed the matter, my hon. Friend the Member for East Dunbartonshire was absolutely right to mention the amount of £6 million; as we have heard, the Leader of the House pooh-poohed her suggestion that it would be anything like that amount. My hon. Friend has repeated today that it is to be £6 million, and the Leader of the House has invited us to do some elementary arithmetic, apparently without having noticed that £6 million is the discounted figure. It is the figure associated with the normal take-up of allowances and is therefore the figure that the taxpayer is likely to have to stump up.

The rules—and how they are applied—are key to many people's view of how the money is to be spent. There is a nagging suspicion among many of us that the proposal is partly a reaction to the massive overspend on postage by certain Members. I have yet to hear a satisfactory explanation of how some of the figures mentioned in relation to the spending on postage by individual Members can possibly be reconciled with the present rules. Obviously it must be possible; otherwise, the Fees Office and the Serjeant at Arms would have investigated, and there would have been consequences. I find it difficult to understand, however.

The hon. Member for Reading, West (Martin Salter) argued persuasively for better communication with our constituents. He clearly uses the rules in order to provide such communication, and he revealed that his postage costs were about £5,500. If he can give the kind of service that he described for that figure, it is hard to understand how a multiple of six or seven times that amount can still be within the rules. I am not accusing any hon. Members of abusing the rules. I am simply saying that I cannot understand how such amounts can be reached.

While we are talking about the rules, I want to say clearly to the hon. Member for Peterborough (Mr. Jackson)—who has scuttled from the Chamber because he knew that I was going to bring this matter up—that I found his intervention on the hon. Member for Reading, West offensive in the extreme. The clear implication of what he said was that the Liberal Democrats were sending out surveys on voting intentions at the taxpayer's expense, but I know of no instances of that being done. It would be against the rules, and there would have been complaints if it had been done—

Mr. Graham Stuart: It is in the past.

Mr. Heath: The hon. Gentleman might say that, but I sat on the Standards and Privileges Committee, as did my hon. Friend the Member for North Devon (Nick Harvey), and we do not recall any such cases.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con) *rose—*

Mr. Heath: The hon. Gentleman, who is fairly new to the House, obviously has different information.

Mr. Vara: I am grateful to the hon. Gentleman for giving way. My hon. Friend the Member for Peterborough (Mr. Jackson) has a neighbouring constituency to mine, and he has just spoken to me. Unfortunately, there has been some confusion, because some constituents have come to see him, and have only just realised that I am their Member of Parliament. So he has gone outside to address a matter that has just arisen. There is therefore a legitimate and genuine reason why he has left the Chamber, and I felt that it was important to clarify for the record that he had not just scuttled way, as the hon. Gentleman suggested.

Mr. Heath: I understand what the hon. Gentleman has said. Perhaps when the hon. Member for Peterborough returns he will make an apology, just as he demanded from others, for what the Liberal Democrats consider to be the offensive suggestion that we have repeatedly abused the present system, apparently with impunity. I know of no such instances, and if the hon. Gentleman has evidence, he should make an application to the Standards and Privileges Committee.

Martin Salter: Is the hon. Gentleman looking forward, like me, to the conclusion of the investigation into the use of Commons dining facilities for party political purposes—

Mr. Deputy Speaker: Order. I must repeat, or at least touch on, what I said earlier. It would be sensible if we now concentrated on the main matter before the House and stopped personalising and being quite so anecdotal.

Mr. Heath: I entirely agree, Mr. Deputy Speaker. I will certainly try to ensure that that is the case, but I am not prepared to allow accusations to be made against my colleagues without the opportunity of a response and, I hope, of an apology from the Member concerned if he cannot substantiate the claims that he made.

I shall move on to the proposed new rules. It is unfortunate that paragraph 18 of the report by the Members Estimate Committee mentions a "separate, comprehensive booklet" without providing a draft of such a booklet, because that is key to our understanding of how the rules will work. In an intervention on the Leader of the House, I referred to the limit on pre-paid envelopes. It is part of the quid pro quo that there will be a communications allowance, but there will also be a limit on the use of pre-paid envelopes, never mind the fact that the vast majority of Members get nowhere near to the present limit—including the hon. Member for Reading, West, who is well below the limit—and that there would therefore be no change in their behaviour. That means that we shall effectively be getting £10,000 extra, with no balancing factor.

It is also extraordinary that, if we reach the new limit on pre-paid envelopes, we shall still be able to use the taxpayer's money to pay for more envelopes and stamps,

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to achieve exactly the same result. This is a Humpty-Dumpty situation in which the words mean exactly what we want them to mean. We are setting a limit, but it is a limit that will apply only if there happens to be a pre-paid frank on the envelope. Otherwise, we can use the taxpayer's money as much as we want within the other limits—

Jo Swinson: We can already.

Mr. Heath: Yes, we can, but the proposals are supposed to provide a balance and a rationale for increasing our expenditure by a further £10,000 per Member—£6 million in all—in order to put the balance into effect.

Jo Swinson: My hon. Friend mentioned that this is apparently a cap, but in real terms for most Members it will represent an increase in what they are able to spend on stamps. The booklet says that the proposals will limit annual expenditure to a maximum of £4 million, but I am not sure who has done the maths on that. If we multiply £7,000 by 646, we get a figure of just over £4.5 million, so perhaps £4 million is a more accurate estimate of what would be spent, if we base it on people spending up to 90 per cent. of the allowance. If we were to spend £4 million as opposed to £3 million, that would represent a 33 per cent. increase in postage costs, apparently in a bid to try to clamp down on some of the worst abuses or overspends. This is just another example of additional money being put forward that the taxpayer is going to have to fund.

Mr. Heath: My hon. Friend makes a perfectly valid point. I would like to make a countervailing point, however. The hon. Member for Reading, West made the perfectly proper point that certain things that are against the rules at the moment ought to be within the rules. The point was also made by the hon. Member for Castle Point (Bob Spink). When we want to respond properly to petitions or large round robins, or when we want to draw the attention of our constituents to something that is likely to have a profound effect on them, we do not have the freedoms that I enjoyed, for example, when I was the member of Somerset county council for Frome, North. I could send a letter round to my constituents then, but I cannot do so now unless I pay for it myself and print it on the Reisograph. If I want to include in it a question about voting intentions—please will the hon. Member for Peterborough note this—I am perfectly entitled to do so.

Mr. Graham Stuart: Do not many Members fear that the new system will see an increase in the number of stamps used? Do not they also fear that the propaganda allowance of £10,000 will have a corrosive effect on democracy, because incumbents will have access to media that their opponents can never have, thereby further reinforcing incumbency? The Labour party is trying to force the proposal through so that further propaganda can be provided for those who are currently failing to deliver a suitable service to constituents.

Mr. Heath: The point about incumbency is a potent one. People fear that the proposal would simply reinforce incumbency. Clearly, it is a given that it reinforces incumbency, but the question is whether it should do that in order to allow Members to do their job more effectively. One's views on that will be almost entirely coloured by whether one is a Member of the House who uses the resources or a prospective candidate who does not have such access.

I reject, however, the claims made by some Conservative Members of an easy equivalence between this and the abuse of funding in party political campaigning reflected by the massive influx of funds from third parties or central offices into local constituencies, particularly marginal ones, between elections. That is wrong, and I hope that we will address that in our debates on party funding. The issue under discussion, however, has nothing to do with that. There is no equivalence at all. One can argue cogently against the provision without accepting for one moment such off-balance-sheet party funding to local parties, which is against the spirit of our election law.

Mr. Stuart: The hon. Gentleman has just argued against third party funding to allow those in opposition to campaign against a sitting MP, but incumbent MPs have—to pick a number out of the air—£100,000-worth of state support to be seen to be performing their role, and their members of staff work with constituents. MPs have an enormous advantage. In comparison with the sums under discussion, the sums of money guided to target seats by other parties are minuscule. It is right and proper in a democracy that the activities of those who want to challenge incumbent MPs can be funded.

Mr. Heath: I find it difficult to understand the hon. Gentleman's argument, because I do not see any campaign funding going to hon. Members to enable them to do their job as MPs. I do not see the people who work in my office, whom he includes in his figure, as campaigning when they answer letters about the Child Support Agency or the Rural Payments Agency. I do not see the provision of that office and my nine surgeries each month as campaigning opportunities, and I hope that he does not do so either. I hope that, if he really thinks about it, he will not see the money that goes to support Members of Parliament to do their job as campaigning money. Under the rules, we are not allowed to campaign using the funds available. If this money is granted by the House, one hopes that the reputations of those Members who use it will be enhanced, although, in some instances, I suspect that that will not be the case. To that extent only, it is money used in campaigning. It cannot be used, however, for openly party political purposes.

I would have liked the draft guidance to be before the House, so that we could have a clear idea of how the rules will be applied. I would have liked clear assurances that the rules will be applied much more stringently than they are at present. I notice the Chairman of the Standards and Privileges Committee nodding vigorously at that point, because he and I have experience of trying to police such matters in the House.

I worry about the naivety of some of the report's suggestions of items that the rules would properly allow.

Bob Spink: Will the hon. Gentleman give way?

Mr. Heath: No, because we have nearly reached the time limit for the debate.

I want to draw attention to one thing that is allowed, and one thing that is not allowed. According to paragraph 12 of the report, hon. Members will be able to use the communications allowance to meet the cost of "questionnaires and surveys". According to paragraph 14, however, the allowance cannot be used to meet the cost of petitions, surveys or questionnaires if they are

"associated principally with national campaigning or local elections."

It is naive to a high degree to believe that the questionnaires and surveys issued will not somehow tie in with national campaigning issues for every Member who uses the money to meet that cost. If a party is running a massive campaign on health service cuts, for example, a survey that may relate to local health service provision will nevertheless tie in with that. If we are to allow that sort of material, which is questionable, let us openly accept that within a national campaigning profile its use will be ambiguous.

Lastly, some Labour Members have suggested that any Member who votes against the allowance this evening—because they are not satisfied with the details or even the principle of it—would be hypocritical if they subsequently used any of it. That is simply nonsense, and a misreading of what the House is for. We take decisions, express our opinions and vote. Once the matter has been voted on, however, individual Members, whether they thought a proposal was a good idea or not, have a duty to their constituents to use the funds available. *[Laughter.]* I make the point in all seriousness. I might disagree with a lot of provisions. I sometimes vote against them and do not, if they would be to my personal advantage, take them. For instance, I voted against the pension enhancement, and refused to take it. I know that many Members voted against it and still took it. This issue, however, does not relate to my or any other Member's personal position, but to the service that will be provided to constituents. Therefore, I hope that accusations of hypocrisy will not be made against hon. Members who choose to vote against the proposal today.

Mr. Sadiq Khan (Tooting) (Lab): To be consistent, should not the hon. Gentleman argue that a Member of Parliament who votes against an extra £10,000 to communicate with his constituents, but who uses it once it is granted, is not fulfilling the obligation to which he refers?

Mr. Heath: Not if, as I believe, the present arrangements for allowances, with a few minor changes in the rules on how they can be used, which we have discussed, allow for appropriate communication with the electorate. The House will either accept or reject the package. Many of my hon. Friends will vote for it, and many will vote against it. That is a decision for them, as it is for each Member. We work within the allowances system that we have in order to provide the best service for our constituents. There are better ways of achieving the objective, which I share with the Leader of the House, of allowing better communication with our electorate. My personal opinion is that the proposal is not the right way. I do not encourage others to share that view, but this has been a useful debate, and I look forward to the result with interest.

3.10 pm

Sir George Young (North-West Hampshire) (Con): It is a pleasure to follow the hon. Member for Somerton and Frome (Mr. Heath), and I shall refer to some of the points that he made.

I can tell the hon. Member for Tooting (Mr. Khan) that some of us will have to claim under the communications allowance for activities that we are undertaking at present and which are paid for by the incidental expenses provision. Without wishing to spend any more money, we will have to claim under the communications allowance, and I hope that the hon. Gentleman accepts that there is no implication of hypocrisy.

I join in the chorus of approval welcoming back the hon. Member for Sherwood (Mr. Tipping). At a time of preservation, conservation and recycling, it is marvellous to see him back in the post that he occupied in the 1997-2001 Parliament.

We debate these allowances for ourselves after spending four days debating the Budget, which involved very tough decisions on public expenditure for some important public services, including education and the Home Office. People outside the House will want us to make a very good case for increased public expenditure on our services, given the background of the Budget debate.

When he introduced the debate, the Leader of the House used the argument about disconnect to support the communication allowance. That argument can be stood on its head: we could argue perfectly well that it is our voting for more money for ourselves in this way that adds to, rather than solves, the problem of disconnect. One of the jobs of the House is to examine claims for increased expenditure. We are sent here to see how money extracted from constituents is spent. When we are the conduit for that increased expenditure, we need to be even more vigilant and demand an even higher standard of proof.

The motion before us is the next stage in a debate that began on 1 November, in which a number of those present today took part. When we considered the matter then, it was on a motion from the Leader of the House, and no document had been brought forward. The idea had not been examined by any Select Committee or by the independent outside body charged with determining our allowances. The SSRB is, at this very moment, looking at our salaries and allowances. In a passing reference in the previous debate, the Leader of the House said:

"I have also kept the Senior Salaries Review Body in touch with what is proposed."—[*Official Report*, 1 November 2006; Vol. 451, c. 312.]

With the greatest respect to the right hon. Gentleman, that is precisely the wrong way round: the SSRB ought to be keeping him in touch with what is proposed. What is the purpose of having an independent body to make recommendations about our allowances if—unilaterally, and before its report is published—we help ourselves to higher allowances? When I intervened on him, the Leader of the House said that the proposed

[Sir George Young]

allowance is a new one. That is true, but a lot of the activity that it subsumes is catered for already. The right hon. Gentleman would have been on much better ground if we had waited for the SSRB's recommendations and come forward with a much more robust case than the one that he presented this afternoon.

There is another reason why I believe it injudicious to proceed at this moment. As various hon. Members have noted, a fortnight ago Sir Haydn Phillips published his recommendations on party funding, with no agreement having been reached between the parties. There are a number of outstanding issues, one of which is a proposal for a new cap—one that does not exist at present—on what can be spent locally by a political party. That is of particular relevance where that local party is challenging an incumbent, and I quote what the hon. Member for Sunderland, South (Mr. Mullin) said in our earlier debate:

"Were I a candidate for Parliament running against an incumbent who was using public funds to publish and distribute what looks to most people like campaign literature, I would be mightily upset."—[*Official Report*, 1 November 2006; Vol. 451, c. 350.]

At the very moment that the Government are seeking consensus with the Opposition parties on a new limit on what a prospective candidate can spend, they are also proposing to increase what the incumbent can spend without having to raise the money. The Leader of the House must realise that what is being proposed today will make it more difficult to secure the consensus on party funding that I know he wants.

I shall be brief, as I know that the hon. Member for East Dunbartonshire (Jo Swinson) wants to contribute to the date. On a more positive note, I welcome the decision to cap the value of pre-paid envelopes and other stationery. With an average spend of £3,500, £7,000 leaves a substantial amount of head room for the majority of MPs. I hope that we can stick at that level for some time. I assume that, as the cost of postage rises, the number of free envelopes to which we are entitled will fall.

We are told in paragraph 12 of the motion that detailed rules will follow in a new, separate and comprehensive booklet, and I welcome that. At the moment, the advice is all over the place—in the stationery catalogue, in the Green Book, in leaflets and guidance notes issued by the Serjeant at Arms Department and on that Department's intranet site. I welcome the prospect of one, comprehensive publication telling us exactly what we can and cannot do.

Bob Spink: Will my right hon. Friend allow me to intervene?

Sir George Young: I hope that my hon. Friend does not mind if I say no, but he has made several interventions and I know that the hon. Member for East Dunbartonshire wants to speak.

If invited, the Standards and Privileges Committee stands ready to advise—as does the Parliamentary Commissioner for Administration—on the more detailed guidance to which the motion refers. I notice that we are not included in paragraph 12, but my Committee and the Commissioner have to interpret the rules and so would be more than happy to provide some advice on their composition.

As various hon. Members noted, there has been a steady stream of complaints that rules have been broken in respect of postage and the IEP. We have reported on four cases during this Parliament, and the Commissioner has dealt with many more. The rules lack clarity; they are complex and they overlap. In my Committee's 10th report, we noted that

"the significant differences of interpretation amongst Members as to the acceptable limits of party-related material that can properly be included in IEP funded material."

What is proposed today is a considerable relaxation of what can legitimately be funded. I hope that that will be accompanied by a firm restatement of the boundary between parliamentary and party political activity, with an assertion that the new boundary should be rigorously policed. That seems to me to be an appropriate trade-off.

Finally, I recognise that there is always a balance to be struck between the need for prudence with public expenditure—something that has not been mentioned much in the debate—and the imperative of bridging the gap between elected and elector that can undermine Parliament's legitimacy. My view remains that if we are to have a communication allowance as proposed, a far stronger case for it needs to be made than we have heard so far. As no compelling case has been made to justify an increase of £6 million in public expenditure, I propose to vote against it.

3.18 pm

Jo Swinson (East Dunbartonshire) (LD): I appreciate the fact that the right hon. Member for North-West Hampshire (Sir George Young) kept his remarks brief. I believe that someone else wishes to speak so I, too, will try to be brief.

As a Member of Parliament, I believe that communication is incredibly important. As a former marketing manager, perhaps I know more than many the benefits of good communication. Those of us who oppose the allowance do not say that ensuring that we are in touch with our constituents, reporting back and making sure that people in our constituencies are engaged in politics are not important parts of a Member of Parliament's job. Far from it. My problem is the cost that the taxpayer will incur. Through interventions, I have already expressed my disappointment that the communications allowance will cost an extra £6 million, with a perhaps an additional £1 million in increased postage costs. That means that the taxpayer must bear the brunt of an additional £7 million.

Good communication with constituents does not always have to be costly. We spoke earlier about technology and leaps forward through e-mail communication and websites, which are an especially cost-effective way of keeping in touch with people. The communications allowance can be used for websites, but my website, for which I personally pay, costs only about £15 a month. Basic technology hardly costs a huge amount these days.

Of course, local visits, which Members of Parliament often make on Fridays and the weekends are a way of communicating face to face with constituents. Dare I say it?—going back to the good old days of knocking

on doors to communicate directly with individuals is perhaps one of the most potent ways of engaging people in politics. There is a role for leaflets, too. As a Liberal Democrat, I would say that. I have spent many a happy hour delivering leaflets and I shall do much more of that in the next few weeks. I enjoy doing it—it is good exercise. However, I would argue that political parties have an important role to play in funding political leaflets.

Many of us send out an annual report funded from our parliamentary expenses. However, it is not right to increase the money by £10,000 when adequate provision is already made in our incidental expenses provision. We do not need to increase that further. We should consider the cases of Members who have problems with their office rent costs, which means that they cannot use their current expenses for incidental provision, but a total blanket increase of £7 million, even for those who do not suffer the problem, is excessive. We do not need that.

Let us consider timing. The report suggests that there is a good case for combining the communications allowance with the allocation for pre-paid stationery in one allowance. However, it also states that although that appears attractive in the long term, the financial and administrative difficulties would delay unduly the introduction of the communications allowance. What is the rush? The right hon. Member for North-West Hampshire mentioned the SSRB review. Why could we not let it reach a conclusion about the matter? Why do we need to rush the matter through? Some hon. Members may suggest that a forthcoming general election is a factor.

I urge hon. Members to oppose the allowance.

3.20 pm

Mr. Straw: The debate has been interesting, notwithstanding the comments of the hon. Member for Somerton and Frome (Mr. Heath) that it is fine to vote one way and then take the money regardless. Some of us will monitor that with interest. I understand his point, but I believe that there will be a slightly larger take-up if the motion is approved than the numbers going through the Lobby will suggest.

Matthew Taylor (Truro and St. Austell) (LD): That does not make it right.

Mr. Straw: It shows that more hon. Members may think that it is right than are willing to put their heads above the parapet. If they genuinely believed that it was a bad idea, they would not take the allowance. I believe that it is right and I would not have introduced it if I did not.

Much time has been spent on the issue that the hon. Member for East Dunbartonshire (Jo Swinson) raised—

It being two hours after the commencement of proceedings on the first motion, MR. DEPUTY SPEAKER *put forthwith the Question already proposed from the Chair.*

The House proceeded to a Division.

Mr. Deputy Speaker: I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 283, Noes 188.

Division No. 87] **[3.22 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, Danny
Alexander, rh Mr. Douglas
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Bradshaw, Mr. Ben
Brake, Tom
Breed, Mr. Colin
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Bryant, Chris
Buck, Ms Karen
Burgon, Colin
Burnham, Andy
Burstow, Mr. Paul
Burt, Lorely
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cable, Dr. Vincent
Cabom, rh Mr. Richard
Cairns, David
Caton, Mr. Martin
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Creagh, Mary
Cruddas, Jon
Cunningham, Mr. Jim
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Eagle, Maria
Efford, Clive
Elman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Featherstone, Lynne
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Don
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Gerrard, Mr. Neil
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hancock, Mr. Mike
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Harvey, Nick
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Heppell, Mr. John
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hope, Phil
Howarth, rh Mr. George
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Illsley, Mr. Eric
Irranca-Davies, Huw

Jackson, Glenda
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kramer, Susan
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moore, Mr. Michael
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mulholland, Greg
Munn, Meg
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Oaten, Mr. Mark
Olner, Mr. Bill
Palmer, Dr. Nick
Pearson, Ian
Ptaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prescott, rh Mr. John
Prosser, Gwyn
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, Mr. Alan
Riordan, Mrs. Linda
Robertson, John
Rogerson, Mr. Dan
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Bob
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Spink, Bob
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Williams, Stephen
Willott, Jenny
Wills, Mr. Michael
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Mr. Ian Cawsey and Mr. Alan Campbell

NOES

Ainsworth, Mr. Peter
Amess, Mr. David
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Butterfill, Sir John
Cameron, rh Mr. David
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davies, Mr. Dai
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Field, Mr. Mark
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Hendry, Charles
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Hopkins, Kelvin
Horwood, Martin
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, Mr. Boris
Jones, Lynne
Kawczynski, Daniel
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Lait, Mrs. Jacqui
Laws, Mr. David
Leech, Mr. John
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
MacNeil, Mr. Angus
Main, Anne
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McGrady, Mr. Eddie
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew

Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Paterson, Mr. Owen
Pelling, Mr. Andrew
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Ruffley, Mr. David
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spring, Mr. Richard
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Young, rh Sir George

Tellers for the Noes:
Mr. Mark Lancaster and Mr. Crispin Blunt

Question accordingly agreed to.

Resolved,

(1) That this House approves the First Report of the Members Estimate Committee 2006-07 (HC 319) on a Communications Allowance, and is of the opinion that provision should be made with effect from 1st April 2007 for a Communications Allowance in accordance with paragraphs (2)–(4) below.

(2) The allowance shall be for the purpose of assisting Members with expenditure incurred wholly, exclusively and necessarily in communicating with the public on parliamentary business, and the scope of the allowance shall be as set out in the First Report of the Members Estimate Committee.

(3) The allowance shall be at a rate of £10,000 per year for each Member, uprated annually in line with any increase in the Retail Price Index.

(4) The detailed rules and guidance for the Allowance shall be determined and reviewed from time to time by the Members Estimate Committee.

NOTICES OF QUESTIONS ETC. DURING SEPTEMBER

Resolved,

That the following Standing Order (Notices of Questions etc. during September) be made—

(1) Notices of questions for written answer on a named day by a Minister of the Crown may be given on three appointed tabling days, for answer on three appointed answering days, between 2nd and 21st September.

(2) A motion to appoint tabling days and answering days under paragraph (1) may be made by a Minister of the Crown; and the question on such a motion shall be put forthwith and may be decided, though opposed, after the moment of interruption.

(3) Notices of questions for named day answer on one of the appointed answering days, received by the Table Office on any day after the rising of the House for the summer adjournment, shall be treated as if given on—

(a) that day, if they are received on an appointed tabling day; or

(b) the next appointed tabling day, if they are received on any other day, and a Member may not give notice of more than five such questions in respect of each appointed tabling day.

(4) Notwithstanding sub-paragraph (4)(a) of Standing Order No. 22 (Notices of questions, motions and amendments), no notice of a question may be given under this order for a day earlier than five days (excluding Saturday and Sunday) after the day on which the notice is given.

(5) A Minister of the Crown, being a Member of the House, may give notice on an appointed tabling day of his intention to make a ministerial statement in written form on an appointed answering day.

(6) In the event of a recall of the House under Standing Order No. 13 (Earlier meeting of the House in certain circumstances), the Speaker may publish a memorandum amending the arrangements made under this order.—*[Mr. Straw.]*

SELECT COMMITTEES (REPORTS)

Resolved,

That the following amendment be made to Standing Order No. 134 (Select Committees (Reports)):

Line 9, leave out 'forty-eight' and insert 'seventy-two'.—*[Mr. Straw.]*

PARLIAMENTARY CONTRIBUTORY PENSION FUND

Resolved,

That Sir Graham Bright be appointed as a Managing Trustee of the Parliamentary Contributory Pension Fund in pursuance of section 1 of the Parliamentary and other Pensions Act 1987.—*[Mr. Straw.]*

Betting, Gaming and Lotteries

3.41 pm

The Secretary of State for Culture, Media and Sport (Tessa Jowell): I beg to move,

That the draft Gambling (Geographical Distribution of Casino Premises Licences) Order 2007, which was laid before this House on 1st March, be approved.

On 30 January, the casino advisory panel, following extensive public engagement, published its recommendations relating to the 17 local authorities that should be permitted to issue the one regional, eight large and eight small casino licences. The panel's recommendations on the large and small licences have, I believe, gained general acceptance within the House and outside. However, the panel's conclusion on the location of the regional casino has proved controversial. The source of that controversy is the strength of feeling from two quarters.

First, there are those who hold a moral objection to gambling—a view that I entirely respect and is held by many on both sides of the House and beyond. It is in recognition of the many downsides of gambling that we constructed in the Gambling Act 2005 one of the most rigorous regulatory and protective regimes in the world. Secondly, there are those, led with great passion and effectiveness by my hon. Friends the Members for Blackpool, South (Mr. Marsden) and for Blackpool, North and Fleetwood (Mrs. Humble), who believe that the regional casino should be located in Blackpool. I understand that view, too. Their constituents can be in no doubt about the power of their advocacy on behalf of the people they represent.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): My right hon. Friend well knows the strength of feeling in Blackpool, and it links the two issues that she mentioned. Minimising gambling was part of Blackpool's bid as a resort casino and yet Professor Crow admitted to the Merits Committee in the House of Lords that he did not take that into account. He made it virtually impossible to award the regional casino to a resort such as Blackpool. Perhaps the Secretary of State will comment on that.

Tessa Jowell: Yes. I have had a discussion with my hon. Friend about precisely this point. Having carefully studied the Merits Committee's conclusions, I have to say that I do not agree with them on this point. She will know that the overriding objective of the Gambling Act, which has within it the provision for the 17 new casino licences, is public protection, which involves keeping gambling crime free and ensuring that gambling is fair. In interrogating all the applicant local authorities, Professor Crow sought to ensure that each could conduct a test of social impact.

Mr. Gordon Marsden (Blackpool, South) (Lab): I accept the distinction that my right hon. Friend makes. However, does she not think it rather perverse when one part of the process is set up to produce a particular emphasis, while another part is set up to produce a different one? Does she not think that that inevitably undercuts one of the key principles of the Gambling Act, which was preventing harm and the expansion of problem gambling?

Tessa Jowell: My hon. Friend has made that point several times. Let me make it clear that Professor Crow was asked to consider the applicant local authorities in the context of three tests on social impact, the capacity for regeneration and the willingness of the local authority to license. Hon. Members will be aware that we made specific provision in the Gambling Act for *local authorities* that did not wish to have any casinos—this is rather at variance with the belief that casinos are being foisted on an unwilling public who do not want them—to apply a blanket ban. During the process, several local authorities opted to take that course.

My hon. Friend has given this matter an enormous amount of thought on behalf of his constituents. The matter before the House and Ministers is one of judgment, given Professor Crow's report, the report of the Merits Committee and the objectives of the legislation. However, he should be in absolutely no doubt that the overriding concern of Ministers when reaching conclusions is the capacity of authorities to conduct a proper test of social impact and thus express the public protection objectives of the Act.

Mr. Ben Wallace (Lancaster and Wyre) (Con): Will the Secretary of State give way?

Tessa Jowell: This is a short debate and many hon. Members wish to speak. In fairness to the House, I will take a limited number of interventions, but I wish to set out the arguments as quickly as I can so that they can make their contributions.

As I have said, many local authorities wanted to explore the possible benefits of regeneration from casinos. When Professor Crow's panel invited bids for new casinos, 27 local authorities put themselves forward for the single regional casino licence. A total of 68 authorities put themselves forward as candidates for the 17 new licences. Our policy allows for a limited number of new casinos because of our precautionary approach to gambling. Those 17 developments should essentially act as pilots—a series of test beds to judge the impact of these new casinos in the context of the public-protection measures in the Gambling Act and the three criteria I have set out.

We made it clear that we would ask an independent panel to make recommendations to Ministers, rather than have Ministers originating recommendations. Until, to everyone's surprise, the panel recommended Manchester, not Blackpool, as the authority for the regional casino, there was broad consensus across the House on the approach. In the time since the policy was established and during the long process of developing the legislation, I do not think that any significant disagreement was expressed.

Mr. Nigel Evans (Ribble Valley) (Con): Will the Secretary of State give way?

Tessa Jowell: I am going to make some progress.

We approached the matter in such a way because we wanted to be sure that as we were testing the new approach, the decision was based on fact and evidence. That is why I have not simply overturned the panel's recommendation and inserted Blackpool instead of Manchester. It would fly in the face of the evidence to

do so, and such an approach would have been grossly unfair to every other local authority that took part in a published and agreed process in good faith. That is the principal reason I am presenting the order in such a form today.

Let me go through some of the other reasons behind the recommendations. Our intention is to evaluate the impact of this pilot before taking any decisions about the future number and location of any new casinos. That precautionary approach has two immediate consequences. The first is the composition of the order: the locations of the 17 new casinos have been chosen to give a mix of locations to measure impact accurately. Secondly, it means that there can be no new casino licences for at least the lifetime of this Parliament, until the clear assessment, based on rigorous evidence, is carried out.

I shall now turn to the other issues that have exercised hon. Members. There have been calls for the order to be split, with a separate order for the regional casino. The Government have resisted those calls, because—as I have set out—the package of 17 new casinos forms a package. If I had split the order from the outset, I have no doubt that the accusation would be that the Government were manipulating Parliament into substituting another area in order to pursue political or other motives. I say that because until the panel's report was published on 30 January and the recommendations took everyone by surprise, we had daily reports about how the Government were nobbling various casino operators to ensure that the regional casino was sited at the dome. The process demonstrated the integrity of the panel's approach.

Mr. Evans: The Secretary of State of State has said that the package is being presented to us today because it is a package, but that is a self-fulfilling argument. Surely the best approach would be for the controversial decision to be put separately from those that are not controversial in the slightest. People would then at least have an opportunity to have their say on the controversial one, which—as she says—came as a shock to everyone. On the issue of regeneration alone, Blackpool should have got it.

Tessa Jowell: The hon. Gentleman and I had full exchanges on precisely that point at the Select Committee, where I made clear, beyond any doubt, the approach I would take. I have sought throughout the process of this controversial legislation to be clear and consistent at each stage. As I have explained to the House, I have sought to do the same on this decision.

Much has been made of the Merits Committee report in the other place, which expressed reservations on two grounds—on how the panel interpreted its remit and on the issue of destination casinos. Both points have been raised by my hon. Friends the Members for Blackpool, South and for Blackpool, North and Fleetwood. I have placed on the record and in response to the Committee my view that its concerns were misplaced.

The primary consideration that we set for the casino advisory panel in making its assessment was to identify locations that would provide the best possible test of social impact. We did not ask the panel to identify a location that would reduce problem gambling as such, because our wider policy is the legislation itself, and it is the responsibility of the Gambling Commission to implement the most rigorous regulation to ensure that problem gambling is anticipated, acted on and contained.

The Merits Committee also reflected a claim made by some that it is perverse to locate the regional casino in deprived, residential east Manchester. East Manchester is deprived. On the basis of official figures, it actually ranks as more deprived than Blackpool. One of the panel's considerations was to identify areas in need of regeneration, so it is not surprising that some of the candidate areas are very deprived. The panel's job, however, was to recommend a local authority area rather than a specific site, and it is possible to locate a regional casino in east Manchester without putting it in the very poorest residential area. After all, that will be what the local planning system is for. The same would apply to Blackpool or anywhere else. Blackpool's own bid placed the casino in the town centre, next to what I understand is judged to be a deprived ward.

Let me move on to the questions that have been raised about destination casinos. The argument is that the panel has failed because it did not recommend a seaside resort to host the regional casino and has ignored the Joint Scrutiny Committee's recommendations. That is to misunderstand the concept of a destination resort. Manchester is in its own right a significant tourist destination. Apart from 2002, when it came fourth, in each of the years between 2001 and 2005—the figures bear this out—Manchester was the third most important overseas tourist destination in the UK, behind London and Edinburgh.

Such a view also fails to reflect the Joint Committee's intentions. The Committee expected regional casinos to be large-scale entertainment complexes offering gambling alongside a wide range of non-gambling facilities. Anyone who has been to Manchester in the past 10 years can see that the city is at least as compatible with the concept of a leisure destination casino as anywhere else. *[Interruption.]*

Madam Deputy Speaker (Sylvia Heal): Order. We will not have sedentary comments.

Tessa Jowell: Thank you, Madam Deputy Speaker.

On the evidence, the panel concluded that Manchester offered a

"good test of social impact"

for a regional casino. That was the judgment of some of the most eminent planning experts in the country, and that is why I have put forward Manchester in the order that we are debating.

I know that whatever the outcome of today's debate, and the debate taking place in another place, hon. Members will continue to fight Blackpool's corner, and rightly so. I know that my hon. Friends the Members for Blackpool, South and for Blackpool, North and Fleetwood and other hon. Members will welcome what my right hon. Friend the Secretary of State for Communities and Local Government has today announced—a fully fledged regeneration taskforce to review the totality of economic, social and environmental development plans in the Blackpool area and to make recommendations on the way forward. That is a very constructive and

[Tessa Jowell]

practical response; it is a response to the persistent advocacy of my hon. Friends, and a proper response for this Government to make.

Looking to the future, the Government intend to accept the amendment tabled in another place by my noble Friend Baroness Golding, calling for the creation of a fresh Joint Committee of both Houses to look at the casino advisory panel to see what lessons can be learned—*[Interruption.]* Hon. Members might like to wait so that they can understand the nature of the proposition. However, in addition to giving Members of both Houses an opportunity retrospectively to examine the panel process, while recognising that the creation of the Joint Committee and its terms of reference are a matter for the House authorities, let me state now that the Government would like the remit of any Joint Committee to be forward looking and not just retrospective.

I have been very clear with the House, and I repeat now that there will be no more new casinos in the current Parliament, because the results of the social impact studies of the current 17 pilot casinos and of the next prevalence study will not be available until 2010. Proposals for more new casinos will therefore not be initiated by this Government. As I have said before—I reiterate it today—the impetus for such proposals would have to come from Parliament.

Mr. Hugo Swire (East Devon) (Con): Will the right hon. Lady give way?

Tessa Jowell: The hon. Gentleman will have plenty of opportunity to address the House.

At the moment, there is no consensus on allowing any more new casinos, and there may never be such a consensus, but it is only right that the Joint Committee to which I referred should be allowed to examine the criteria and the conditions that could govern any possible future decision.

If the Joint Committee decided that a future Parliament might allow another regional casino, and if it recommended a specific location, I doubt that many hon. Members would be surprised if the place recommended was Blackpool. I hope that the Joint Committee will produce its first report within six months. I can assure the House that, with the agreement of my right hon. Friends the Chief Whips in both Houses, the Government would then make time available in both Chambers for any report from the Joint Committee to be debated. I know that that does not give the supporters of Blackpool an immediate gain or the reassurance that they wish for, but they will continue to have every opportunity to make their case in Parliament, and to work with the regeneration taskforce, which will engage in its work shortly after today.

The House must decide today whether it wants to accept, and support the consequences of, a policy that it voted for in 2005, and that the Opposition accepted at that time, and even welcomed. The policy recognised that in the new world, millions of people want to gamble and have increasing opportunities to do so, but that the role of government is to ensure a high and rigorous level of protection. I remind the House of the many thousands of new jobs and the millions of pounds of investment that may be put at risk across the country if the order is not approved. Our policy recognises the inalienable role of the Government in protecting the public, and specifically the vulnerable and children, but it also responds to calls from local authorities to bring forward a limited number of casinos for the regeneration and leisure investment that they will bring.

On the debate that will follow my speech, when hon. Members consider how to vote tonight and think about voting with the Opposition, I want them to ask themselves two questions. First, are they really prepared to be associated with an Opposition who are so unprincipled and inconsistent? Who said:

> "I add my congratulations to Manchester on its success in securing the proposed regional casino."—*[Official Report, 30 January 2007; Vol. 456, c. 89.]*

It was the hon. Member for East Devon (Mr. Swire). The hon. Member for Tatton (Mr. Osborne), who seems to have disappeared, said that he was delighted that Manchester won the competition. Secondly, I would ask Members whether they really are prepared to throw away the chance of seeing regeneration benefits for 17 local authorities across the country. I hope that, having considered those two questions, they will join me in commending the order to the House.

4.3 pm

Mr. Hugo Swire (East Devon) (Con): The first word that springs to mind is "astonishment". It must be almost unprecedented for a Secretary of State to come to the House and admit that there has been a climbdown in the other place, having given the Opposition absolutely no prior notification of what she intends to do in the debate. We learned that she wrote to a number of her party's Back Benchers to try to buy them off, but did not share with us the critical change in policy that she just articulated. It is absolutely astonishing.

Tony Lloyd (Manchester, Central) (Lab): Will the hon. Gentleman give way?

Mr. Swire: Not yet.

The Secretary of State needs to clarify matters at the outset of the debate; that is absolutely crucial to the debate. It is crucial, too, I suspect, to the way in which many people will vote at the end of what the Order Paper says is a debate, although she is not encouraging debate because she did not allow people to intervene on her.

Tony Lloyd: Will the hon. Gentleman give way?

Mr. Swire: No, I will take my lead from the Secretary of State. If the hon. Gentleman will just allow me to complete a paragraph, I will give way to him in due course.

Will the right hon. Lady say whether the Joint Scrutiny Committee can scrutinise the decision that we have been asked to support? If, given the remit that she outlined, the Committee concludes that it was a mistake, or that there was something wrong with the process of awarding the licence to Manchester and that perhaps it should go elsewhere, will its recommendations carry any weight at all? Can the Committee recommend the withdrawal of the licence from Manchester if we vote for the order this evening? Will she confirm that she will not issue the Manchester licence unless and until the

Joint Scrutiny Committee agrees to it? If she cannot do that, the Committee, as she outlined it, is nothing more than an exercise to get her out of a hole, and it will not do any of the things that we would expect such a Committee to do.

The Secretary of State is right to say that there has been much recent discussion about those casinos, and about gambling in general—and not just by Members of Parliament. In the past week alone, we have heard the strong reservations of the Archbishop of Canterbury, who warned of the impact on

"the youngest, the poorest and the most vulnerable".

Those are the very people whom the Government's Gambling Act 2005 is supposed to protect.

The Secretary of State was understandably brief at the outset of her statement, but it is important to remind the House of why we are here today. My party agreed, largely thanks to the efforts of my right hon. Friend the Member for Haltemprice and Howden (David Davis), to a pilot scheme of one regional casino, and eight large and eight small casinos. We reached that position after the right hon. Lady initially proposed an unlimited number of regional casinos. Our top priority throughout the passage of the Act, and ever since, has been to minimise problem gambling, and we have been entirely consistent in that aim.

The Government always say that the Act is about protecting the vulnerable, yet they are pushing the order through without adequate scrutiny of the risks of problem gambling associated with siting the regional casino in a city centre. The casino advisory panel has made a recommendation to Parliament, which Parliament is free to accept or reject after debate. That is why we are here.

Mr. Anthony Wright (Great Yarmouth) (Lab): The hon. Gentleman said that he supported one regional casino and no more. Why, then, in 2005, did his party table an amendment, which he voted to support, for four regional casinos, not one?

Mr. Swire: If we had more time, perhaps we could go back over the legislation. *[Interruption.]* Hon. Members should allow me to speak; at least I have accepted an intervention. The hon. Gentleman would do well to remember that initially his Government wanted an unlimited number of regional casinos with unlimited jackpots. It was because of the official Opposition, and because of support from other Opposition parties, that we managed to get it down to one pilot regional casino, which we are discussing this afternoon. We are here to reconsider the panel's recommendation, not simply to rubber-stamp it. If the order is passed today, we will finalise at a stroke the single biggest change to gambling law in the UK, which is why it is important that Parliament be given adequate opportunity to scrutinise the recommendation of the casino advisory panel before the final decision is made.

Tony Lloyd: Will the hon. Gentleman give way?

Mr. Swire: I can assure the hon. Gentleman that I have quite a long speech to make. He can intervene, but if he will allow me to make progress, he may find that I will answer some of his questions.

The right hon. Lady claims that the future of all 17 casinos is at risk if the order is defeated this afternoon. That is clearly not the case. Let me remind the House that we need not be considering one order this afternoon. We offered the Secretary of State the opportunity to put forward one order covering the 16 large and small casinos, which we would support. She rejected that offer. Her approach remains "all or nothing", and it is designed solely to put pressure on her Back Benchers and to steamroller the decision through without proper scrutiny.

Let me make it clear to the House that no Member who votes against the order today need worry that those 16 large and small casinos are under threat, regardless of the scare stories that the right hon. Lady is putting around. If she re-tabled the order with just the 16 locations, we would support it. We are voting against the order, but it is not a vote against the casino advisory panel or a vote against Manchester. It is a vote for further parliamentary scrutiny.

I turn to the substance of the matter before us—whether the Opposition are willing to accept the casino advisory panel's recommendation to site the regional casino in Manchester. The right hon. Lady referred to the congratulations that my colleagues and I offered to Manchester and the 16 other locations in the hours after the advisory panel made its announcement. Those congratulations were genuine. We had no intrinsic opposition to Manchester or any other individual location, but given the surprise choice of Manchester—the right hon. Lady conceded that, even for her, it was a surprise choice, not least, I suspect, as it had risen from the bottom of the casino advisory panel's ranking table to the top—it is right for us to have used the time since then to look in greater detail at the report and to listen to the concerns that are now in the public domain.

The right hon. Lady will also remember that in the same statement I said that we intended to

"hold the Government to account on the many promises they have given to protect the most vulnerable and those most at risk from their legislation."

That is the right approach, and it is exactly what we seek to do today.

Bob Spink (Castle Point) (Con): The House of Lords Statutory Instruments Committee found that the panel did not take proper account of or give a high priority to the impact of the casinos on the community and their harmful effect. Does my hon. Friend consider that a reasonable reason why the House should reject the CAP's recommendation?

Mr. Swire: That is a reasonable reason for the House to reject the order and for a proper Joint Scrutiny Committee to be reconvened in order to examine that and many other accusations and suggestions that are in the public domain.

Tony Lloyd: I am grateful to the hon. Gentleman for giving way. He is being nice—but only after a time. When he said to the House on 30 January,

"I add my congratulations to Manchester . . . I and my party hope that that will bring the promised regeneration to that great city in the north-west"—[*Official Report*, 30 January 2007; Vol. 456, c. 89-9.]

was there any ambiguity in that statement? I can see none. With reference to his remarks this afternoon, can

[Tony Lloyd]

he tell me exactly what doubts have been cast on Manchester's ability to deal with both regeneration and problem gambling?

Mr. Swire: I am about to tell the hon. Gentleman all my doubts. If he had allowed me to proceed, our exchange might have been more interesting. I congratulated Manchester that day, as did my hon. Friends. The city won a competition. One hopes that the regenerative benefits will be as envisaged, although there are all kinds of reports, such as the Hall Aitkin report and another report from the Office of the Deputy Prime Minister, which suggest that the regenerative benefits of the regional casinos are not all they are cracked up to be. If the hon. Gentleman read the exchange between the Chairman of the House of Lords Merits Committee and Sir Stephen Crow, he would see that there are serious doubts about the regenerative benefits of some of the regional casinos.

Mrs. Humble: Will the hon. Gentleman give way?

Mr. Swire: I must make some progress. I have given way far more—in fact, 100 per cent. more—than the Secretary of State.

The Secretary of State has tried to turn this into an issue of party politics, yet she cannot deny that a clear coalition of concern has emerged in both Houses and across all parties in the weeks since the casino advisory panel published its report. Before the strong arm of the Government Whips swung into action, 83 of her Back-Bench colleagues signed an early-day motion questioning the panel's decision and calling for the Joint Committee that scrutinised the draft Gambling Bill to be reconstituted. That is the clearest evidence that there can be of the concern that exists on both sides of the House.

Were that not enough to make the Secretary of State think again, last week the House of Lords Merits Committee raised some crucial questions. It stated that the order might

"imperfectly achieve its policy objective".

One of the three core objectives of the Gambling Act 2005 is

"protecting children and other vulnerable persons from being harmed or exploited by gambling".

Yet the Committee found that the casino advisory panel's interpretation of its criteria

"did not give high priority to the prevention of harmful effects to the community from gambling".

It said that the panel

"veered towards their terms of reference with their emphasis on the research testing of impacts rather than the minimisation of harm".

The Joint Committee, under the chairmanship of my hon. Friend the Member for Ryedale (Mr. Greenway), who is in his place, concluded that regional casinos should be located in a resort destination rather than in a city centre where there is greater risk of "ambient", or casual, gambling from people living nearby.

Graham Stringer (Manchester, Blackley) (Lab): Will the hon. Gentleman give way?

Mr. Swire: I must make some progress.

Not only was that the view of the Committee, but it was backed by the study of international research which was commissioned by the casino advisory panel, but which for some reason

"was not used in the Panel's selection process",

according to the Merits Committee. The Secretary of State will remember that one of her former Ministers, Lord McIntosh of Haringey, formerly the Minister with responsibility for gambling, told the Joint Committee:

"we have taken the view that in what I call destination gambling—in other words where you have to make a positive decision to go into a location where gambling takes place"—

Graham Stringer: On a point of order, Madam Deputy Speaker. The hon. Gentleman is saying that the casino is to be in Manchester city centre, but it is not. Can he please be accurate in his description?

Madam Deputy Speaker: I am sure that the hon. Gentleman, who is an experienced Member of this House, knows that that is not a point of order for the Chair.

Mr. Swire: Not only that, but it is not a very good point, because I happen to know that although the casino is destined to go to east Manchester, under the legislation it is within Manchester's rights to relocate it anywhere within the area, as the Minister for Sport confirmed to the Merits Committee. I can happily refer hon. Members to the relevant *Hansard*.

Lord McIntosh told the Joint Committee:

"we have taken the view that in what I call destination gambling—in other words where you have to make a positive decision to go into a location where gambling takes place, rather than casual gambling which is thrust at you at the street corner—there is likely to be less increase in problem gambling than there is from casual gambling."

As Professor Peter Collins, an expert in gambling who is himself based in Salford, which is not in east Manchester, said:

"convenience is the single greatest spur to increase problem gambling".

Yet when Lord Filkin asked Professor Crow, the chairman of the casino advisory panel, to confirm whether

"Their interpretation of their terms of reference made it virtually impossible for them to recommend that there should be a destination casino?",

Professor Crow replied, "Yes."

Are we not right in wanting to scrutinise further why such a diametrically opposed approach was taken by the casino advisory panel? Why is the Secretary of State content to push this order through without proper consideration of that fundamental discrepancy? Why are the Government so intent on forcing their Back Benchers to rubber-stamp this decision without allowing proper scrutiny?

It is also not sufficient to say that the casino advisory panel simply followed its terms of reference. Is the Secretary of State content that, as the Merits Committee makes clear,

"the panel had added some elements to the selection criteria, for example their own assumptions about relative profitability".

Or is she happy that, according to the Committee, the panel's analysis of the ability of local authorities to manage the process

"was not in the terms of reference"?

What is clear is that many of the problems arose from the panel's interpretation of the terms of reference. I quote the Lords Committee again:

"Adding maximisation of profit into the consideration...seemed to have a greater weight on the Panel's recommendations than minimisation of harm".

Does not the Secretary of State find it amazing and worrying that maximisation of profit was such a priority for the panel, ahead of reducing social harm? Indeed, the casino advisory panel's report states explicitly:

"Problem gambling is more of a town planning consideration than one for us".

How does that square with the Secretary of State's claim that her legislation will protect the vulnerable?

The Secretary of State's explanations of the casino advisory panel's terms of reference are simply not sufficient. We have no confidence that the rationale of the casino advisory panel was the same rationale as this House had in mind when it agreed to a pilot scheme of new casinos—*[Interruption.]* It is not enough for the Secretary of State and Ministers to say that the Gambling Commission will tackle problem gambling. This pilot must not be some sort of social experiment. The new legislation clearly states that it should be about minimising harm, which must include the decision about where to locate the regional casino.

In the light of all the expert advice gathered by the Lords Committee and its conclusions, we believe that the panel's recommendation on the regional casinos should be subject to further scrutiny by a properly reconstituted Committee of both Houses. That is necessary to ensure that Parliament is confident that the final decision is the right one, and that the importance of minimising problem gambling is fully taken into account.

The Secretary of State's argument that this is putting 7,000 jobs at risk, which I have seen rehearsed in some of today's and yesterday's newspapers, simply does not hold water. We are calling for a four to six-week delay while this recommendation is given proper scrutiny. Given that the casino will not be built for three years or so, and that the legislation has in any case been on the cards since 2001, why would a delay of six weeks make any material difference whatever? Is it because, as many believe—and in line with her concession in the other place—the Secretary of State has already realised that the whole process was flawed?

Yes, we supported the establishment of an independent panel to advise the Secretary of State on the locations of the new casinos, but the right hon. Lady should not abdicate her responsibility and hide behind what is ultimately advice—I repeat, advice—without giving the recommendations adequate parliamentary scrutiny. So far, her only concession has been to extend the length of this debate to three hours and to offer up a Committee that, on closer inspection, is likely to be powerless. That is simply not good enough.

Mr. Wallace: On 28 February, I received a letter from the Secretary of State saying that there was no need to have any type of panel reconvened, or otherwise to examine the decision. Does my hon. Friend agree that we now seeing a U-turn when she stands before the House and says that we can have one?

Mr. Swire: I think that there have been more U-turns than a driving instructor encounters in a lifetime. It is certainly extraordinary to try to reconcile that statement with what we have heard today. My hon. Friend would do well to examine what the Secretary of State has actually said about this reconstituted Committee. I think that it is effectively a dog without teeth, but we will come on to that in a minute.

Does the Secretary of State recognise that she could have saved her legislation in its entirety by splitting the order, as we and many others have asked her to do, so that the 16 large and small locations could be voted on while the regional casino recommendation was examined by a proper reconstituted Joint Scrutiny Committee? The Government are asking us today to make a leap of faith based on the recommendations of the casino advisory panel, but the Secretary of State's attack on the Opposition would have carried more weight if the Government's own stance had been clearer. We are voting this afternoon on the biggest change to gambling law in memory, yet only a week ago, the Chancellor of the Exchequer was imposing a new 50 per cent. tax rate on these casinos, because, we are told, of his personal distaste for gambling.

The Chancellor—or should I say the Prime Minister in waiting?—has apparently ruled out any increase in regional casinos under his premiership. At the same time, the Deputy Prime Minister, who, as we all know, takes an active personal interest in those wanting to build regional casinos, has been telling anyone who will listen—I understand that there are still one or two such people—that Blackpool should have been chosen. If the Secretary of State does not have the support of her own Cabinet colleagues, how can she expect to have the support of Parliament? Why is she so determined to charge ahead despite all these objections?

In a desperate last-minute attempt to buy off those who are set to vote against her this afternoon, the Secretary of State has suggested that she will accept the amendment tabled in the other place by Baroness Golding. I urge Members to get a copy of that amendment, which clearly states that it is

"desirable that Lords be appointed to join with a Committee of the Commons as a Joint Committee to consider the Panel's report in detail before any decision is arrived at with regard to the issuing of casino premises licences."

Will the Secretary of State confirm, as I asked her to do at the outset, that not a single licence will be issued until the reconvened Joint Scrutiny Committee has sat and judged whether the casino should be in Manchester or somewhere else? If the Secretary of State is using the reconvened Joint Scrutiny Committee only as camouflage, or as a device to get her out of the hole that she finds herself in, it simply will not wash on either side of the House.

[Mr. Swire]

The Secretary of State's slightly chaotic, eleventh-hour approach typifies her attitude towards gambling. She dismisses with equal scorn the critical, the questioning, the concerned and the cautious. This afternoon we are simply asking, "What's the rush?" She has already conceded defeat in the other place. It is because she is still refusing to grant the measures additional proper parliamentary scrutiny that we shall still vote against the order today. That is not a vote against Manchester, or against any of the other proposed locations. It is a vote for caution and for further scrutiny, so that Parliament can assure itself that the final decision is the right one, not only for the Government and for this beleaguered Secretary of State, but for the community in which the casino will be placed.

4.28 pm

Tony Lloyd (Manchester, Central) (Lab): I say to the hon. Member for East Devon (Mr. Swire) that if it looks like opportunism and smells like opportunism, it almost certainly is opportunism. I also say to him and to the Liberal Democrats that a vote against the order will be interpreted as a vote against Manchester, and it is important that we establish that. Those Opposition Members who intend to vote against the order must recognise that there can be no other interpretation of their action, which is being taken for reasons not of principle but of opportunism. As such, it can only be interpreted as a vote against the city of Manchester.

Mr. Wallace: Does the hon. Gentleman concede that we could vote against the order today, the panel could be reconvened and the evidence could be tested and examined in detail, and if the panel came back and recommended Manchester, Liberal Democrats or anyone else in the House would no doubt support that panel's finding? This is not a vote against Manchester.

Tony Lloyd: I am confident that the hon. Gentleman will join others in voting for Manchester at some stage but not, unfortunately, when it matters tonight. If Parliament passes the order tonight, the expectations for regeneration in my constituency, where the casino will be located, will be met.

My hon. Friend the Member for Manchester, Blackley (Graham Stringer) tried to intervene on the hon. Member for East Devon to point out his misunderstanding of Manchester. I invite him to visit my constituency so that I can disabuse him of the view that it is a city centre location. It simply is not.

We need to disabuse the House of the myth that Manchester somehow sneaked through on the question of regeneration. It is sad for me to record that my city and my constituency are still among the poorest parts of the country. Unemployment in my constituency is the fifth highest in Britain. Child poverty in my constituency is the highest in Britain. According to the Government's index of deprivation, which takes account of a basket of factors, from housing to education to health, Manchester is still the third most deprived local authority. Every ward bar one in my constituency is massively more deprived—I do not use this against Blackpool—than any ward in Blackpool, with one exception. That is the level of deprivation in modern Manchester.

Opposition Members—and one or two of my hon. Friends—who were fooled by the illusion of the glitzy city centre into thinking that the regeneration of Manchester is somehow finished, fail to recognise the reality of the poverty and the need for regeneration in that city.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): If, as appears to be the wish of the Conservative party, the order is not passed, and the panel's consideration of Manchester and Blackpool is re-examined, there is no reason for the debate not to be reopened on all the other disappointed candidates for the regional, large and small casinos. Clearly, that is a concern to my constituents and the council in Milton Keynes, who are pleased that they have been successful, and would not want that decision reopened.

Tony Lloyd: My hon. Friend raises a real issue. It is almost beyond belief that other disappointed local authorities would not seek judicial review to alter the balance of a decision on the range of regional, large and small casinos.

The casino advisory panel recognised that Manchester has the advantage, despite the hon. Member for East Devon's attempt to rubbish it, of an enviable reputation for being able to use regeneration moneys effectively and efficiently. We do have that good reputation. I repeat to the House, however, that Manchester still has enormous need. Opposition Members should consider that Manchester is still suffering from the 100,000 manufacturing jobs that it lost when the Thatcher Government were in power and did so much damage. Recently, Barclaycard has decided to move 600 jobs away from Manchester, and Ciba-Geigy has closed down a plant that has been there for 100 years, taking away another 400 jobs. Therefore, perhaps Opposition Members—who even now do not understand much about the economic geography of the north of England—will understand that a city such as Manchester constantly needs to replace the jobs that it loses. That is why we need these hospitality industry jobs. As the Secretary of State has told the House previously—this was met with guffaws—Manchester is the third most popular tourist venue for day visitors in the country. That might astonish Members, but it is a matter of basic fact.

Mrs. Humble: I do not dispute the poverty figures that my hon. Friend mentions for his constituency, but Manchester has one of the most thriving economies in the north-west—it is the fastest-growing in the north-west—and visitors to the city such as me like to enjoy the shopping opportunities there, while others like to enjoy the football.

Tony Lloyd: People come to the Manchester tourist destination for many reasons. Of course they come for the football and cricket—Manchester does both very well, and football better than anywhere else in the country. The city also does theatre and music very well, and nightclubs. Sports City has 5 million visitors every year, and they do not come for the shopping. My hon. Friend should be cautious about trying to rubbish Manchester's claim to be a serious tourist destination.

Mr. Wallace: Perhaps the hon. Gentleman will take some advice from a fellow north-west MP, who knows the area's economic geography and who also lives there. I understand his genuine concern about the deprivation and poverty in the centre of Manchester, so will he join me in expressing deep concern that Professor Crow admitted in his evidence to the Lords Committee that those factors were not taken into account when the location of the casino was decided?

Tony Lloyd: I am grateful to the hon. Gentleman, who is wrong on most counts and on this one as well. His intervention allows me to say that Professor Crow wrote to Lord Filkin, saying:

"The Panel is very concerned that your Committee"—

the Lords Merits Committee—

"...concludes that we did not give high priority to the minimisation of harmful effects to the community. This is just not so. At paragraph 12 of our Final Report we made it clear that social impact considerations, both positive and negative, were implicit in our...criteria...Not only did we accord much weight to this consideration, one Panel Member was appointed particularly for his expertise in matters of social impact".

Professor Crow goes on to talk about the evidence taken from the Salvation Army, the Quakers, the Christian Institute, NHS primary trusts, faith groups and so on. He concluded:

"It was as a result of hearing such evidence that we became very confident of the ability of agencies in Manchester, more than anywhere else"—

and I emphasise the "more than anywhere else"—

"to manage the minimisation of harm from gambling effectively."

I hope that the hon. Member for Lancaster and Wyre (Mr. Wallace) and others will accept that the allegation of the Merits Committee was simply wrong, that the casino advisory panel considered in detail the concept of harm minimisation and that it accorded Manchester very high marks in that regard.

Lynne Jones (Birmingham, Selly Oak) (Lab): I have visited the area in question on numerous occasions to go to Sports City and the velodrome, so I am familiar with it. However, I genuinely do not know how to vote tonight. I am concerned about the social impact of casinos and not very enamoured with the idea of huge regional casinos. Nor am I convinced of the regenerational capacity of such ventures compared with other investment possibilities in the area. What would my hon. Friend say to convince me to vote for the order?

Tony Lloyd: I suppose that it depends on the exact nature of my hon. Friend's difficulty. Like my right hon. Friend the Secretary of State, I have genuine respect for those who are opposed to gambling—full stop. That is a perfectly legitimate and intelligible position, but what is not intelligible is to play politics about whether the casino should be located in Manchester, Yarmouth, Milton Keynes or somewhere else. That is not a reputable argument.

However, we can argue about how we maximise regeneration. I believe that regeneration could be done very successfully in Manchester, which has a good record for making it work. We can also argue about how harm minimisation could be carried out, and Manchester—uniquely among those areas that bid for the casino—put forward a comprehensive plan in that regard.

In any case, and irrespective of the decision reached this evening, Manchester city council accepts that problem gambling already exists in my city, as a result of the internet and all the other ways that people can access gambling in our society. The town hall's responsible gambling unit will carry on its work anyway, because we feel that we have a duty to take a responsible approach to the gambling that already goes on. Manchester's commitment to responsible gambling must underwrite the bids for regional casinos, and the whole approach to gambling in modern Britain.

Gambling is better done in a casino regulated by law than in those that exist in hyperspace, which allow people to operate on credit and incur considerable debt without proper recourse. I hope that my hon. Friend the Member for Birmingham, Selly Oak (Lynne Jones) will at least acknowledge what Manchester tries to do about problem gambling and to ensure that the 2,700 jobs we believe that we can create through the casino turn into more by using it as a lever for the hospitality industry. Despite hollow laughter from Conservative Members, that is an important part of the Manchester economy.

It is important to hold a parliamentary debate on the matter. There is little opposition in Manchester, other than from the occasional opportunistic politician, to siting the casino in the city. The north-east Manchester *Advertiser*, the *Manchester Evening News* and the local media have all run campaigns in favour of locating the regional casino there. We want the casino to be based there—the general public in my city are overwhelmingly in favour of it. That is an important endorsement. Frankly, that cannot be claimed by all those who promote different casino sites throughout the country. I do not criticise people for that; I accept that the subject is controversial in some areas. However, it is not controversial in the poorest part of the city of Manchester, which I represent.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): I respect the hon. Gentleman's point, but does he accept that when people are bombarded by those in authority almost guaranteeing that huge numbers of jobs and massive redevelopment of an area will flow from such a decision, they will vote for it? However, nowhere have those results been demonstrated. If, in two or three years, expectations have not been realised, will the hon. Gentleman come to the House to demand that the casino be closed down?

Tony Lloyd: Let me go this far with the right hon. Gentleman: it is important to use the Manchester experiment as a template for the rest of the country. The Government have made that commitment. If we discover that the impact is as negative as he suggests, we would not want casinos in Blackpool, Manchester, Milton Keynes or anywhere. However, I emphasise that gambling and its problems exist in our society and that it is better for them to be regulated. I guarantee that the regional casino in Manchester will be examined more often and more closely than any casino that currently exists. We will know in a short time whether we can make the casino work for regeneration and job creation and whether we can minimise the impact of problem gambling in a way that should reassure those who argue, however speciously, that they support an experiment and nothing more.

[Tony Lloyd]

I hope that the plea to recognise the needs of a city such as Manchester will not, once again, fall on deaf ears on the Opposition Benches. If it does, that would be interpreted only as a vote against Manchester.

4.42 pm

Mr. Don Foster (Bath) (LD): Like the hon. Member for East Devon (Mr. Swire) and his colleagues, we will vote against the order. I want to make it clear, especially to the hon. Member for Manchester, Central (Tony Lloyd), that our decision has nothing to do with a specific casino bid or a particular location. I hope that he will acknowledge that my speech demonstrates that.

Also like the hon. Member for East Devon, I am disappointed that the Secretary of State did not make available to me or the hon. Gentleman the contents of the letter that she wrote to hon. Members who represent Blackpool. I have now had an opportunity to read it, but the Committee that she proposes to establish, through an amendment tabled in another place by Baroness Golding, will do nothing to tackle our anxieties. The letter describes the creation of a fresh Joint Committee of both Houses to consider the casino advisory panel and ascertain what lessons can be learned for the future. Clearly, such a Committee will have no impact and give no help to those of us who believe that we need to establish a Committee to examine the recommendations before a vote is taken on them.

The Secretary of State knows that this is extremely controversial legislation. She said so herself in her speech. She has many times argued for a cautious approach. That is why I wrote to her on two separate occasions requesting that she reconvene the Joint Scrutiny Committee of both Houses of Parliament, which was ably chaired by the hon. Member for Ryedale (Mr. Greenway) and gave us excellent advice, before we set off on the road that led to the Gambling Act 2005. We believe that it should be reconvened and that we should not go ahead with a vote on the CAP's recommendations without the Joint Committee's views on two specific issues. First, it should consider the impact on the CAP's recommendations of the recent and significant changes in gambling ecology in this country. Secondly, it should consider the concerns that have been expressed not least by the Merits Committee in another place about the remit given to the CAP and the way in which it met that remit. The Secretary of State's toothless Committee will offer none of those things.

Since the CAP was established, there have been some significant changes in gambling in this country, which were referred to by the hon. Member for Manchester, Central. Surely those changes have to be considered alongside the recommendations of the panel. In particular, as he said, there has been a huge growth in internet gambling.

It was a year ago that the Secretary of State herself expressed concern. She told the "Today" programme that there had been

"an explosion in online gambling...an explosion over which we have very little control".

Her Department and the Gambling Commission have both admitted that the online gambling market has more than doubled in the past five years and that there are now 1 million online gamblers in this country. It is surely worrying that when I asked the Minister of Sport, in a parliamentary question, what research he had commissioned into the relationship between internet gambling and problem gambling, he told me that he had commissioned no such research.

It is equally worrying that the Government's efforts to bring online gambling companies onshore and under our proposed regulatory regime, which we spent so much time in Committee discussing, have so far completely failed. Frankly, the Chancellor's recent Budget means there is now no chance of success. The online operators have made it clear that they will not seek a UK licence because of the 15 per cent. remote gaming duty outlined in the Budget. It is no wonder that the chief executive of the Remote Gambling Association, Mr. Clive Hawkswood, said that the Government

"has missed a real opportunity to lead the way in terms of international regulatory standards".

To make matters worse, while everyone knows that problem gambling is on the rise, efforts to help those who suffer from gambling addictions remain woefully inadequate. Although, belatedly, the gambling industry has now contributed £3 million voluntarily to support the work of the excellent Responsibility in Gambling Trust and has promised more, we are still way behind other countries. We spend approximately £10 per head on problem gambling support, but it is significantly less than the amount spent in New Zealand, Canada and Australia, where it is £44, £40 and £26 respectively per problem gambler. Failures to address problem gambling should be factored into our thinking about the panel's recommendations.

We should also be considering the Government's complete failure to be clear about how many casinos we are likely to have at the end of the process. The Secretary of State said that there will be no more casinos until the next parliamentary Session, but in the Gambling Bill Committee it took many weeks even to get clear information about how many existing casinos we have—139 at the time, as it turned out. Then the Minister confidently stated:

"we can say with certainty that there will be no more than 150 casinos."—[*Official Report, Standing Committee B,* 11 January 2005; c. 718.]

Clearly, he totally failed to take account of the possibility of more casinos opening under the existing gambling legislation. He knows that that is the case because, from the figures that he sent to me last night—for which I am extremely grateful—in the worst case scenario there will be 249 licensed casinos. Even if we take a more conservative estimate and assume that only half the licence applications are successful, the Minister's cap of 150 will be far exceeded.

We also need to take account of the possible impact of the claim for judicial review being brought by the British Casino Association, which has so far not been mentioned. That association believes that grandfathering arrangements for existing casinos introduced by the Gambling Act are unfair and place existing casinos at a substantial competitive disadvantage to the proposed new casinos. If that judicial review goes ahead and is

successful, it would significantly change the climate in which the new casino trial is due to take place.

One final change in the gambling ecology that we should be considering also comes from the Chancellor's Budget. By imposing a new high 50 per cent. top rate of tax, the new super-casino's profit margins will be reduced and its ability to contribute to regeneration, wherever it is located—Manchester or anywhere else—will be diminished. Surely concerns about the explosion of internet gambling, the failure to provide adequate support for problem gamblers, the likely higher than expected number of casinos, the impact of a possible judicial review and the higher than expected super-casino tax are all matters that a reconvened Joint Scrutiny Committee would want to, and I believe should, consider.

The second fundamental reason for my decision to vote against the order today is based on my concerns about the remit given to the CAP and the way that it has executed it. Frankly, the panel was dealt an unfair hand, and the process by which it came to its conclusions has led to a range of criticisms, not least, as we have heard, by the Merits Committee. In its report, the CAP declared that the central tenet of its assessment of the bids was its quest to find the best test of social impact. Last week, as we have heard, the Secretary of State wrote to Lord Filkin in response to the damning findings of the Merits Committee. In it she said:

"the criteria by which the Panel would assess submissions were set out in the national policy statement".

However, the Secretary of State must know that the best test of social impact was not included in the statement of national policy. In fact, the remit on which the panel based its decision changed significantly from the one outlined in the national policy statement—something that the House had the opportunity to debate—to the one outlined in the terms of reference issued much later by her and not subjected to parliamentary scrutiny. Despite placing the best test of social impact as the panel's guiding principle, the Government never defined it. The panel was left to determine it for itself. It is not surprising that it admitted that seeking the best test of social impact was "a peculiar problem". It certainly is. One of the UK's leading experts on gambling, Peter Collins, has vehemently argued that the very idea of finding a best test of social impact is an impossible task, not least because there are numerous interpretations of such an ambiguous term.

What is more, the CAP concluded:

"After considering all the evidence"—

I hope that the hon. Member for Manchester, Central is listening—

"no single regional casino proposal emerged as the self evident favourite in presenting the best test of social impact. All had one or another point in its favour".

No one bid stood out for the panel in terms of testing social impact, and yet the panel continued to use it as their guiding principle. It seems odd that it spent so much time pursuing the elusive and undefined social impact, rather than considering the Government's other guiding principle of minimising the harmful effects of gambling, a principle that was supposed at least to be implicit in the panel's terms of reference. So it was not surprising that the Merits Committee said:

"when the objectives were in tension, the Panel veered towards their terms of reference with their emphasis on the research testing of impacts rather than the minimisation of harm".

What is more, the panel made its decision based upon testing the effects of the new regional casino assuming it to be a pilot, whereas it seems increasingly likely—if the Chancellor has his way—that there will only ever be one regional casino.

There are many other concerns—for example, the British Casino Association highlights the panel's failure to consider the existing gambling landscape during its decision-making process. The association argues that

"the location and proximity of existing casinos will dilute the likely impact of the new casinos and render any social impact test more complex and less certain".

Many people find it somewhat bizarre that the casino advisory panel recommended the location of proposed new casinos in areas where in many cases there is already a large number of casinos—for instance, Manchester already plays host to 10 casinos and there are 19 existing casinos near 10 of the proposed new small and large casinos.

Mr. Duncan Smith: I am not in favour of any of these things, but the hon. Gentleman touches on an important point about the number of existing casinos in Manchester. How much regeneration has there been around those casinos? How much has it contributed to the state of Manchester today?

Mr. Foster: I shall certainly give the matter some thought. Like the hon. Member for East Devon, I am well aware of the many reports that suggest that some of the regeneration benefits claimed may be somewhat bogus and may simply lead to a movement of staff from one institution to another in terms of the wider entertainment ecology of a location.

Given that the panel put so much emphasis on social impact, it is certainly odd that the location of existing casinos did not seem significantly to inform its reasoning. As the Merits Committee heard, there have been many other criticisms: inconsistency, a relentless shifting of the goal posts by the panel, chaos in the appeals process and constant changes to the all-important examination in public sessions, which changed from one candidate to the next, with varying amounts of preparation time for the sessions and presentation time within them. Sadly, the Merits Committee was unable to explore the last issue fully as the transcripts of those sessions have not yet been published. If the Secretary of State agrees to reconvene the Select Committee, I hope that it can have access to them.

Concerns have already been expressed about the regeneration aspects of the panel's work. The panel said that the job creation proposals used to assess the regeneration potential of the bids were for the most part

"prepared at a time when there was a belief that there would be more than one regional casino".

If that is the case, how could their estimates have been much help in assessing the bids for what will be a single super-casino? In relation to the choice of Manchester, what assurances do we have that the council will stick to east Manchester? That point was raised by the hon. Member for East Devon. After all, the Secretary of

[Mr. Don Foster]

State's letter, to which the hon. Gentleman referred, makes it clear that the council has the choice

"to issue the licence to any site within the authority area".

Tony Lloyd: Manchester is bound by the legislation; it was not Manchester's choice. The leader and the chief executive of the city council made it absolutely clear that they could only reconsider the Eastlands site on the basis of a bid that demonstrably proved that it would do everything covered by the present bid but better, so that there would be more jobs, more regeneration and a better framework for social responsibility. The council is bound to accept bids elsewhere—it cannot do otherwise—but Eastlands is where Manchester wants the casino located.

Mr. Foster: I am sorry, but the hon. Gentleman is not entirely correct. Although I accept the integrity of the chief executive and members of the council, and would never call it into question, I hope that he will accept that the letter was specific—Manchester could choose any location in the city. He also knows that under the requirements of the legislation there must be a competition for the new casino. During that competition, it would be perfectly possible for other areas to make claims about regeneration and the prevention of social harm, so he cannot say with such certainty that the casino is bound to be in an east Manchester location. The CAP made it clear when it said:

"It would not be easy to trace the city-wide social impact of the proposal...this would be less true, however, of East Manchester, where it would be relatively easy to adduce impacts."

So, the casino advisory panel was clear that it meant east Manchester, but we have no assurances that that is where the super-casino will end up.

Like many Members of the House, I welcome the Joint Scrutiny Committee's recommendation that favoured destination casinos. I had hoped that those views would have been taken into account by the panel in its remit and final decisions. During the passage of the Bill, I asked the Minister for Sport whether he would

"tell the Committee whether the concept of destination will inform the location of the regional casinos".—[*Official Report, Standing Committee B*, 16 December 2004; c. 672.]

He replied: "The answer is yes." Despite that answer, it did not. The leader of the panel told the Merits Committee that it was impossible for the panel to recommend a destination location, because the very notion of a destination, by definition, made it harder to test social impact. That shows yet again that one part of the remit usurped the other. Destination casinos had clearly been preferred by the Joint Committee and experts on problem gambling, but the panel had to rule them out. The dice were loaded before they were rolled.

Even the Secretary of State seems confused in what she had told the House today and in her letter. The panel tells us that it discounted certain bids because they were destination locations, but in her letter to Lord Filkin, the Secretary of State now claims that the chosen location of the regional casino is a destination. There is clearly something awry with the Secretary of State's understanding of the meaning of a destination casino.

We need to be cautious. The gambling ecology has changed dramatically since the panel was proposed. It is apparent that there are problems with the panel's remit, as laid down without parliamentary scrutiny in August 2005. Thanks not least to the Merits Committee, it is clear that there are problems with how the panel interpreted and carried out its remit. In short, there is confusion, chaos and contradiction. The Joint Scrutiny Committee should be reconvened to consider all these matters and to advise both Houses. If the Secretary of State cannot agree to that, we will vote against the order tonight.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. A number of right hon. and hon. Members are hoping to catch my eye. May I make a plea for brief speeches so that more Members can be successful?

5.2 pm

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): We cannot underestimate the shock, anger and disappointment in Blackpool when the casino advisory panel made its announcement. That anger has not dissipated since the announcement was made—just the opposite. The people of Blackpool are determined to fight for their future, and my hon. Friend the Member for Blackpool, South (Mr. Marsden) and I are determined to fight within this Chamber for their future. On Monday, we accompanied the editor of our evening paper, *The Gazette*, to bring down and present to No. 10 a petition signed by more than 11,500 people. That shows the strength of feeling.

That strength of feeling has existed for a long time. Blackpoolers have been involved in this debate for seven years. This was our future. This was the new 21st century Blackpool. The people of Blackpool are wonderfully innovative. We put the tower up in the 19th century and developed the pleasure beach and lots of other attractions in the 20th century. Let us remember that what we are talking about is a huge entertainment complex including a conference centre, hotels, restaurants, theatres—everything. This was the big idea for the 21st century and I say to my right hon. Friend the Secretary of State that we are not giving up on it—and we are certainly not giving up easily. We are going to argue the case until the end of this debate and beyond, as she well knows.

I want to set the record straight about what we, as Blackpool MPs, have been asking for. My right hon. Friend said at the beginning of her address that it would have been wrong for her to present an order in which she had taken out "Manchester" and inserted "Blackpool". We have never asked for that. We asked for two orders so that the eight large and eight small casinos could be considered separately from the other casino. I say to colleagues in the Chamber whose constituencies have been allocated a large or a small casino, I want them to get them. It is not my fault that we are voting for the whole lot—I am in the position that I am in. I want Great Yarmouth to get its large casino, which I am sure will be hugely successful for the constituency of my hon. Friend the Member for Great Yarmouth (Mr. Wright), and I do not want to vote

down Manchester. I want the debate on the regional casino to be properly considered. I tabled my early-day motion, which was supported by my hon. Friend the Member for Blackpool, South and Opposition Members representing neighbouring seats on the Fylde coast, because this affects not only Blackpool but all of us, given the regeneration potential of the super-casino. I have to say that it seems absurd to talk about a regional casino when there is to be only one. If the Secretary of State will forgive me, I will call it a super-casino, because that is what it is.

I was a member of the Standing Committee that considered the Bill that became the Gambling Act 2005. I can see no relationship between the casino advisory panel's report and what we debated in Committee. I must acknowledge the excellent work of my right hon. Friend the Minister for Sport on that Committee. When we debated the new casinos, we expressed concern about the proliferation of gambling and the problems that that might bring. However, we also discussed the regeneration potential of casinos. Many hon. Members on both sides of the House backed the Bill only because of its regeneration potential for disadvantaged communities. I will put it even more strongly: they backed the Bill only because a debate had started on the regeneration of our seaside resorts, which, as we all know, have suffered over the past 20 years due to changing patterns of holidaymaking.

When we considered setting up the casino advisory panel during our consideration of the Bill, I supported it—I can say that quite honestly. However, I supported it in the context of the criteria we were considering: eight regional casinos, eight large casinos and eight small casinos. Things changed when the number of regional casinos went down to one. The panel should have been given further guidance on how to examine that new super-casino. It was not the panel's fault that it had to examine a range of criteria as part of its task. How could it determine what was Parliament's priority if the Government did not state what the priority was? When we debated the spread of casinos that would allow the impact of gambling to be properly assessed, we talked about having a spread of geographical locations for each of the categories. However, as soon as there was to be only one regional casino, we could not say, "We'll have part of it in a city, part in a resort and part in the middle of the countryside." Professor Crow had to try to make sense of the complex remit that he was given, so I cannot blame him for coming up with what he thought was the right answer. However, I can question whether, even within the rules that were set—by and large he set them for himself—he came up with the right answer.

My early-day motion, which was supported by many colleagues, highlighted the fact that we needed a proper investigation before we made a decision on the single regional casino. That did not happen. I congratulate the Merits Committee in the other place because, in a short time, it has highlighted serious deficiencies in the casino advisory panel's report. If we in this House had had the opportunity to set up a Committee to consider the report, we could have highlighted other matters that could and should have been properly discussed. Nevertheless, I have to accept that that scrutiny was not performed, except by the Merits Committee, and we should address some of the points that it made.

I make no apologies for repeating some of the points that other hon. Members have made, because they are very important. How did the panel address the need to minimise harm? It said that

"maximising beneficial social impact...whilst minimising adverse social impact"

was implicit in its criteria, but it should have been explicit, because that was the concern of so many hon. Members. If it had been explicit, the panel would have looked much closer at destination casinos.

In various international analyses, destination casinos have been found to minimise social impact and maximise the benefits. When I go away on holiday, I take some money to spend, I spend it and I come home. If someone goes to Las Vegas to gamble, they will take spending money for that purpose. They will lose the money, but then they will come home and get on with their lives. All the evidence shows that the system would work best with a proper destination casino.

Sadly, Professor Crow, in his evidence to the Merits Committee, said that it was virtually impossible for a resort to be allocated the regional casino because of the criteria within which he was operating. He ruled it out without ever properly considering our case.

Graham Stringer: In this debate I have tried to avoid any direct competition between Manchester and Blackpool, and I have a lot of sympathy for Blackpool. But does my hon. Friend accept that Professor Crow wrote to the Merits Committee explaining that the panel was fully aware of destination casinos? He gave the example of Dortmund, which was in the middle of a forest and had zero regeneration benefits. One of his criteria was to achieve as much regeneration as possible from the casino, and that could not be done at the extreme end—such as with the casino in Dortmund.

Mrs. Humble: My hon. Friend highlights how difficult it is for us, in the brief time available, to try to analyse in detail the casino advisory panel's report. He and I should not be comparing the respective bids of our constituencies; that should have been done in the context of a Committee set up for that purpose, which could have taken evidence and questioned Professor Crow about his assertions. The report was full of assertions, with language such as "I believe that" or "We feel that". On an issue as important as this, I want more than that. We need an assessment of evidence and as firm a conclusion as possible. We did not have that in the report.

I disagreed with Professor Crow's conclusions, but he could have had better advice. The Merits Committee pointed out that he addressed the issue of profitability, which did not fall within his remit, although the Committee accepted that it was a matter of common sense for him to consider it. In Professor Crow's assessment of Blackpool, he says that the

"regeneration benefits of the proposal before us are unproven".

But that is true of all the bidders for the super-casino, because we have never seen one. No locality could prove its claims, but why did he say that about Blackpool? From my recollection, he did not say it of any of the others. He appears to have marked down Blackpool on all his subheadings, including methodology and location.

The most condescending and indeed hurtful remark in Professor Crow's report, however, was about the

[Mrs. Humble]

economy of Blackpool. He said that he did not accept that our economy was declining, in spite of the overwhelming evidence given to him by the very large numbers of people who appeared in the public evidence session. He said that he believed that there would be

"stabilisation at a lower level".

He went on to say that

"this may well include the management of contraction. If so, this situation should be resolutely faced by the authorities and local businesses alike without visions of external intervention to cure all ills."

How dare he say that? What we were bidding for was absolutely the most appropriate external intervention in Blackpool. We have an economy that is built on leisure and tourism. Where else should there be a super-casino but by the seaside in Blackpool? Yet Professor Crow says that we should not look for external intervention, but that Manchester was already regenerated.

Mr. Evans: One of the odd things about this debate is that the vast majority of MPs have been to Manchester and to Blackpool, and they will have made their own assessments about regeneration in both places. What struck me about the criteria was that the Government set one set of criteria, but it seems that Professor Crow and his committee acted on a different set of criteria. Had Blackpool known about that separate set of criteria, perhaps the presentation would have been somewhat different or Professor Crow would indeed have started his research by saying "Blackpool needn't apply."

Mrs. Humble: The hon. Gentleman makes a perfectly valid point. What depressed me about the report was that on what we saw as the strong points of Blackpool's bid—it was a destination that people came to and then left—it was marked down. What nonsense. If we are trying to minimise problem gambling, we should celebrate that here we are pleading for a super-casino in a resort.

Time is passing, Madam Deputy Speaker. Professor Crow did not allow Members of Parliament to speak in the public evidence sessions, and this is the only opportunity that I have to speak on this issue. Although I thank the Secretary of State for extending the time, it is not long enough. We were denied the opportunity in Blackpool by Professor Crow's decision, and we are now being denied the opportunity here because of the limited time.

I shall make two further points. For Blackpool, this issue is the single catalyst for regeneration. Manchester is a glorious, thriving city. I acknowledge everything that my hon. Friend the Member for Manchester, Central (Tony Lloyd)—he is my friend—says about his constituency, but I visit Manchester and I see all the new developments there. The excellent report on coastal towns published by the Select Committee on Communities and Local Government, which all of us should read, features evidence presented from the north-west. Councillor John Joyce, the then chair of the North West regional assembly, and Keith Barnes, regional director of the Government office for the north-west, gave evidence. Councillor Joyce said that

"we believe that now we have changed the North West Regional Assembly and gone into what I call a trinity with the Government North West and also the Regional Development Agency, we are now of the same mind to target those areas where we need to perform better."

They went on to say in all the regional documents that Blackpool should have had the regional casino. Mr. Barnes, on behalf of the Government office for the north-west, said:

"If this hearing were in Manchester or Liverpool, you would be able to see outside the number of cranes and transformation of those cities."

As somebody who lives in the north-west, I see that development and celebrate it. However, we have in front of us a combined order that I did not want to see; no scrutiny of the casino advisory panel; a disregard for regional planning guidelines; and no opportunity for us to separate out the order or say to the large and small casinos that we back them and want them to proceed, but want a more detailed examination of a unique opportunity, through the super-casino, to regenerate whatever area it is in.

That decision should have been taken with much more care and consideration, so with huge sadness I have to tell the Secretary of State that I cannot support the order in its current form. It is wrong to present it in that form, and I hope, even at this late stage, that she will withdraw it.

Mr. John Whittingdale (Maldon and East Chelmsford) (Con): It is a pleasure to follow the hon. Member for Blackpool, North and Fleetwood (Mrs. Humble), who made a powerful speech. She referred to the early-day motion that she tabled, which was in the Order Paper, and to the fact that a number of north-western Members on both sides of the House had signed it. I represent a coastal town, too, but I suspect that it is as far away from Blackpool as it is possible to be. However, I was happy to sign her early-day motion, because she presents a persuasive case.

I begin by expressing some sympathy for the Secretary of State. Those of us who were involved in the debates during the passage of the Gambling Act 2005 always suspected that she was never that enthusiastic about the legislation. Certainly, the passage of the Bill was dogged by disaster throughout. Almost weekly, the Minister for Sport had to make an announcement of Government policy to the Standing Committee that was almost in direct contradiction to what he had argued the previous week. Then in the Bill's final stages in Parliament, the Secretary of State was forced to reduce the number of proposed regional casinos from eight to just one. That cannot have been easy for her, but I suspect that she must have sighed with relief when the Bill finally received Royal Assent. She could not have anticipated that not so long afterwards, she would be back in the House of Commons having to defend this order, and facing possible defeat.

I currently chair the Select Committee on Culture, Media and Sport, but during the passage of the Bill I was the shadow spokesman, and it is in that capacity that I want to speak. I want to reflect on some of the arguments that I presented at the time, and to say why I believe that the position outlined by my hon. Friend the Member for East Devon (Mr. Swire) is entirely consistent with all the points that we made during the Bill's passage.

There was much in the Bill that we always supported. We believed that there was a strong case for introducing a regime to regulate online gambling, and we supported the abolition of the 24-hour rule and the removal of the ban on advertising. The problem with the Bill was always regional casinos. They represented an entirely new form of gambling that had never before been seen in this country. They would introduce category A gaming machines, too; the proposal was, and is, that each of the regional casinos should have 1,250 of them. There was a real fear that that would lead to an increase in problem gambling. The Government's problems on that score began when they ignored the recommendation in the report of my hon. Friend the Member for Ryedale (Mr. Greenway), who chaired the Joint Scrutiny Committee.

Initially, the Government had proposed no real limit on the number of regional casinos, but my hon. Friend's Committee came up with a sensible scheme, under which we would use an economic mechanism that would limit the number. The Government did not accept that recommendation, but instead, halfway through the passage of the Bill, they had to come up with a cap of eight casinos, which flew in the face of what they had previously argued. It was never entirely clear to us why the number should be eight. It was even less clear why, just a few weeks later, they came back with further caps of eight on the number of large casinos, and on the number of new small casinos. Certainly, in the case of regional casinos, we felt that the figure was too large and should be reduced. In the end, we argued that there should be just one, and the Secretary of State was forced to accept that position.

In arguing about where that one regional casino should be located, we were entirely happy to accept the Secretary of State's decision that the decision should be given to an advisory panel. However, we have always made it clear that we share the Joint Scrutiny Committee's view that the impact on problem gambling would be minimised if the location were a destination resort. We strongly supported the Committee's recommendation that the regional casino should not be located in close proximity to residential properties. At the time, we said that that should be the overriding consideration, and while we certainly were not in a position to say that it necessarily should go to Blackpool, we recognise the strength of the case that Blackpool made.

The Secretary of State said that no one objected to the panel's terms of reference, which is correct. However, they were extremely brief:

> "The criteria against which the panel will assess these submissions were set out in the government's national policy statement on casinos...The primary consideration will be to ensure that locations provide the best possible test of social impact."

As previous speakers have said, it was extremely unclear precisely what that meant, and the panel clearly had great difficulty interpreting what was meant by social impact. It was clear to us, however, that the national policy statement, which was issued when it was proposed that there should be eight regional casinos, rather than one, nevertheless set out at the very outset that the Government's first objective was to protect children and other vulnerable people from harm. It was not unreasonable to believe that that would be one of the guiding principles of the advisory panel's work.

We were therefore astonished—at least, I was certainly astonished—when the Secretary of State announced a few weeks ago that the panel had decided that the regional casino should be located in Manchester, as that plainly was an area in close proximity to residential properties. As I said at the time, I was even more astonished to find that the panel's report stated that

> "problem gambling is more a town planning consideration rather than one for us".

The hon. Member for Manchester, Central (Tony Lloyd) has sought to argue that Professor Crow has since said that he did accord importance to social impact and problem gambling when making his decision. However, the panel plainly states that it did not consider that that was a matter for it. Its interpretation of the test of social impact appears to have been to look at the various applications and decide which one was most likely to lead to an increase in problem gambling, and choose it, because it would offer the best test, which is an entirely perverse interpretation of the way in which most people thought that it would undertake its task.

When the Secretary of State wrote to Lord Filkin after the publication of the advisory panel's report, she stated that minimising harm from gambling was not "the primary consideration" that she set for the panel. That leads us to believe that the panel conducted its own inquiry in the light of its terms of reference, but that the Government set it terms of reference that excluded from consideration what we always believed to be the most important issue. On that basis, the panel's report is flawed, as the Government misled the panel about the issues and criteria that it should have used to make a judgment by excluding what we in the House had always considered to be the most important issue when determining the future location of any regional casino.

It is on that basis that I continue to believe that the recommendation is flawed. My hon. Friend the Member for East Devon has argued that we do not have a problem with the recommendation for the locations of the eight large casinos, or, indeed, for the eight small casinos. Certainly, it would have been preferable had the Secretary of State separated the two issues and put before the House two orders, so that the 16 locations that are likely to benefit from large or small casinos could proceed without being delayed while the matter was re-examined.

The location of a regional casino is extremely important. There is a real risk that if we get it wrong, that will lead to a significant increase in problem gambling, which is what we have always sought to avoid throughout the consideration of the legislation. If that risks exists, it is worth pausing, as my hon. Friend said, and referring the matter back to a Committee which can take account of the concern about problem gambling, rather than to the advisory panel, which seems to have excluded that issue from its consideration.

For that reason, I hope the House will vote not against Manchester, as some have suggested, but in line with the recommendation in the House of Lords that the matter should be referred back to a Scrutiny Committee. Whereas in the House of Lords it appears that the Government's belated acceptance of Baroness Golding's amendment will change nothing, the proposal should

[Mr. John Whittingdale]

be considered by a Scrutiny Committee, and the order should be laid and permission given only after that Committee has had a chance to report.

5.31 pm

Jeff Ennis (Barnsley, East and Mexborough) (Lab): I am grateful for the opportunity to participate in this important debate. Like every other speaker so far, I shall focus on the most controversial aspect of the order—the choice of Manchester before Blackpool in the Crow report. I was one of the serving members of the pre-legislative Joint Scrutiny Committee under the chairmanship of the hon. Member for Ryedale (Mr. Greenway). I found that a very positive experience. We should look to more pre-legislative Committees to pave a smooth way for Bills through the House. The Government should take heed of that.

The pre-legislative Scrutiny Committee went on a couple of site visits. One of the most interesting visits that we undertook was to Blackpool, and another was to Great Yarmouth, of course. In Blackpool we could see the commitment of the council and the people to a super-casino. As a member of the Education and Skills Committee, I was impressed by the range of vocational courses being provided by Blackpool further education college ahead of the possibility that the super-casino might be located in Blackpool. There were not only good catering courses, but courses to train croupiers and so on. That was extremely positive and I hope that that facility will be used anyway, no matter what the final location of the super-casino.

As well as examining the evidence, the Joint Scrutiny Committee considered the term "destination casino". Then we moved to "resort casino". I was quite happy with those definitions, but when we got to the definition of a "regional casino", I was less happy. I prefer the term "super-casino", as my hon. Friend the Member for Blackpool, North and Fleetwood (Mrs. Humble) suggested, to the title "regional casino". Many, if not all, Members of the Joint Committee supported the principle of a super-casino on the basis that it was a way of regenerating a town on the periphery of a region that had few alternative strategic options available to it from a regional perspective. In that regard, Blackpool would have been an ideal choice. Many, if not all, members of the Scrutiny Committee would agree.

Such a location would have the added bonus of potentially reducing significantly the possible social impact of problem gambling, because most people would have to travel some distance to visit the casino, rather than having it on their doorstep. The spin-off, in regeneration terms, would be the overnight stays that would result, providing a big multiplier effect in regeneration terms.

As a former leader of Barnsley council before I entered the House, I take a keen interest in regeneration. Barnsley and Doncaster—the other town that I serve—are examples of the city regions model that is being developed in all the regions, with the aim of successful regeneration. Barnsley, for example, is on the periphery of the Sheffield city region and the Leeds city region. It is always more difficult for towns in such peripheral locations—the Barnsleys and Blackpools of this world—to be regenerated as successfully as big city centres such as Sheffield, Leeds and Manchester.

In settling on Manchester, the Crow report placed too much emphasis on the need to be able to test the social impact of a super-casino, and not enough emphasis on regeneration factors and the multiplier effect that comes from choosing a location such as Blackpool. Paragraph 116 acknowledges that factor in relation to the Blackpool bid:

"The fact that most customers would come from outside Blackpool and have to travel would be a deterrent to ambient problem gambling. The proposed central location for the regional casino appears to us to be a good one for it, and conducive to local regeneration".

The super-casino represents a possible flagship regeneration project for a region. I would have thought that two of the major players in terms of regenerating a region would be its regional assembly and its development agency. Indeed, the report considers the opinions of those two main drivers of regeneration. Paragraph 110 says:

"The North West Regional Assembly supports the development of regional casinos in Blackpool, Manchester and Liverpool, with their preferred location for the single regional pilot being Blackpool."

Paragraph 111 states:

"The North West Regional Development Agency 'strongly supports' the Blackpool proposal on the basis that it 'would help to restructure a much less diversified and weaker economy than its nearest rival in consideration, Manchester'."

The Secretary of State said that we have to accept these recommendations en bloc. As a member of the Education and Skills Committee, I remember a guy called Sir Michael Tomlinson producing an excellent report on the future structures of the education system. The Government did not accept all the recommendations of that independent report, but cherry-picked. I would say to Ministers that we must be consistent as regards recommendations from the independent panels that we set up and ask for reports. We must accept their recommendations en bloc or cherry-pick—one or the other. We are not doing that at the moment.

For my part, I am going to be consistent. I have major problems with the way in which the order has been handled, and therefore with supporting it as it goes through the House.

5.39 pm

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): I want to keep my comments brief. Over the past few years, I have found myself coming down firmly against any further extension of gambling in this country. I set up an organisation called the Centre for Social Justice and I am now engaged with the social justice policy group, which has been taking evidence on this issue. We have commissioned an inquiry into gambling, which will report in May, but some of the early findings make very worrying reading, suggesting that problem gambling is to get worse and will be worsened by the current process.

I have great sympathy for those who have put in a bid, but speaking as a London MP, I can honestly say on record that I am extremely happy that London did not get any regional casino. Watching various

Members legitimately trading comments about which was the better city, one could begin to see how divisive the process has become.

One of the biggest and most worrying issues raised by our sub-group is the connection between debt and family break-up. I did not used to be so aware of it, but I am now, as the report shows that debt is the single biggest cause of family break-up. Family break-up in the United Kingdom is at record levels and when compared with every other country. We know that many of the problems in inner-city areas result from dysfunctional and broken homes and that one of the main drivers of debt is gambling, particularly among the lower socio-economic groups. I shall come back to that in a minute.

Putting aside my objections to the increase in gambling that this order will continue, I would have to say with respect to Members representing Manchester that if we had to locate a super-casino anywhere I cannot think of a worse place than Manchester. There are already a number of casinos—10, I believe—and I am not aware that they have contributed massively to regeneration in that city. Let me go through some of the relevant figures.

We know that Manchester has the highest number of robberies and the second highest level of vehicle crime among the four towns in the top 10 in that region. The same four make up one of the highest-crime cities. We know that 50 per cent. of the population are economically inactive and totally dependent on the state; that life expectancy for men is seven years less than the national average and four years less for women; that unemployment in the area where the casino is to be sited is 5.6 per cent. of the working age group compared with 2.8 per cent. in the country as a whole; and that 13.3 per cent. of the population of working age are on incapacity benefit compared to 4.5 per cent. in England and Wales as a whole.

I make those points because our findings have shown an intriguing and worrying feature: problem gambling and socio-economic disadvantage are hugely linked. The figures boil down to the following characteristics of a typical profile of a problem gambler: someone who is male; who has a parent who is or has been a problem gambler; who is separated, divorced or a product of a broken home; who is likely to be unemployed, in poor health and poor housing; and who has low educational qualifications. The order's objective is to place a super-casino right smack bang into an area inhabited by people with all those serious problems.

I simply cannot understand what this so-called independent committee was doing when it looked into the matter. It clearly failed to take into consideration any of those points. If we had spent a little longer and asked the many people who are now really worried about the increase in problem gambling in Britain, we might just have begun to realise the difficulties that are going to erupt as a result of the process.

We also know from the report that we are working on that there is a close correlation between problem gambling and other addictive activities such as drug and serious alcohol abuse. I remind the House that, right now, the UK is in the grip of an alcohol epidemic. We have a very high number of alcohol abusers and it is rising. We know that the connection between children who imbibe serious levels of alcohol—last year about 5 per cent. of children under 13 admitted to binge drinking once a month—and drug addiction is almost certain. We know that gambling, alcohol abuse and drug abuse are closely correlated.

I am particularly concerned about the sort of organisations that get involved in this level of gambling, and I must say to colleagues on both sides of the House that I cannot conceive of why we would want to get too close to many of them. The reality is, as we have seen from the behaviour of members of the Government, how insidiously corrupting so many of the people involved in this process ultimately become to those who are legitimately trying to seek some form of regeneration. We have seen that in relation to the proposals for the dome, and I guess that we shall see more of it as time goes on.

The connection between problem gambling and other addictions is deeply worrying. More worrying in regard to the report that we have produced is the way in which the most vulnerable, including the very young, are affected. The recent BMA report suggested that age is now a determining factor in this addiction. The group most likely to experience problems with casino-based gambling consists of single unemployed males under the age of 30. Adolescent gambling in the UK is also a grave issue for concern. We have not begun to tackle the problems surrounding internet gambling, even as we begin to expand the whole idea of gaming through these centres. The BMA report mentions a number of studies that identify a figure of between 5 and 6 per cent. of pathological gamblers among adolescent fruit machine gamblers, and states that that figure is three times higher than that identified elsewhere in the adult population.

I am now more opposed to this headlong rush into expanding gambling than ever before; I am very worried about it. Many decent, reasonable colleagues in the House are grasping at the idea of regeneration and at the huge promises that have been made, yet there is absolutely no evidence that these casinos will add anything constructive to the lives that people should and could be living, particularly in areas such as Manchester, which have serious levels of deprivation. Such a casino would be a disaster for that area. I wonder what has happened to us if we are genuinely considering regenerating and rebuilding our cities by placing this kind of nonsense in their midst to attract people into the most destructive behaviour in the most destructive areas. I shall vote against the order tonight because I now genuinely believe that this expansion is wrong in any cause.

5.47 pm

Mr. Anthony Wright (Great Yarmouth) (Lab): I want to return to the order before us today. This is not just about Manchester and Blackpool; it is also about the other 16 casinos—eight large and eight small. Great Yarmouth is to have one of the large ones, and I will certainly support the order.

Like many of my colleagues, I was a member of the pre-legislative scrutiny Committee, and I endorse the view of my hon. Friend the Member for Barnsley, East and Mexborough (Jeff Ennis) that it was a good experience of looking at legislation. I want to put on record that my concerns related to the fact that the Committee was looking at resort casinos. The view was held universally across the Committee that we expected that to be the

[Mr. Anthony Wright]

case. Contrary to the opinions expressed by Opposition Members, it was the pre-legislative scrutiny Committee that came forward with the proposal for the eight regional casinos, determined on a regional basis, that was put to the Government.

I want to talk about the positive aspects of the order, and about the opportunities that I envisage for constituencies such as Great Yarmouth. Regeneration is already taking place there on the basis that we have received the go-ahead for the casino and for a new harbour scheme. Other people are now investing in the town, and we can already see a great renaissance there, compared with 10 years ago. Huge amounts of regeneration money from the Government is supporting the private sector money that is coming into the town. We see the casino as an opportunity in that regard, but the bids that are coming in illustrate that this is not just about the casino; it is about the other facilities that will be added to those attractions.

On the Blackpool and Manchester issue, I have a great deal of respect and admiration for my hon. Friends the Members for Blackpool, North and Fleetwood (Mrs. Humble) and for Blackpool, South (Mr. Marsden). I understand their concerns and reservations about the order. I, too, would feel pretty aggrieved and I would certainly have wished the casino to have been in Blackpool. What I get annoyed about, however, is the political opportunism of the Opposition—certainly the official Opposition. They see an opportunity to give the Government a bloody nose. What they will actually do, however, is delay at best, and scupper at worst, the chances of others towns such as Great Yarmouth.

It is great that the Opposition have had yet another change of heart. The right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) has indicated his opposition to gambling as a whole. I would therefore question the Conservative party's acceptance in 2001 of £5 million from Stuart Wheeler of IG Index. Given the Conservatives' new view, perhaps they will donate that £5 million to the Responsibility in Gambling Trust, run and chaired by the hon. Member for Ryedale (Mr. Greenway). Once again, double standards are being seen in the Chamber. I would like to think that Members would support the order, and accept the proposals considered by the other place to set up an independent committee to consider such matters in future.

I reiterate that if the order is voted down, there is no surety that it will come back to the House. If we consider the previous initial evaluation, and the points awarded, we see that Great Yarmouth was awarded 54 points, Manchester 57 points and Blackpool 65 points. In the final evaluation, however, Great Yarmouth was pushed to the side to top the large casino ratings, while Blackpool was overtaken by Manchester. A number of other towns and cities up and down the country also had a different initial evaluation. Canterbury, for instance, initially received 51 points in the large and small casino ratings, but got nothing in the second evaluation. What would stop those towns and cities challenging the premise that towns such as Great Yarmouth were above them in the ratings? That question suggests to me that rejecting the order at this stage would set a dangerous precedent.

I say to my hon. Friend the Member for Blackpool, North and Fleetwood that I support the view that Blackpool would have been the best choice. Perhaps I say that because I also represent a seaside resort, but the evidence taken by the Joint Committee of which I was a member also supported that view. Although she will understand the reasons why I cannot vote with her tonight, I am sure that Blackpool will come back from this and still be one of the top holiday destinations in the UK.

5.53 pm

Mr. John Greenway (Ryedale) (Con): It is a great pleasure to follow the hon. Member for Great Yarmouth (Mr. Wright), who was a distinguished member of the Joint Committee. As Great Yarmouth has been allocated a large casino, I can understand that he wants to see that development go ahead. I remember the visit to his constituency.

I must confess, however, that I am disappointed and somewhat dismayed at the direction that policy on casinos has taken. It was my wish that the publication of two unanimous reports by the Joint Committee, on both the Bill and casinos, would enable both Houses to proceed with the implementation of the Gambling Act 2005 by consensus. If we are to have a policy that will last for 40 years, as the previous one has done, genuine cross-party agreement is critical.

It is also important to understand that today's vote is not a rerun of the vote for or against the Act, but simply a vote on the order, and on whether we yet have sufficient information on which to make a judgment about the panel's selection. Some of us have been dealing with this matter for more than five years. The Minister for Sport and I probably agree about the need for closure: this issue has gone on long enough, and it is time for us to draw a line under it. I have spent most of the past five or six weeks suggesting that that is what we should do.

However, I must make some criticism of my party. It was a huge mistake to insist on having just one pilot regional casino. I do not see how a research project, as recommended by the panel, can have only one pilot. The tensions that exist now stem from that judgment. There was an opportunity to have more than one regional casino, but the House seems to lack the necessary courage.

I hear what my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith) says, and there are clear objections to expanding gambling in any way. However, resort-type destination casinos have been developed in other jurisdictions, and it is clear that we have missed a golden opportunity to regenerate places such as Blackpool, Cardiff and Glasgow, all of which were big bidders for the one available licence.

I accept that problem gambling is an issue, and I shall say a little more about it later in my speech. The Minister and I get on extremely well, having worked together on many matters involving gambling and sport, but alarm bells rang loudly in my mind when I read the Merits Committee report. There is an obvious tension between ensuring that the statutory objective to

protect children and the vulnerable was paramount in the panel's recommendations, and the panel members' apparent belief that they had to recommend a location that would provide a strong test of social impact. They interpreted that to mean that they could measure the problem gambling that resulted from establishing the casino. That complete contradiction flies in the face of what we have tried to do in promoting the Gambling Act 2005.

That was of real concern to the Joint Scrutiny Committee, which recommended that the super-casino should be a resort destination casino drawing its clientele from an extremely wide area and providing a national—or, indeed, international—attraction. As a result, in our casino report published in July 2004, we recommended that the generic term of reference "regional casino" should be dropped and that the casinos should be called "destination resort casinos".

At the time, that suggestion was dismissed perfunctorily by an official of the Department for Culture, Media and Sport. I am not even sure the extent to which Ministers considered it but, given that the Crow panel has said that a destination casino could not provide a social impact test, it seems to me that by calling them "destination resort casinos" from the start we could have avoided the problem that we have now.

I make no judgment about the competing claims of all the possible locations for the regional casino. I am not looking for more work, but I am pleased and relieved that the Secretary of State has said that she is willing to reconvene a Committee. I may not be invited to be a member, but there needs to be a bit more clarity about what the Committee would be asked to do. What are the terms of reference? How will they be determined? Tony Banks, who died, and Richard Page, who retired, were members of the previous Committee. I am sure that we could fill those vacancies—the enthusiasm that the debate has revealed for the topic suggests that there would be several volunteers. However, if we reconsider the matter, I cannot believe that we would expect to settle the issue by simply having one regional casino.

If the order is approved as it stands, we should realise that we would approve a location in Manchester, where, according to the panel's admission, there is a risk—some would say a serious risk—of problem gambling. My concern is that that is the opposite of the statutory objective to protect children and the vulnerable.

The tax rate of 50 per cent. that the Chancellor announced last week calls the regeneration opportunity into question. The Joint Committee constantly asked what the tax rate was likely to be. It is critical in the equation for whether such projects make sense. The tax rate is bound to have an impact on what can be done in some of the small and large casino locations.

A couple of colleagues referred to the fact that I chair the Responsibility in Gambling Trust. One of the issues that weighs heavily on colleagues' minds when considering whether to support the order is the potential for increased problem gambling. The trust has made huge strides in the past year since I became chairman in commissioning education, public awareness, research and treatment projects relating to gambling addiction. Time does not allow me to say much more about it, but I promise hon. Members that they need have no concern about the provision of help through counselling services, public information and education for the people who patronise the new casinos. We have achieved £3 million funding in the current year and we have been promised £4 million and £5 million from the industry for the next two years as a result of a seminar that the Minister kindly addressed. I am optimistic about the future, although I am sure that the tax rates that the Chancellor announced will create some difficulty in our funding.

With a heavy heart, I believe that we need to examine the panel's comments more closely before we can conclude the matter. I hope that the reconvened Committee, which the Secretary of State announced, will enable us to do that and devise the right recommendation. If there is to be only one regional casino for the whole of the time that most of us are in Parliament—that is a considerable time for most hon. Members present; I have been here for 20 years and will probably not stand next time—we must make the right decision. What is wrong with taking a little longer to ensure that we get it right?

If any colleagues put any constituents whom they know to have gambling problems in touch with the trust, we will do our best to help them.

6.3 pm

Mr. Gordon Marsden (Blackpool, South) (Lab): When I was a child in the 1960s, my parents used to take me to Blackpool, where trains arrived at the old central station every three or four minutes and when Blackpool could still attract the cream of stage, screen, TV and radio at the north pier shows and throughout the constituency. That was the golden age—if there was ever one—of the British seaside. However, like so many other seaside towns, Blackpool—perhaps more than others because we were always the biggest and, we argued, the best—suffered from slow decline and the gradual change in the structure of holidays.

Dean Acheson once said of Britain after Suez that it had lost an empire and not yet found a role. Much of that truth is embodied in the predicament of British seaside towns today. The report that the Select Committee on Communities and Local Government, which my hon. Friend the Member for Milton Keynes, South-West (Dr. Starkey) chairs, recently produced on coastal and seaside towns provides eloquent testimony to that. It also eloquently outlines some of the resolutions that I and other hon. Members who represent seaside towns, including my hon. Friend the Member for Blackpool, North and Fleetwood (Mrs. Humble), who spoke so valiantly earlier, urged on the Government.

That is why, for the past six or seven years, Blackpool has put all its feelings and every sinew behind the proposal for a resort casino. We did that not because we believed the insulting words of Professor Crow that it was a hand-out or a cure-all that would be dropped into our laps, but because we saw it as a catalyst. The mayor of Blackpool wrote only this week

> "Blackpool's proposals for its regional Casino would bring an estimated 2500-3400 jobs and £200-450m of capital investment associated conference/exhibition; leisure...and hotel uses in a small economy."

With all due respect to my hon. Friends from Manchester, I have to repeat what the mayor went on to say:

[Mr. Gordon Marsden]

"Manchester's bid anticipates only 2,700 jobs...in a much larger economy with many alternative drivers for regeneration."

That is the key. The regeneration and job-creation boost in Blackpool would be proportionately much greater than in Manchester. That was one of the factors about which the House of Lords Merits Committee specifically talked about. There we have it. That was our pitch. Of course, any panel was bound to disappoint someone. Of course, as Blackpool MPs, my hon. Friend the Member for Blackpool, North and Fleetwood and I spoke up for our constituencies. How could we not have spoken up for the people of Blackpool who have given such tremendous support to the bid over the past six to seven years?

There were 11,500 signatures on the petition. Those were from people not just in Blackpool, but across the north-west. My hon. Friend the Member for Manchester, Blackley (Graham Stringer) is entering the Chamber. May I say that 400 people from Manchester signed it? The reason was that they saw the Blackpool bid as a bid for the whole of the north-west. Obviously, we were going to be disappointed whatever happened. However, what has fuelled the anger, the sheer determination and the dogged persistence since 30 January in this House, in Blackpool and in the north-west, has been the lack of coherence and accountability that went with the process and with Professor Crow's report. From the moment it was announced, there was criticism that the various elements of it did not add up. Crow failed to make himself available to a press conference. My hon. Friend the Member for Blackpool, North and Fleetwood has already referred to his sneering remarks about managed decline. I sometimes wonder whether there may not be an afterlife for Professor Crow as a motivational speaker somewhere. I do not think that Churchill in 1940 or Mrs. Thatcher in the Falklands in 1982 would have thanked him for his observations.

We hoped that we could turn to the Department for a review, but we could not. Why not? Because there had been no detailed scrutiny of the measure. The Secretary of State brought the measure and the panel's recommendations to the House six and a half hours after that report was received and said that she was minded to accept it. In a subsequent meeting, Members of both Houses, including members of the Joint Scrutiny Committee, who did such an excellent and eloquent job, asked her to review the situation before laying the order. She did not. It was left to the Merits Committee to drag a reluctant Professor Crow to the House of Lords, where the Committee echoed all the misgivings that had been put to it already.

In a letter to their colleagues about the matter, Baroness Golding and Lord Lipsey said that it was a case of "sentence first, verdict afterwards". Indeed, the Merits Committee brought out strongly how that had happened. It said about Professor Crow and the regional casino that a number of respondents said that

"to minimise the opportunity for 'casual' problem gambling the regional casino should not be located in close proximity to residential properties."

That was supported by Professor Collins' memorandum, which stated:

"an increase in problem gambling is likely to be inhibited...if casinos are located where they are unlikely to encourage people to gamble on impulse."

The Merits Committee pointed out the lack of experience of members of the panel in the effects of social impact and regeneration. It said that in essence the panel was selecting candidates for research projects, and then said:

"The House may wish to assess whether the...needs of the...process may have over-dominated the Panel's recommendations to the exclusion of more common sense issues of where there would be least harm or where the regenerative power of a regional casino might matter most."

Finally, it said:

"The Panel's interpretation of their sift criteria did not give high priority to the prevention of harmful effects to the community from gambling."

In effect, the Merits Committee shredded Professor Crow's report, but with an elegant turn of phrase, as is the case in the House of Lords. It said at the end that it drew the order to special attention of the House on the ground that it gives rise to issues of public policy likely to be of interest to the House and

"may imperfectly achieve its policy objectives."

When I read that I was reminded of the famous remarks of Emperor Hirohito when he had to go on radio at the end of the second world war to announce the defeat of Japan and said that the turn of events had not necessarily turned out to Japan's advantage. That was the basis on which the House of Lords talked about Professor Crow's report.

We hoped that there would be scrutiny in the form of discussion between the Department and the panel during this period, but in all the written questions that I have put to the Department on the issue I have seen no evidence of that. Indeed, the written responses glorify in the fact that there was very little communication between the Department and Professor Crow's panel, either before or after. Yesterday, in reply to a question asking how the panel reached its definition of social impact and what discussion there had been, I was told that there had been no discussion between the Department and the chairman of the CAP since the publication of the panel's report on 30 January. Does that mean that the DCMS was entirely satisfied with the process that the House of Lords Committee had said was narrow and flawed, or does it mean that it was so entirely hands-off that it abdicated all responsibility for the process?

Professor Crow's report rejected all the advice of regional planners, all the implications, all the matters that my hon. Friend the Member for Blackpool, North and Fleetwood referred to from the regional assembly and the regional development agency. This was at a time when the regional spatial strategy had been a key part of the DCMS's original strategy. It was one of the matters that dictated the timetable for this.

This is not just a Blackpool matter; it is a north-west matter. We in the north-west have all worked together on this. It is not an anti-Manchester matter at all. I rejoiced when Manchester got the Commonwealth games and did such a fantastic job with them. My hon. Friend and I, as secretaries of a departmental Committee, wrote a strong letter to the chief executive of the BBC urging that it should move to Manchester and Salford, so let it not be said that this is an anti-Manchester thing. We did not see this as a parochial decision. But if, on the basis of this precedent, independent planners are allowed to drive a coach and horses through the planning

recommendations in regions, what does that do for the process of regeneration and for regional strategies?

All along, I believe that those of us who have been concerned about the order have tried to put forward alternatives. I have no desire to block large and small casinos and they would have to be reconsidered, as has already been said, in any order that came back. We suggested splitting the order. None of this has been properly taken on board. I have better reason than most in the House to know that the Secretary of State has worked hard over a long time to try to accommodate all the various elements of the twists and turns of the process. However, I say to her very gently this evening, as was said in the House about a Minister on another occasion in 1940, that she must not allow herself to be turned into an air raid shelter to shield the bad advice and incoherence of officials, advisers and unelected planners.

That brings us to the heart of things. The reason why the debate has taken off is not just the fair play issues and affection for Blackpool, but that the matter goes to the heart of Government and parliamentary process, and is a key question for us as Members and Ministers. We have always had advisory panels—good and bad—and the Government do not have to accept their recommendations, as we saw only last week with the recommendations in the Lyons report on the bed tax. The debate has generated such concern because it taps into a vein of feeling across the House—that we are in danger of acting as technocrats and not as politicians or representatives. It gives me no pleasure this evening to point that out to the Secretary of State and to Ministers—nevertheless, it has to be said. I and many of my colleagues who have grave doubts about the process do not believe that the order or the recommendations of Professor Crow represent either our party policy or Government policy on the issue.

A few days after the decision was made Steve Richards wrote about its implications in *The Independent*. He did not talk about the rights and wrongs of the Blackpool case, but about the process. He said:

"My concern is with the way decisions are made and who is held to account. Here was a classic example of an increasingly common phenomenon in which politicians are accountable despite having given their powers away to an anonymous panel."

That is deeply and grossly unfair to my right hon. Friend the Secretary of State. It is her Department and her Ministers who have been receiving the anger of my constituents—not Professor Crow, who has gone back to the anonymity from which some of us thought he originally came. In those circumstances, it is right for me to say that I am genuinely grateful to my right hon. Friend for everything she has tried to do to accommodate the concerns of Blackpool and of people who are anxious about the process.

I welcome the fact that there will be some form of scrutiny process, which was one of our central demands. However, as we have heard, that is something for tomorrow. I am talking about something for today—something that reflects on what has brought us to today. Ministers are not in this place simply to be messengers or rubber stamps, nor are we. I am grateful to the Secretary of State and to our Chief Whip for giving us time to debate the order properly, albeit not as lengthily as we wanted, but I am in no doubt about where my duty to my Blackpool constituents lies—it is to continue to stress my strong concern about the way in which the order was tabled.

Parliament will decide. The Secretary of State has said that. Let us take her at her word and send back the order, and in doing so exert the power and reputation of the House to do the job for which we were sent here.

DEFERRED DIVISIONS

Mr. Deputy Speaker (Sir Alan Haselhurst): I now have to announce the result of the deferred Divisions.

On the motion on immigration, the Ayes were 342, the Noes were 49, so the motion was agreed to.

On the motion on immigration and nationality, the Ayes were 366, the Noes were 54, so the motion was agreed to.

[The Division Lists will be published at the end of today's debates.]

6.19 pm

Anne Milton (Guildford) (Con): This has been at times a passionate debate, with heartfelt contributions from both sides of the House. I am sure that over the past few weeks many hon. Members—like me—will have been bombarded by letters, reports and e-mails from Manchester, Blackpool and a whole host of organisations that are lobbying for and against different locations. However, the debate tonight is not about one location or the other; it is about getting the right decision. It is about Parliament getting the right decision and having the opportunity for full and proper scrutiny of the casino advisory panel's recommendations.

There is one sentence in the Lords Committee report that resonates not only around the House, but among the many organisations that have concerns about gambling. The report states:

"Adding maximisation of profit into the consideration...seemed to have a greater weight on the Panel's recommendations than minimisation of harm."

The Government cannot feel comfortable reading those words when reducing harm and protecting the vulnerable were a crucial element of the Gambling Act 2005 and central to their aims.

We heard a number of contributions. In his opening remarks, my hon. Friend the Member for East Devon (Mr. Swire) raised the interpretation of the casino advisory panel remit, the concerns of the Church, the uncertainty of the outcome of the regional casino in terms of regeneration and social impact, the casino advisory panel methodology and the changing and shifting of the criteria as the process went on.

The hon. Member for Bath (Mr. Foster) raised issues about the Secretary of State's last minute offers to her Back Benchers. Those offers do nothing to address the issues relating to the scrutiny of the order. He also spelled out the fact that, despite the Government's intentions to try to do something about the huge concerns over remote and internet gambling—I have heard Ministers address this matter before—clearly we still have no progress on that. Indeed, it is going to be difficult for any Government to do anything about remote or internet gambling.

We heard from my hon. Friend the Member for Maldon and East Chelmsford (Mr. Whittingdale), who

[Anne Milton]

has spent a considerable amount of time on the issue. He pointed out that the Government's problems began some years ago. There is a sense that, because the issue has gone on for years, the Government simply want the decision over and done with, thus denying Parliament the opportunity for proper scrutiny.

The hon. Member for Barnsley, East and Mexborough (Jeff Ennis) spoke highly of the pre-legislative scrutiny process but said, with some sorrow, that he could not support his Government tonight. He was joined by the hon. Member for Great Yarmouth (Mr. Wright) and my hon. Friend the Member for Ryedale (Mr. Greenway), who added their considerable insight to the debate. My hon. Friend pointed out the important difference between a destination casino and a casino that relies on ambient gambling, and the important difference in the impact that they have on local people and on the harm that gambling can do. My hon. Friend the Member for Ribble Valley (Mr. Evans) pointed out early on that the Secretary of State had a choice tonight: she could have split the order.

The hon. Members for Blackpool, North and Fleetwood (Mrs. Humble) and for Blackpool, South (Mr. Marsden) delivered particularly passionate speeches, endorsing the message that we have heard from both sides of the House, which is "stop and look again". The comments made by the hon. Member for Blackpool, North and Fleetwood were particularly fair and measured, bearing in mind her interest in a casino for Blackpool. She asked only for proper scrutiny, as she went to some lengths to explain. I am not quite sure what the Government Whips were promising her during the debate, but good for her for sticking to her guns, not just for her local constituents, but for Parliament. In contrast, the hon. Member for Manchester, Central (Tony Lloyd) persisted in telling us about Manchester's needs. The debate this afternoon is not about the needs of the people of Manchester; it is about—I say it again—proper parliamentary scrutiny.

My right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith) rightly pointed out that there is some uncertainty—*[Interruption.]*

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. Lady, but the sedentary comments that are being made across the House are not helpful.

Anne Milton: Thank you, Mr. Deputy Speaker.

My right hon. Friend the Member for Chingford and Woodford Green pointed out that there is no certainty about the regenerative benefits. Indeed, that is why we are having a pilot—if we knew the answer, we would not have the pilot. My right hon. Friend has done a considerable amount of work on the impact of gambling on debt and family breakdown. It would be wise for hon. Members on both sides of the House to take note of the fact that there is a paucity of evidence about the regenerative benefits of casinos.

Mr. Wallace: A charge has been made that we are taking opportunistic action tonight. Many Conservative and Liberal Democrat Members might well be voting against an order that would give them a casino in their constituencies, but surely that is not opportunistic at all.

Anne Milton: My hon. Friend makes an important point. It is easy for Ministers to point the finger and say that we are being politically opportunistic. That does not hold any water, given what their Back Benchers are saying. Ministers should listen to what their Back Benchers are saying; they are simply asking for proper parliamentary scrutiny.

Tony Lloyd: To dispel once and for all the charge of opportunism, will the hon. Lady tell the House why the shadow Chancellor recommended Manchester as being the right bid, yet the shadow Cabinet changed its mind?

Anne Milton: I am not aware of the shadow Chancellor recommending anything. None of us is recommending anything. We are simply asking the Government to stop. What on earth is the rush? The Government have spent so long considering this issue that I fail to understand why they need to rush ahead now. If they were intent on listening to Parliament, they would listen to what they have heard tonight and in the previous few weeks: Parliament wants more time. There is no reason at all why they should not give Parliament more time. The Secretary of State and her Ministers could then be satisfied that Parliament had scrutinised the matter and that the decision was robust. Hon. Members, not least Labour Back Benchers, would then be a great deal happier.

I urge right hon. and hon. Members, especially those who signed the early-day motion calling for more scrutiny, to vote against the order. Nothing that has been said in the debate has given any Member who signed the early-day motion a reason to change their mind.

I reiterate that this is not about Blackpool or Manchester. It is not about the Secretary of State, or about voting with or against the Government. This is about Parliament. It is through us that Parliament can make the right decision that is based on proper scrutiny. We are in uncharted territory in which we face massive changes to gambling legislation, as the Government would admit. We will not and cannot support the order. I urge hon. Members on both sides of the House, especially Labour Members, to join us in doing what is, without doubt, the right thing and give us proper parliamentary scrutiny.

6.28 pm

The Minister for Sport (Mr. Richard Caborn): I thank my hon. Friends and Opposition Members for their contributions. Many of my hon. Friends at least addressed the order that we are considering. My hon. Friends the Members for Barnsley, East and Mexborough (Jeff Ennis) and for Great Yarmouth (Mr. Wright), who served on the Joint Scrutiny Committee, made valid contributions, as did the hon. Member for Ryedale (Mr. Greenway), who ably chaired that Committee. Indeed, he guided much of our debate in the Standing Committee. Opposition Members' speeches sounded more like those delivered on Second Reading of the Gambling Bill—tomorrow's *Hansard* will certainly show that to be true of the speech by the hon. Member for Bath (Mr. Foster).

I should point out to the hon. Member for North Devon—[Hon. Members: "East Devon."] I am sorry, I did not mean to inflict anyone on North Devon. I

should remind the hon. Member for East Devon that the Gambling Bill reached the statute book in April 2005—*[Interruption.]* Well, I did not know from his contribution whether the hon. Gentleman understood that the Bill had reached the statute book in 2005. It will become fully operational on 1 September this year, which is why the Executive will have the powers to intervene in internet gambling, which we did not have—*[Interruption.]* No, that is not the subject of the debate, but at the heart of the Gambling Act was the need to protect the vulnerable—*[Interruption.]* I am answering the claims made by the hon. Gentleman. The aims were to keep gambling crime free and allow fair betting. For the first time, those aims were on the face of a Bill on gambling.

Why did we set up the casino advisory panel? Some Members have very short memories. I remember Opposition Members accusing the Deputy Prime Minister of fixing the decision and claiming that the dome would be the super-casino. I remember the hon. Member for East Devon saying in the House that the Deputy Prime Minister, following his visit to the United States, was fixing the decision. My hon. Friend the Member for Blackpool, South (Mr. Marsden) was accused of fixing, as was I, and my hon. Friend and I never met the panel so that we could never be accused of influencing it. The panel was given clear terms of reference.

When members of the public are called on to serve in public office, to attack their integrity is—

Mr. Swire: That is outrageous.

Mr. Caborn: I think it is outrageous to attack their integrity. Professor Crow's integrity has been attacked this afternoon, and I think that is disgraceful. The panel took evidence around the country for 16 months, in every area in which there was to be a casino, whereas the Committee in the other place took 16 hours. The arguments against the order have been predicated on a report of a Committee that interviewed two witnesses for 16 hours. I suggest that the hon. Gentleman read the 150 pages of written evidence to the Committee, because he would find that different views were expressed.

My right hon. Friend the Secretary of State said earlier that this had been a transparent and open process delivered by a panel of professionals. When she made a statement to the House some eight weeks ago on the issue, the hon. Member for East Devon said

"I thank the right hon. Lady for giving me advance sight of her statement, and I add my congratulations to Manchester on its success in securing the proposed regional casino. I and my party hope that that will bring the promised regeneration to that great city in the north-west. We also congratulate all the other successful bidding authorities."—[*Official Report*, 30 January 2007; Vol. 456, c. 87.]

Mr. Wallace: Will the Minister give way?

Mr. Caborn: No, I will not.

The right hon. Member for Witney (Mr. Cameron), the Leader of the Opposition, chimed in:

"It was the right decision that it went to the north and actually is going to have a regeneration impact. I've nothing against Greenwich at all, but, after all London did get the Olympics, and so I think that Manchester or Blackpool probably made more sense."

[Hon. Members: "Or Blackpool."] Well, at least I give the full quotations: some people do not.

On the podcast from the Greater Manchester chamber of commerce, we come to the crème de la crème: the shadow Minister for Manchester. [Hon. Members: "Who is that?] It is the hon. Member for Tatton (Mr. Osborne), the shadow Chancellor of the Exchequer. He said:

"There is clear evidence that it would bring in revenues and so on and could along with other things"

regenerate the east end of Manchester. He went on to say:

"I am delighted that Manchester won the competition."

Several weeks ago, three senior Opposition Members welcomed everything in the report. What do they then do? They come back and predicate an argument on a Committee that met in the House of Lords for 16 hours.

Mr. John Leech (Manchester, Withington) (LD): Does the Minister accept that some of us in this Chamber expressed concern about the decision that was made and the report given by the Secretary of State? Some of us oppose the Government not on the grounds of opportunism, but because we think that a casino in a residential area is inappropriate.

Mr. Caborn: The hon. Gentleman simply does not understand what the casino panel was doing. Contrary to what the hon. Member for East Devon has been saying, in paragraph 84 of its report the panel said of its remit:

"Moreover, we note that the 2005 Act",

which does not seem to have been referred to tonight,

"sets out 'licensing objectives' related to preventing crime and disorder and the protection of children and young persons from harm. Not only are these considerations implicit therefore in providing the best test of social impact, but are also essential considerations regarding regeneration as we see it."

That is what the Crow report clearly stated about its terms of reference. The panel, as it was asked, reflected the fact that the body that will police the 2005 Act, in which those basic principles are implicit, is the Gambling Commission. It is the commission that will take that responsibility.

Mr. Wallace: Will the Minister give way?

Mr. Caborn: No, I will not.

Let me go back to what happened eight weeks ago, when we heard three of the most senior Opposition Members welcome the report. Last Friday, my right hon. Friend the Secretary of State, who happened to be working in New York, got a telephone call from the hon. Member for East Devon, in which he said "We have changed our minds. Why have we done that? Because the boss has told me to change my mind." The shadow Chancellor is running around and telling Manchester, "I'm very sorry indeed; I've got to change my mind." I have never seen such inconsistency, and these people are asking to be elected to government. They cannot even sort anything out in eight weeks.

[Mr. Caborn]

Quite honestly, I think that the hon. Member for East Devon has spent 50 per cent. of his time trying to dig himself out of a hole that he dug in his comments on 30 January. Does he want me to give way? I am offering to do so. I think that he has been trying to justify his actions.

Mr. Wallace: Will the Minister give way?

Hon. Members: Give way!

Mr. Caborn: Only to the organ grinder.

Mr. Swire: If we are revealing conversations between a Minister and a shadow Minister, I think that it is only fair that I should reveal that in a previous conversation, the Secretary of State was all for letting her right hon. Friend the Minister conduct this entire debate, because she was so terrified that she was being hung out to dry by her Back Benchers.

Mr. Caborn: There are many things that the hon. Gentleman can accuse my right hon. Friend of, but running away from the Dispatch Box is not one of them. I can tell him that anybody who has got to work with my right hon. Friend knows that she does not run away from problems—far from it. In fact, she has created a few problems for me from time to time, if I may say so.

Let me return to some of the questions that were raised. On destination casinos, I remind the hon. Member for Ryedale of what he said in his report:

"The Committee is minded to suggest that the term leisure destination casino more suitably describes the Government's proposals and reflects the Committee's thinking."

That is important, because there has been an argument about destination casinos. We worked in conjunction with the Joint Scrutiny Committee. I believe that we worked in concert, and that is why we got ourselves to this position. Nobody can deny that Manchester is a destination. It is the third most popular destination for inward-bound traffic in the United Kingdom, behind London and Edinburgh. In that sense, we worked with the Committee, and we were right to do so.

I say to my hon. Friends that I have seen some political opportunism in my years in the House, but going into the No Lobby tonight would underline the position of a not only opportunistic, but unprincipled and tarnished Opposition who have used one of the best manoeuvres that I have seen in the House in many years. I ask my hon. Friends not to give that lot credibility by going into the No Lobby tonight, as the Opposition will do so out of nothing more than political opportunism. I ask my hon. Friends please to think again. We should remember what three of the most senior members of the Opposition said several weeks ago. They have reversed that opinion and have produced a piece of political opportunism. I say one word to my hon. Friends: principles. I ask them to vote for the order.

Question put:—

The House proceeded to a Division.

Mr. Deputy Speaker: I ask the Serjeant at Arms to investigate the delay in the Aye Lobby.

The House having divided: Ayes 274, Noes 250.

Division No. 088] **[6.41 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blair, rh Mr. Tony
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davies, Mr. Dai
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Etherington, Bill
Farrelly, Paul
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hope, Phil
Howarth, rh Mr. George
Hughes, rh Beverley
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald

Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marshall, Mr. David
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prescott, rh Mr. John
Prosser, Gwyn
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, rh Jacqui
Snelgrove, Anne
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Vis, Dr. Rudi
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Claire Ward and Jonathan Shaw

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burgon, Colin
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Cameron, rh Mr. David
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Corbyn, Jeremy
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dobson, rh Frank
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Dunwoody, Mrs. Gwyneth
Ellwood, Mr. Tobias
Ennis, Jeff
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, rh Mr. Frank
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Galloway, Mr. George
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Grogan, Mr. John
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Hemming, John
Hendry, Charles
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Hopkins, Kelvin
Howarth, David
Howarth, Mr. Gerald
Hoyle, Mr. Lindsay
Hughes, Simon
Huhne, Chris
Humble, Mrs. Joan
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, Mr. Boris
Jones, Helen
Kawczynski, Daniel
Kennedy, rh Mr. Charles
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Marsden, Mr. Gordon
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McDonnell, John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Mulholland, Greg
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Oaten, Mr. Mark

Öpik, Lembit
Osborne, Mr. George
Paice, Mr. James
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prentice, Mr. Gordon
Price, Adam
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Mr. Dan
Rooney, Mr. Terry
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Simmonds, Mark
Simpson, Alan
Simpson, David
Simpson, Mr. Keith
Smith, Geraldine
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Mrs. Betty
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Noes:
Mr. Crispin Blunt and
Mr. Mark Lancaster

Question accordingly agreed to.

Resolved,

That the draft Gambling (Geographical Distribution of Casino Premises Licences) Order 2007, which was laid before this House on 1st March, be approved.

Mr. Swire: On a point of order, Mr. Deputy Speaker. We have just had news from the other place that the Lib Dem amendment has been voted for, so the Government do not have the confirmation that they need in both Houses. Would it be appropriate for the Secretary of State now to make an announcement about what she intends to do?

Tessa Jowell: Further to that point of order, Mr. Deputy Speaker. The order has been carried in this elected House, but we understand that it has been lost by a small majority on a fatal amendment tabled by the Opposition in the other place. Obviously Ministers will want to reflect on the outcome of that vote and to come back to this elected House in due course with proposals for taking this policy forward and ensuring that the important objectives of this legislation are delivered.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. We cannot have a debate on a matter that has just been debated in this House. This House has made its decision; the other place has made a decision that has nothing directly to do with us. The Secretary of State has responded to a point of order in a way that I would hope is helpful to the House.

Several hon. Members *rose—*

Mr. Deputy Speaker: I will allow a point of order from the hon. Member for Bath (Mr. Foster) as he has some connection with this, but we will not have a general debate.

Mr. Don Foster (Bath) (LD): I am extremely grateful, Mr. Deputy Speaker. The amendment that was successful in another place was in the name of my hon. Friend Lord Clement-Jones. It required the separation of the order that was before us into two halves so that some of it could go forward—

Mr. Deputy Speaker: Order. I was trying to give the hon. Gentleman some latitude, but I am afraid that he has abused it. That is not a point of order.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. I do not believe that there can be any further debate on this matter. It is not now a matter for this House—it is for the Government to reflect on what has happened. The House must await an announcement, which the Secretary of Secretary has undertaken to give. I believe that a line has to be drawn under the matter at this stage.

PETITIONS

St. George's Hospital

6.59 pm

Mr. Lee Scott (Ilford, North) (Con): I have a petition signed by 5,122 of my constituents. It is supported by the Government Member in my neighbouring constituency as well as me and the local newspaper, the *Ilford Recorder.*

The petition states:

The petition of the residents of Ilford North.

Declares that we, the undersigned, being residents of Ilford North, deplore the consideration being given to the reduction of services at, or the closure of, King George's hospital.

The King George's hospital provides vital medical facilities for Redbridge residents. Any cutting of services runs the risk of putting lives at risk and leaving vast numbers of residents without local medical attention.

The Petitioners therefore request that the House of Commons takes a note of their objection to the reduction of services and the possible closure of King George's hospital and ask the Government to act accordingly.

The Petitioners, as in duty bound, will ever pray.

To lie upon the Table.

Wharfedale Hospital, Otley

7.1 pm

Greg Mulholland (Leeds, North-West) (LD): I wish to present a petition on behalf of 5,029 people who are concerned about the future of services at Wharfedale hospital in Otley.

The petition states:

To the House of Commons,

The Petition of residents of Otley and Wharfedale, the surrounding area, and others

Declares the petitioners' serious concerns about the future of the Wharfedale Hospital and services at that hospital, following the sudden closure of Ward One at the Wharfedale.

The Petitioners therefore request that the House of Commons urges the Secretary of State for Health to use her powers to prevent any further cutting of services at the Wharfedale Hospital and calls upon her to provide assurances that the future of the hospital is secure.

And the Petitioners remain, etc.,

To lie upon the Table.

Harthill School

7.2 pm

Mr. Stephen O'Brien (Eddisbury) (Con): Nestling in the hills of Cheshire's spectacular mid-Cheshire sandstone ridge in my constituency is the vibrant community of Harthill and its surrounding villages. It has a wonderful local school. Under a programme called TLC—a misnomer, as it is anything but tender loving care; it is the transforming learning communities programme of the local education authority—the school is trying to meet the surplus places requirements of the Government's ill thought through strategy, which is putting at threat an absolutely outstanding school.

The petition of more than 840 residents of Harthill and the neighbouring villages—almost 100 per cent. of the people eligible to sign—states:

The Petition of the residents of Harthill and neighbouring villages declares that the decision of Cheshire County Council to consider the closure of Harthill School is wrong and that by doing so the Council would deprive the community of a viable and much valued and high achieving educational and community asset whilst giving rise to overcrowding in schools in surrounding areas. This is at odds with the commitments made by the Department for Education and Skills to seek to 'strengthen the place of schools at the heart of their communities', and the new duty placed upon local authorities to 'promote choice, diversity and fair access to school places and school transport' as stated in the Five Year Strategy for Children and Learners.

The Petitioners therefore request that the House of Commons shall urge the Department for Education and Skills to reconsider the decision to consider the closure of Harthill School and to direct Cheshire County Council to allow it to remain open.

And the petitioners remain, etc.

To lie upon the Table.

Ambulance Coverage (Forest of Dean)

Motion made, and Question proposed, That this House do now adjourn.—*[Huw Irranca-Davies.]*

7.4 pm

Mr. Mark Harper (Forest of Dean) (Con): The Minister of State, Department of Health, the hon. Member for Don Valley (Caroline Flint), will probably be feeling a sense of déjà vu because it was almost a year ago that I called an Adjournment debate in the House on the same subject, and the hon. Lady was answering on behalf of the Government, as she will this evening. My reason for holding the debate last year was to raise local concerns about the performance of the local ambulance service, the then Gloucestershire ambulance trust, which has since merged to become part of the Great Western Ambulance Service NHS Trust.

Last year's debate followed a specific set of local incidents that highlighted the lack of ambulance cover in the Forest of Dean, which was of great concern to my constituents. We focused in particular on the trust's use of a matrix system to allocate resources, the result of which was to take ambulances out of the Forest of Dean and other rural parts of the county and to focus on the urban centres of Gloucester and Cheltenham.

Since then, one of my towns, Cinderford, has been given a higher priority in the matrix, which is a positive feature. Unfortunately, however, that has not improved ambulance response times in my constituency. In last year's debate, I expressed my concern about the impact of the merger on the services that would be delivered in rural areas, and the Minister said that the merger was occurring

"against a background of weak performance in relation to response targets from all three trusts."

Most importantly, she went on to say:

"We are confident that, while recognising the local issues, larger trusts will deliver a better, more responsive, more efficient service, which people have a right to expect."—[*Official Report, Westminster Hall*, 7 February 2006; Vol. 442, c. 229-32WH.]

Unfortunately, the position has got worse since then. In my constituency at that time, about 48 per cent. of category A responses—that is, calls dealing with life-threatening cases—hit the Government's eight-minute target. A few months later, at the time of the merger, that figure had gone up to 53 per cent. That was still pretty appalling, but at least it was better. Since the merger, the performance has worsened, and the figure is now only 45 per cent., which is unacceptable. When we compare the performance in my constituency with that of Gloucester and Cheltenham, we find that 85 per cent. of the responses in Gloucester and 82 per cent. of those in Cheltenham are within the target eight minutes. That disparity is unacceptable. My constituents pay their taxes just as those in the urban areas of the county do, and they deserve excellent services.

The concerns that I raised last year have turned out to be closer to reality than the assurances that I received from the Minister. My reason for raising the issue again, a year later, is to keep up the pressure on the Government and on the new ambulance trust to provide better services for my constituents. The

[Mr. Mark Harper]

Minister will be aware that I raised the matter at Prime Minister's Questions on 21 March. In response, the Prime Minister said:

"In fairness to the ambulance and paramedic services in the hon. Gentleman's constituency, I think that he will find that they will tell him that they have improved considerably over the past few years. Massive investment is going into our ambulance services and paramedics, although of course we always have to improve on it." —[*Official Report*, 21 March 2007; Vol. 458, c. 810.]

Unfortunately, performance is not improving, and I have written to the Prime Minister to point out that fact. I suggested that he might like to use the opportunity presented by this debate to set the parliamentary record straight, and the Minister now has the opportunity to do that. The Prime Minister's answer did not accurately characterise the situation. I am sure that that was inadvertent and due to the briefing that he had received, but it clearly did not accord with what the ambulance trust has said.

To be fair, the ambulance trust is grappling with one of the issues that the Minister and I discussed in our debate last year, namely, the growth in the emergency call volume, which is rising by about 10 per cent. a year, and in the Great Western Ambulance Service NHS Trust by about 13 per cent. I am not clear—and, to be fair, I do not think that that trust is either—about exactly what is driving those increases. It cannot be the case that we are suddenly experiencing many more emergencies. Indeed, I have received anecdotal reports from the paramedics that my constituents in the Forest of Dean are quite reluctant to call 999. On the whole, when they do so they have a serious problem. They do not tend to call an ambulance at the drop of a hat or in inappropriate circumstances. The evidence that I have seen suggests that that happens less in my constituency than in the urban areas. I would like the Minister to tell the House why the Government think that the call volume is rising. If it carries on rising at 10 per cent. a year without any increase in resources, it will be difficult for the ambulance service to cope.

Anecdotally, paramedics have suggested to me that the change in out-of-hours services—whether real or perceived by constituents—has led to an increase, particularly at night, in parents with sick children and people looking after elderly relatives in distress calling an ambulance because of the lack of a speedy alternative response. I would be interested to know whether the Government think that that analysis is accurate, and what they propose to do nationally to address the growing call volume.

Because of the difficult geography of Gloucestershire, with the River Severn running through the middle of it, the interaction between the Great Western Ambulance Service NHS Trust and those operating in Wales is also an issue. In my constituency, Sedbury, which is the other side of the River Wye from Chepstow, is quite a long way from where the ambulances are based, and also has a significant number of emergency call targets missed. The area is difficult to cover from the rest of Gloucestershire, and I would be interested to know the extent to which liaison between the Welsh Ambulance Services NHS Trust and the Great Western Ambulance Service NHS Trust is possible and can be increased.

To inform myself better, I spent a 12-hour shift with a paramedic crew last year. Watching their performance on the front line, I was impressed by the skill with which they handled calls, and by the effort that they put into responding quickly and safely to them. They are put into a difficult position when, through no fault of their own, they turn up after a significant period of time—between 20 and 50 minutes—and have to bear the brunt of the dissatisfaction of understandably distressed relatives or patients who expected the call to be answered more quickly.

Another issue raised last year was the extent to which savings would result from a merger of the three ambulance trusts, and whether that money would be available to invest in front-line services. The Minister will be aware that deficits in the NHS were a significant issue last year. My understanding is that some of the savings from management reductions, rather than being invested in the front line, have effectively been used to plug deficits. Will the Minister comment on that?

The change undergone by the ambulance service has also had an impact on the feelings of ambulance staff, particularly in Gloucestershire. The evidence of meetings and letters, and of a blog that they have set up, suggests to me that a number of them are unhappy and disillusioned with the way in which the system is being managed. Let me share with the Minister one or two quotations from the staff blog, which, if she is interested, can be found at greatwesternambulance.blog.co.uk.

One contributor to the blog recognises that

"The expected £1.6 million saving that we—

the paramedics"—

"and the public were told would be re invested into front line services, has disappeared into the PCT"

deficit.

Another contributor refers to being

"Fed up with driving from one end of the county to the other",

rushing from job to job. A particularly interesting quote relates to the matrix system of allocating resources. Its contributor says:

"We were doing so well before the matrix came along then it all went down hill like Keanu Reeves on roller skates. It's never been any good since. Go back to the system that worked...Why do we have a two tier service? City and Town residents get a marvellous service, even the ones that like their alcohol. But live in any of the rural areas and you're forgotten and not cared about. Waiting half an hour to an hour for an Ambulance to arrive is not acceptable so why allow it?"

Finally, a contributor to a discussion about improving ambulance response times by implementing a satellite navigation system, asks:

"So Sat Nav makes you drive 20 plus miles in under 8 minutes?!"

There is a certain amount of disappointment among the staff, and that is very worrying. In an organisation undergoing significant change, where staff deliver front-line care, it is very important for management to take people with them as they introduce that change. Otherwise, the organisation will not be successful.

My constituency is a rural part of the county. My constituents pay as much in tax as people in cities and towns but get a significantly inferior service. However, they are reasonable people: they know that it is difficult

to deliver certain public services in rural areas, and they understand the challenges involved. Even so, the general view is that the disparity between the provision in Gloucester and Cheltenham and the provision in my constituency is unacceptable.

On a positive note, over the first few months of this year the ambulance trust has introduced emergency care practitioners. I have talked about them before—I am due to meet some of them in my constituency next week—and it will be interesting to see whether they can help turn things around. They should enable faster response times by being based more locally in the forest.

Last week, an interesting article entitled "On the Road with New Wave Medics" appeared in my local newspaper *The Forester*. The reporter, Jenni Silver, found that emergency care practitioners could speed up response times, and she wrote that the presence of a practitioner

"twice...helped ambulance bosses reach their target times for Category A calls, and both times the ambulance wasn't needed."

The emergency care practitioners were able to assess the situation in a way that allowed better management of resources.

Obviously, I very much hope that that innovation will improve matters. The use of emergency care practitioners has only just started, so we do not yet know what effect they will have, but the article also discovered that ambulances from the Forest of Dean were

"having to wait outside Gloucestershire Royal Hospital for up to two hours to drop off patients on a Sunday."

I accept that a Sunday is not necessarily a peak period, but the article shows that accident and emergency units at the hospital are running at capacity, and that there is little slack in the system.

The ambulance trust is also trying to use the fire and rescue service, and others, to deliver community responders. The scheme has been running for some time, and does not seem to have improved performance to any great extent. I support the idea, but my caveat is that it must be in addition to the existing service. It should not be used to replace ambulance cover where that is appropriate, and nor should it be used to massage the figures.

I turn now to performance measurement. The current system for measuring response times is misleading because it overstates, rather than understates, the ambulance trust's performance. That may be surprising, given the appalling performance that I have outlined but, at the moment, the clock starts running when three pieces of information have been received—the nature of the complaint, the address of the patient, and a contact number.

Sometimes, all those pieces of information will not be gathered until the ambulance has arrived. Last year, there were 45 incidents in the Forest when, according to the statistics, an ambulance responded before it was recorded as having been called. The statistics may look pretty appalling, but they actually show an artificially improved reality.

Next year, the call-connect system will be introduced, with the clock starting the second that a call is received. That will lead to an immediate downturn in the statistics, but they will give a more accurate representation of the trust's performance. Most constituents start measuring the wait for an ambulance from the minute that they get through to the call centre after dialling 999. Although the new system will provide more realistic figures, the performance will look even worse than it does at present.

It is clear that ambulance coverage in the Forest of Dean is not good enough. The matter was raised last year with the Minister and, despite the assurances, the service has gone backwards. There appeared to be some significant problems with staff being taken through the changes. My constituents deserve, from the taxes that they pay, equitable service with the rest of the county. I hope that we will experience a dramatic improvement in performance in the next year, otherwise I assure the Minister that, with the leave of Mr. Speaker, we will be back at the same time in the same place to discuss exactly the same subject next year.

7.19 pm

The Minister of State, Department of Health (Caroline Flint): I congratulate the hon. Member for Forest of Dean (Mr. Harper) on securing the debate. I do not know whether it is good or bad that the same Minister who replied last time is here again today. Obviously, I was keen to read the previous debate to ascertain what had changed between then and now so that I could provide as good a response as possible.

The hon. Gentleman raised several specific issues, which I shall try to tackle, but I shall ensure that information on some questions is provided by those responsible for the services in his area.

I pay tribute to the staff in Gloucestershire, especially the staff of the Great Western Ambulance Service NHS Trust, for the hard work they put into delivering local services. I listened carefully to the hon. Gentleman's remarks about the comments on the blog site. Clearly, it is important to listen and I hope that those who manage services are examining the site to ascertain whether their substantial engagement is being shared and understood by those who deliver the services.

Since we last debated the matter, considerable investigation and planning of different ways in which services could be provided to deliver a better service across the piece has taken place. The specific challenges that the Forest of Dean presents have been better appreciated. Providing a better service for the future is also being considered—I shall go into that in more detail shortly.

I appreciate the hon. Gentleman's point that some of the timings appear to have gone in the other direction since last year. However, having examined the previous debate in preparation for today's debate, I believe that efforts have been made to tackle the problem. Although the current figures clearly need to be improved, I hope that I can give some examples that will reassure the hon. Gentleman and his constituents that the direction is now the right one.

Ambulance trusts are the first and often the most important contact for the 6 million people who call 999 each year. The range of care that they provide is clearly expanding to take health care to patients who need an emergency response, and to provide urgent advice or treatment to patients who are less ill and care to those

[Caroline Flint]

whose condition or location prevents them from travelling easily to access health care services.

We all appreciate that the sort of services that ambulances provide—and others such as emergency care responders and community care responders—are a long way from those that were available 20 years ago. People who need treatment want it to start as soon as the ambulance arrives. They do not necessarily want to wait until they get to hospital for treatment. That is important.

Clearly, resources are also important. Spending on ambulance services has increased, with ambulance trust expenditure reaching £1.45 billion in 2005, compared with just under £620 million in 1997. That is a rise of 135 per cent., which has helped improve services.

The Government have set a standard that at least 75 per cent. of all ambulance trust 999 calls from patients with immediate life-threatening conditions should have an ambulance respond to them in eight minutes. I am pleased to tell the House that the planned resources for the Forest of Dean area for 2007-08 will mean an increase in staff from 29 to 39 full-time equivalents. There will be an increase from three ambulances working 24/7 in 2006-07 to four daytime ambulances and two night-time ambulances in 2007-08. Six emergency care practitioners will also be provided. I hope that that shows that what I said in the previous debate about planning and using resources is happening. The plans will take effect from the next financial year, despite some of the challenges posed by deficits in the area. As we know, performance has improved over recent years, but we cannot be complacent. We also know that 98 per cent. of patients are overwhelmingly satisfied with the care that they receive.

I appreciate the hon. Gentleman's concern that response times in his constituency to immediately life-threatening calls are currently too low. The Department collects data at trust level rather than by geographical area. Ambulance trust directions issued in July 2006 required each trust to ensure that information in respect of its performance is recorded, collated and published for the trust and each of the trust's local areas. That ensures a level of not only transparency but accountability, which is important.

Our latest published figures for the trust indicate that, as at 2005-06, 74 per cent. of immediately life-threatening calls were met by the Great Western Ambulance Service NHS Trust, but as the hon. Gentleman has said, the response rate in the Forest of Dean has been low. It appears that it has gone in a slightly different direction from the lower figures that he mentioned in the previous debate. However, there are plans to raise performance across Gloucestershire to the national target levels by September this year.

Mr. Harper: I was particularly concerned, having looked at the figures for the Great Western Ambulance Service NHS Trust across the three areas—Wiltshire, Gloucestershire and Avon. The most worrying thing in the move between 2005-06 and 2006-07 is that the performance has deteriorated across category A, B and C areas. It does not seem that there is a problem just in the Forest of Dean. There is a problem across the trust in meeting its targets.

Caroline Flint: I am sure that those responsible for services in the area are mindful of that. That is why I would like to explore as part of my contribution what is taking place not just in the Forest of Dean but in the area as a whole.

The hon. Gentleman said that the new system under call-connect will give a greater sense of what is or is not happening at the most local level. Changes to clock start will be implemented from 1 April 2008. That is important. It will mean a better experience for patients, shorter waits for the phone to be answered and help to arrive and, I hope, improved outcomes, meaning more lives will be saved.

Ambulance trusts have embarked on a programme of service improvement. I understand that the Great Western Ambulance Service NHS Trust is changing its resource deployment. I mentioned earlier the increases in staff, ambulance provision and emergency care practitioners for the Forest of Dean, but of course that is being looked at across the trust as a whole.

In rural areas the trust is moving to embedding ambulance practitioners within the Community, and I am advised that the Forest now has dedicated emergency care practitioner resources in Lydney. A second scheme is due to commence later in 2007 in Cinderford. Deployment of that type of resource allows for increasing numbers of patients to be treated nearer to home, avoiding long and unnecessary journeys to hospital. It also enhances the quality of the experience for the patient. Emergency care practitioners are also able to forge closer links with local general practitioners and community health teams further to enhance emergency and urgent care in communities.

The changing model in urban areas will see increased use of ambulance practitioners as solo responders, deployed proactively to identify priority locations. That increase in solo capacity will reduce the need to utilise Forest-based resources in the urban areas. That point was of concern to the hon. Gentleman in the previous debate. I think that that has been taken on board as a way of improving and modernising services. That will support the improvement required in the Forest, as well as in the high-activity areas. That model has commenced in the past two weeks and has produced the anticipated improvement in response times, with Gloucestershire reporting over 75 per cent. for three consecutive days last week. Clearly, we cannot be complacent about those figures and we must recognise that there are still issues around the low performance rate in the Forest of Dean, but that indicates a step in the right direction.

Resources are important. To support trusts with improvements such as those, the Department made £25 million in capital available to trusts this year to enable them to fund service delivery and infrastructure changes to go further and faster in improving performance. Underpinning all that is a developing work force who are being used to the best effect, and who are at the very heart of realising true transformation in the way care is delivered.

Driving that forward requires a different blend of skills and experience. For some staff, that will involve change, but it is about recognising the changes that are necessary to deliver the best service for everyone, not forgetting that sometimes staff may need those services

and will want the best for themselves as patients, as well for the patients whom they serve. But again, contributing to that draws on the creativity of front-line staff.

Community responders are clearly also a way of saving lives. New ways of working and modernisation can contribute to further improvement. Community responders are trained in basic life support and first aid and equipped with defibrillators. With emergency care practitioners, they can do more faster, and in some cases better.

In order to improve first response performance, the trust has launched two community responder schemes at Coleford and Lydney in partnership with Gloucestershire fire and rescue service. I am informed that those schemes went live on 6 December 2006. They are trained in special access techniques such as line rescue, which further enhances the joint capability within the Forest. I understand that community first responder teams have also continued to expand with a further 15 responders being trained this month. The two teams that I mentioned in my last speech have gone live in Cinderford and Newent, so I am pleased that something that I said last time round has actually happened.

The trust is also concentrating on business and leisure facilities, as well as schools, in order to embed life-saving skills and automatic external defibrillators into these environments. I am sure that the hon. Gentleman will agree that that is a good way to consider how we can differently provide better services for the future, particularly in places such as the Forest of Dean. Community defibrillation officers in the former Avon, Gloucestershire and Wiltshire area were awarded funding of £90,000 over a three-year period, and received 201 automated external defibrillators.

The reconfiguration of ambulance trusts has meant that we are in a position to start accelerating planning and delivering a better service. It will give trusts the capacity and capability to improve standards and deliver world-class services. However, delivering change on the scale that is needed takes time. NHS ambulance trusts have more money than ever before with 135 per cent. more resources than in 1997. Now that the new management teams and structures are in place I am confident that services will improve. I am sure that the hon. Gentleman will look in detail at what planning has already been provided for and what changes are already happening, and keep them under close scrutiny to ensure that they deliver the outcomes that he cares so strongly about.

The hon. Gentleman mentioned the matrix system, which also came up in our last debate. That has proved helpful, but parts of it have clearly acted against some of his concerns, particularly about rural areas. An improved computer-aided dispatch system went live today and automatic vehicle location systems will come on line in June. That will provide better real-time evidence about the volume of calls and the demands on different services, which will allow the planners better to match what is needed in different parts of his trust's area. Additional response cars have been provided in Gloucester and Cheltenham to support the matrix system and prevent resources from being constantly called out of the Forest of Dean. Again, that was a concern in our last debate, since when progress has been made, which I am pleased and reassured about.

I hope that the hon. Gentleman will agree that improvements have been made at both national and local level. The dedication and skills of ambulance staff have made that possible and their continued efforts will turn into reality the improvements that we aim to continue to deliver.

I encourage the hon. Gentleman to continue his support for his local NHS services in their commitment to deliver and maintain high quality service, and join with those who have to make the positive argument that change is not always bad. It is often for improved services and opportunities for staff to engage in a way that they may not have been allowed to do or able to do in the past.

Question put and agreed to.

Adjourned accordingly at twenty-seven minutes to Eight o'clock.

Deferred Divisions

Immigration

That the draft Integration Loans for Refugees and Other Regulations 2007, which were laid before this House on 21st February, be approved.

The House divided: Ayes 342, Noes 49.

Division No. 085]

AYES

Afriyie, Adam
Ainger, Nick
Ainsworth, rh Mr. Bob
Anderson, Mr. David
Anderson, Janet
Atkinson, Mr. Peter
Austin, Mr. Ian
Bacon, Mr. Richard
Bailey, Mr. Adrian
Baird, Vera
Baldry, Tony
Balls, Ed
Banks, Gordon
Barker, Gregory
Barlow, Ms Celia
Baron, Mr. John
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benyon, Mr. Richard
Berry, Roger
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blunkett, rh Mr. David
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Bradshaw, Mr. Ben
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Brown, Lyn
Brown, Mr. Russell
Browne, rh Des
Browning, Angela
Bryant, Chris
Burgon, Colin
Burnham, Andy
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Butler, Ms Dawn
Butterfill, Sir John
Byers, rh Mr. Stephen
Cairns, David
Cameron, rh Mr. David
Campbell, Mr. Alan
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clappison, Mr. James
Clark, Greg
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clifton-Brown, Mr. Geoffrey
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Connarty, Michael
Conway, Derek
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Crausby, Mr. David
Creagh, Mary
Cummings, John
Cunningham, Mr. Jim
Curry, rh Mr. David
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, Philip
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Djanogly, Mr. Jonathan
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Duddridge, James
Duncan, Alan
Dunne, Mr. Philip
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farrelly, Paul
Field, rh Mr. Frank
Field, Mr. Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Fox, Dr. Liam
Francois, Mr. Mark
Gale, Mr. Roger
Gauke, Mr. David
Gerrard, Mr. Neil
Gibb, Mr. Nick
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Grey, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Griffith, Nia
Grogan, Mr. John
Gwynne, Andrew
Hague, rh Mr. William
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Hanson, rh Mr. David
Harper, Mr. Mark
Harris, Mr. Tom
Heald, Mr. Oliver
Healey, John
Henderson, Mr. Doug
Hendry, Charles
Heppell, Mr. John
Hesford, Stephen
Hill, rh Keith
Hillier, Meg
Hoban, Mr. Mark
Hodgson, Mrs. Sharon
Hollobone, Mr. Philip
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hurd, Mr. Nick
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Kawczynski, Daniel
Keeley, Barbara
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Ladyman, Dr. Stephen
Lait, Mrs. Jacqui
Lancaster, Mr. Mark
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Lewis, Dr. Julian
Lidington, Mr. David
Lilley, rh Mr. Peter
Linton, Martin
Lloyd, Tony
Loughton, Tim
Love, Mr. Andrew
Lucas, Ian
Luff, Peter
Mackay, rh Mr. Andrew
MacShane, rh Mr. Denis
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Malloch, Judy
Mann, John
Maples, Mr. John
Marsden, Mr. Gordon
Marshall, Mr. David
Martlew, Mr. Eric
May, rh Mrs. Theresa
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McCrea, Dr. William
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McIntosh, Miss Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McLoughlin, rh Mr. Patrick
McNulty, Mr. Tony
Mercer, Patrick
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Milton, Anne
Mitchell, Mr. Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Morgan, Julie
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Neill, Robert
Newmark, Mr. Brooks
Norris, Dan
O'Brien, Mr. Stephen
O'Hara, Mr. Edward
Oliver, Mr. Bill
Osborne, Mr. George
Palmer, Dr. Nick
Paterson, Mr. Owen
Pearson, Ian
Pelling, Mr. Andrew
Pickles, Mr. Eric
Plaskitt, Mr. James
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Prisk, Mr. Mark
Prosser, Gwyn
Purnell, James
Rammell, Bill
Randall, Mr. John
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Rifkind, rh Sir Malcolm
Riordan, Mrs. Linda
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Salter, Martin
Sarwar, Mr. Mohammad
Scott, Mr. Lee
Seabeck, Alison
Selous, Andrew
Shapps, Grant
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simmonds, Mark

Simpson, Alan
Simpson, David
Simpson, Mr. Keith
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Geraldine
Smith, rh Jacqui
Sneigrove, Anne
Southworth, Helen
Spelman, Mrs. Caroline
Spink, Bob
Spring, Mr. Richard
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Streeter, Mr. Gary
Stringer, Graham
Sutcliffe, Mr. Gerry
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tami, Mark
Tapsell, Sir Peter
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Tyrie, Mr. Andrew
Ussher, Kitty
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Vis, Dr. Rudi
Walker, Mr. Charles
Wallace, Mr. Ben
Walley, Joan
Walter, Mr. Robert
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Waterson, Mr. Nigel
Watkinson, Angela
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Whittingdale, Mr. John
Wicks, Malcolm
Wiggin, Bill
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wilson, Mr. Rob
Wilson, Sammy
Winnick, Mr. David
Winterton, Ann
Winterton, Sir Nicholas
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Jeremy
Wright, Dr. Tony
Wyatt, Derek
Yeo, Mr. Tim
Young, rh Sir George

NOES

Alexander, Danny
Baker, Norman
Barrett, John
Brake, Tom
Breed, Mr. Colin
Brooke, Annette
Browne, Mr. Jeremy
Bruce, rh Malcolm
Burstow, Mr. Paul
Burt, Lorely
Cable, Dr. Vincent
Campbell, rh Sir Menzies
Clegg, Mr. Nick
Corbyn, Jeremy
Davey, Mr. Edward
Drew, Mr. David
Farron, Tim
Gidley, Sandra
Hancock, Mr. Mike
Harris, Dr. Evan
Harvey, Nick
Heath, Mr. David
Hemming, John
Hermon, Lady
Holmes, Paul
Hosie, Stewart
Howarth, David
Hughes, Simon
Laws, Mr. David
Leech, Mr. John
Llwyd, Mr. Elfyn
Mulholland, Greg
Opik, Lembit
Price, Adam
Reid, Mr. Alan
Rennie, Willie
Rogerson, Mr. Dan
Rowen, Paul
Russell, Bob
Sanders, Mr. Adrian
Smith, Sir Robert
Stunell, Andrew
Swinson, Jo
Taylor, Matthew
Teather, Sarah
Vaz, rh Keith
Webb, Steve
Weir, Mr. Mike
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny

Question accordingly agreed to.

IMMIGRATION AND NATIONALITY

That the draft Immigration and Nationality (Fees) Regulations 2007, which were laid before this House on 15th March, be approved.

The House divided: Ayes 366, Noes 54.

Division No. 86]

AYES

Afriyie, Adam
Ainger, Nick
Ainsworth, rh Mr. Bob
Anderson, Mr. David
Anderson, Janet
Atkinson, Mr. Peter
Austin, Mr. Ian
Bacon, Mr. Richard
Bailey, Mr. Adrian
Baird, Vera
Baldry, Tony
Balls, Ed
Banks, Gordon
Barker, Gregory
Barlow, Ms Celia
Baron, Mr. John
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benyon, Mr. Richard
Berry, Roger
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blunkett, rh Mr. David
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Bradshaw, Mr. Ben
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Brown, Lyn
Brown, Mr. Russell
Browne, rh Des
Browning, Angela
Bryant, Chris
Burgon, Colin
Burnham, Andy
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Butler, Ms Dawn
Butterfill, Sir John
Byers, rh Mr. Stephen
Cairns, David
Cameron, rh Mr. David
Campbell, Mr. Alan
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clappison, Mr. James
Clark, Greg
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clifton-Brown, Mr. Geoffrey
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Connarty, Michael
Conway, Derek
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Crausby, Mr. David
Creagh, Mary
Cummings, John
Cunningham, Mr. Jim
Curry, rh Mr. David
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, Philip
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Djanogly, Mr. Jonathan
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Duddridge, James
Duncan, Alan
Dunne, Mr. Philip
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Fabricant, Michael
Fallon, Mr. Michael
Farrelly, Paul
Field, rh Mr. Frank
Field, Mr. Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Fox, Dr. Liam
Francois, Mr. Mark
Gale, Mr. Roger
Gauke, Mr. David
Gerrard, Mr. Neil
Gibb, Mr. Nick
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Griffith, Nia
Grogan, Mr. John
Gwynne, Andrew
Hague, rh Mr. William
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Hanson, rh Mr. David
Harper, Mr. Mark
Harris, Mr. Tom
Heald, Mr. Oliver
Healey, John

Hendrerson, Mr. Doug
Hendry, Charles
Heppell, Mr. John
Hesford, Stephen
Hill, rh Keith
Hillier, Meg
Hoban, Mr. Mark
Hodgson, Mrs. Sharon
Hollobone, Mr. Philip
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hurd, Mr. Nick
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Kawczynski, Daniel
Keeley, Barbara
Kelly, rh Ruth
Kemp, Mr. Fraser
Khabra, Mr. Piara S.
Khan, Mr. Sadiq
Kidney, Mr. David
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Ladyman, Dr. Stephen
Lait, Mrs. Jacqui
Lancaster, Mr. Mark
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Lewis, Dr. Julian
Lidington, Mr. David
Lilley, rh Mr. Peter
Linton, Martin
Lloyd, Tony
Loughton, Tim
Love, Mr. Andrew
Lucas, Ian
Luff, Peter
Mackay, rh Mr. Andrew
MacShane, rh Mr. Denis
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Maples, Mr. John
Marsden, Mr. Gordon
Marshall, Mr. David
Martlew, Mr. Eric
May, rh Mrs. Theresa
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McCrea, Dr. William
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McIntosh, Miss Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McLoughlin, rh Mr. Patrick
McNulty, Mr. Tony
Mercer, Patrick
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Milton, Anne
Mitchell, Mr. Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Morgan, Julie
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Naysmith, Dr. Doug
Neill, Robert
Newmark, Mr. Brooks
Norris, Dan
O'Brien, Mr. Stephen
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Mr. George
Palmer, Dr. Nick
Paterson, Mr. Owen
Pearson, Ian
Pelling, Mr. Andrew
Pickles, Mr. Eric
Plaskitt, Mr. James
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Prisk, Mr. Mark
Prosser, Gwyn
Purnell, James
Rammell, Bill
Randall, Mr. John
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Rifkind, rh Sir Malcolm
Riordan, Mrs. Linda
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, John
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Salter, Martin
Sarwar, Mr. Mohammad
Scott, Mr. Lee
Seabeck, Alison
Selous, Andrew
Shappe, Grant
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simmonds, Mark
Simpson, Alan
Simpson, David
Simpson, Mr. Keith
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Southworth, Helen
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Starkey, Dr. Phyllis
Steele, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Streeter, Mr. Gary
Stringer, Graham
Sutcliffe, Mr. Gerry
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tami, Mark
Tapsell, Sir Peter
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Tyrie, Mr. Andrew
Usher, Kitty
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Vis, Dr. Rudi
Walker, Mr. Charles
Wallace, Mr. Ben
Walley, Joan
Walter, Mr. Robert
Waltho, Lynda
Ward, Claire
Warsing, Mr. Robert N.
Waterson, Mr. Nigel
Watkinson, Angela
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Whittingdale, Mr. John
Wicks, Malcolm
Wiggin, Bill
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wilson, Mr. Rob
Wilson, Sammy
Winnick, Mr. David
Winterton, Ann
Winterton, Sir Nicholas
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Jeremy
Wright, Dr. Tony
Wyatt, Derek
Yeo, Mr. Tim
Young, rh Sir George

NOES

Alexander, Danny
Baker, Norman
Barrett, John
Brake, Tom
Breed, Mr. Colin
Brooke, Annette
Browne, Mr. Jeremy
Bruce, rh Malcolm
Bunstow, Mr. Paul
Burt, Lorely
Cable, Dr. Vincent
Campbell, rh Sir Menzies
Clegg, Mr. Nick
Corbyn, Jeremy
Davey, Mr. Edward
Drew, Mr. David
Farron, Tim
Gidley, Sandra
Hancock, Mr. Mike
Harris, Dr. Evan
Harvey, Nick
Heath, Mr. David
Hemming, John
Hermon, Lady
Holmes, Paul
Hosie, Stewart
Howarth, David
Hughes, Simon
Lawe, Mr. David
Leech, Mr. John
Llwyd, Mr. Elfyn
McDonnell, John
Mulholland, Greg
Öpik, Lembit
Price, Adam
Reid, Mr. Alan
Rennie, Willie
Rogerson, Mr. Dan
Rowen, Paul
Russell, Bob
Sanders, Mr. Adrian
Smith, Sir Robert
Soulsby, Sir Peter
Stunell, Andrew
Swinson, Jo
Taylor, Matthew
Teather, Sarah
Vaz, rh Keith
Webb, Steve
Weir, Mr. Mike
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny

Question accordingly agreed to.

House of Commons

Thursday 29 March 2007

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

TREASURY

The Chancellor of the Exchequer was asked—

Taxes

1. **Mr. Charles Walker** (Broxbourne) (Con): What his most recent estimate is of the proportion of income a household on average earnings will pay in taxes in 2007-08. [130439]

4. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What his most recent estimate is of the proportion of income a household on average earnings will pay in taxes in 2007-08. [130442]

The Chancellor of the Exchequer (Mr. Gordon Brown): A single-earner household on male average earnings with two children will pay 20.5 per cent. of their gross income in tax in 2007-08. That is 0.7 per cent. lower than it was in 1997-98. As a result of the Budget, that will fall a further half a percentage point to 20 per cent. in 2009-10—far lower than in 1997.

Mr. Walker: Will the Chancellor briefly explain how many people will be left worse off as a result of the Budget's changes to income tax and national insurance?

Mr. Brown: The vast majority of people will be better off—*[Interruption.]* more than 20 million households will be better off as a result of the Budget. I read the hon. Gentleman's comments in the Budget debate. He wants tax cuts of £8.4 billion per annum. At the same time he wants more police officers, more money for hospitals, more money for schools and more money for transport. Will he now tell us whether he supports our public spending plans?

Mr. Walker: On a point of order, Mr. Speaker.

Mr. Speaker: No; I cannot take a point of order. *[Interruption.]* I know that that is possible, but it prevents everyone else from asking a supplementary question. The hon. Gentleman should know that he should not tell his granny how to suck eggs.

Mr. Hands: A significant part of the big rise in taxation in recent years has been rises in council tax. This year, Hammersmith and Fulham residents are set to be the only people in Britain to get lower council tax bills. Does the Chancellor support the new Conservative council, which has delivered a real tax cut, rather than the tax con delivered by him?

Mr. Brown: The Labour Government's funding of councils is what is keeping council tax lower. The hon. Gentleman is a member of the No Turning Back group and the Cornerstone group. They want £40 billion in tax cuts. Will he therefore tell us how he can meet his proposals for more schools, more youth centres and more sports facilities? Does he support our spending plans?

John McFall (West Dunbartonshire) (Lab/Co-op): Average earnings in my constituency have increased because of the dramatic transformation in employment. As a former schoolteacher in my early days, I was dismayed to discover that pupils whom I had taught were still on the dole five or six years, or even longer, after they had left school. Now that that situation has been transformed, will the Chancellor ensure that opportunities are given to people so that we can be sure that they find employment, and so that average earnings in my constituency keep on going up?

Mr. Brown: My right hon. Friend is absolutely right. He chairs the Treasury Committee, which I am looking forward to appearing before this morning. In the Budget, we announced a proposal that, linking up with the retail industry, will create 100,000 jobs over the next few years for people who are inactive or unemployed. Therefore, the incomes of people who were previously unemployed will rise. In addition to the introduction of the minimum wage and the working tax credit, we are doing more than any previous Government to help the low paid in this country—and the Opposition party should remember that it opposed the minimum wage.

Stephen Hesford (Wirral, West) (Lab): Does my right hon. Friend agree that we should ask the following question: if the 2p cut in income tax that he announced a few days ago was such a bad idea, why did the blood drain out of the cheeks of the hon. Member for Tatton (Mr. Osborne) when he announced it?

Mr. Brown: My hon. Friend is right. First, the Leader of the Opposition, the right hon. Member for Witney (Mr. Cameron), welcomed our tax cut, and the hon. Member for Tatton, the shadow Chancellor, overruled him a few minutes later. The real problem is that the Conservatives want tax cuts, but they cannot answer this question: do they support our public spending plans? Perhaps the shadow Chancellor will tell us.

Mr. Richard Spring (West Suffolk) (Con): To what extent are the current squeeze in real weekly disposable earnings and the fact that the savings rate has collapsed to the lowest level since the early 1960s interlinked?

Mr. Brown: The savings ratio is rising. The lowest savings ratio that this country has had occurred under a Conservative Government in the 1980s. In terms of real disposable incomes, since 1997 the living standards of our people have improved, and they have improved for one reason: we have had economic stability, whereas the Conservatives used to have recessions.

Mr. David Kidney (Stafford) (Lab): Is it not the case that the burden of taxation on families in this country compares extremely well with the burden on families in

our international counterpart countries? Is that not a true and objective test of the measure of the success of the Chancellor, and should we not continue to aim for such achievements in future?

Mr. Brown: The proportion of tax taken from national income is lower than in the euro area—lower than in France, Germany and other countries. A single earner on male average earnings with two children will pay 20 per cent. of their income in tax in 2009-10. That is a far lower percentage than when we came to power, and the reasons for that are that we have cut the basic rate of income tax twice and made people better off by pursuing policies that give us economic stability.

Dr. Vincent Cable (Twickenham) (LD): As the Chancellor prides himself on being socially progressive, can he explain why the biggest beneficiaries of his tax changes are extremely rich pensioners and the biggest losers are households of single men or women, or childless couples, on very low incomes? Does that suggest that as he becomes Prime Minister, he will abandon the progressive consensus in favour of the Blair-Cameron alternative?

Mr. Brown: If the Liberals had joined us in supporting the minimum wage, they might have had more things to say. According to the Institute for Fiscal Study's response to the Budget—[HON. MEMBERS: "Read all of it."] I am very happy to do so. According to it, in terms of direct tax the lowest decile is 0.8 per cent. better off, the second lowest decile is 1 per cent. better off, and the richest decile is 0.5 per cent. better off, so most of the gains are going disproportionately to the poorest and bottom deciles in our community. Without any help from the Liberal party or the Conservatives, since 1997 the position of the poorest decile has improved by 12.4 per cent., and of the second lowest decile by 11.8 per cent. That shows that this Government are on the side of hard-working families.

Helen Goodman (Bishop Auckland) (Lab): My right hon. Friend announced in last week's Budget an increase in tax credits worth £4 billion. The Liberal Democrats want instead to raise tax thresholds. What would the impact have been on the poorest families with children if the money had been spent in that way?

Mr. Brown: I said in my Budget statement that the same amount of money—£1 billion—spent on raising personal tax allowances would have made that low-paid worker 70p a week better off, but that as a result of what we have done, that worker is £7 a week better off. I hope that at some point the Liberals, who perhaps take a greater interest in these issues than the Conservatives, will come around to our view that the best way to help those in the lowest income groups in our society is through child and working tax credits. That is the way that we are taking people out of poverty.

Mr. George Osborne (Tatton) (Con): Yesterday, the Chancellor's Treasury civil servants told the Treasury Select Committee that more than 5 million people—the lowest paid in the country—will be losers as a result of his Budget. Does he agree with his civil servants? Yes or no will do.

Mr. Brown: Twenty million people are better off, unlike under Conservative Budgets in the early 1990s, when everybody was worse off. The Conservatives want more tax cuts. Is it not time that they told us whether they support the public spending plans that we announced? The shadow Chancellor said on the "Today" programme on 1 March:

"If you could tell me what Labour is going to be spending, I'll tell you what the Conservative party's spending plans are, as well."

Will he tell us the truth—are they supporting our spending plans, or not?

Mr. Osborne: Let me answer—

Mr. Speaker: Order. The hon. Gentleman does not have to answer. He has a supplementary question and he is entitled to ask it. He does not answer questions at this stage.

Mr. Osborne: Thank you, Mr. Speaker.

This week, we discover that the disposable income of the poorest is falling, that child poverty is now rising, and that more than 5 million of the lowest paid will be hit by the Chancellor's tax con. The hon. Member for Coventry, North-West (Mr. Robinson), who used to be the Chancellor's Minister, said during the Budget debate that the Budget will be "hurting many people" and urged him to think again. We know that the Chancellor has complete contempt for all his colleagues—does that really include the hon. Member for Coventry, North-West?

Mr. Brown: Child poverty trebled under the previous Conservative Government; this Government have brought it down, and it is about time that the Conservatives acknowledged that. The shadow Chancellor said that he would tell us what his spending plans are, and if he really wants to help the poor he should be in a position to do so. He said that spending has risen to 42 per cent. of GDP, and that they will bring that share down. Does he hold to that, or not? People will conclude that he is going to cut spending on vital services.

Andrew Miller (Ellesmere Port and Neston) (Lab): The average earnings in my constituency would fall if Vauxhall Motors were to close. My right hon. Friend may have seen press reports today of the Trade and Industry Committee's informative report on the future of the motor industry. Will he assure me that he will continue to do everything possible to ensure that future investment from General Motors comes to the UK?

Mr. Gordon Brown: I am grateful to my hon. Friend, who takes a big interest in these matters. I visited the GM plant, where the workers have made enormous advances in productivity. One of the reasons why we can say that we can help both the plant and the region is the investment that we are making in education and training. That is one reason why we will spend

£674 billion in 2010 on public services. It is up to all the parties now to tell us whether they support our spending plans or not.

Olympic Budget

2. **Angela Watkinson** (Upminster) (Con): What discussions he has had with the Secretary of State for Culture, Media and Sport on the changes to the Olympic budget; and if he will make a statement. [130440]

The Chief Secretary to the Treasury (Mr. Stephen Timms): My right hon. Friend and I had several discussions prior to her announcement on 15 March of a fully funded budget for the 2012 Olympic and Paralympic games. That places the games on a secure financial footing, and does so earlier than any recent Olympics. May I also draw the attention of the House to my right hon. Friend the Chancellor's recent statement announcing that Her Majesty the Queen has approved his recommendations on coins to be issued in 2008, including a £2 coin to mark the 100th anniversary of the London Olympic games of 1908.

Angela Watkinson: Upminster residents already have an Olympic levy on their council tax. The talk of cost overruns has concerned them that there might be a subsequent Olympic levy. Can the Minister confirm that this is the final budget?

Mr. Timms: It is a very firm budget—*[Interruption.]*

Mr. Speaker: Order. Let the Minister answer.

Mr. Timms: There is a degree of uncertainty about the policing costs, as my right hon. Friend the Secretary of State for Culture, Media and Sport made clear in her statement. At the moment, there is an allowance of £600 million for the policing costs, but—given developments—that figure will need to be reviewed. Subject to that, however, it is a firm budget and a firm basis on which the games can proceed. I hope that, like me, the hon. Lady is proud of the fact that the Olympic games are coming to east London. I am sure that her constituents are excited about it and I hope that all of us can look forward to a fantastic games in five years' time.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): The Olympics is already bringing huge benefits to my constituency, with investment in transport links, cleaning up the environment and cleaning up waterways. Much of that would have happened anyway, but it is happening faster because of the Olympics, although it is not coming directly out of the Olympics budget. Can my right hon. Friend tell me whether that investment would have been possible had he adopted a third fiscal rule?

Mr. Timms: The answer is almost certainly no. The renewal that we have seen in public services over the past decade would have been impossible if there had been a third fiscal rule in place. My hon. Friend is right that changes are happening in east London, with regeneration gains that would not have happened on the time scale that is now possible. I am pleased that she is also looking forward to the games.

Mr. Mark Field (Cities of London and Westminster) (Con): In the context of a very firm budget, does the Chief Secretary accept that without a long-term regeneration legacy in the lower Lea valley, the 2012 Olympics should be considered to be a failure?

Mr. Timms: I did not entirely catch the point that the hon. Gentleman made. I certainly do not envisage any failures on any aspect of the Olympics. There will be very big, long-term regeneration gains and the games themselves will be a success. I would have thought that everybody, including the hon. Gentleman, would want to be confident about the prospects for the games and the value of the investment. I am sure that his constituents are also looking forward to fantastic celebrations over the period of the games.

Ms Dawn Butler (Brent, South) (Lab): What is certain and completely firm about the Olympics is the opportunities that will be offered to young people. More young people than ever have been participating in voluntary work and in positive activities. All the youth services say that positive activities are one way to get young people out of crime and off the streets. Will my right hon. Friend tell the House what other opportunities this Government have afforded to young people?

Mr. Timms: My hon. Friend is absolutely right. I am sure that it is her experience, as it is mine while visiting schools in my constituency, that young people are excited at the prospect of the Olympic games. The budget for the games that my right hon. Friend the Secretary of State for Culture, Media and Sport announced contains provision for further training opportunities for athletes. My hon. Friend is right, too, that the Government have done an enormous amount to improve opportunities for young people, to boost the funding and support for sport in schools and to improve youth provision more generally. We are determined that those opportunities should continue to improve because they are so important for the future. If, by contrast, a third fiscal rule were in place, I am afraid that those opportunities would shrink. Because the Tory party has signally declined—

Mr. Speaker: Order. I call the hon. Member for Chipping Barnet (Mrs. Villiers).

Mrs. Theresa Villiers (Chipping Barnet) (Con): The Minister for Sport told the House in July 2005:

"I shall never forget the person who said, 'Do not underestimate the budget. If you go higher, it will be seen as a failure so make sure that your calculations are realistic."—[*Official Report*, 21 July 2005; Vol. 436, c.1505.]

The Secretary of State for Culture, Media and Sport told the House in November that year:

"we believe that our budget is sound."—[*Official Report*, 21 November 2005; Vol. 439, c. 1224.]

A month later the Chancellor confirmed that the Olympics was

"working to an agreed public sector funding package."

Why, then, has he allowed the budget almost to treble since then?

Mr. Timms: I hope that the hon. Lady is as proud of winning the Olympics as I am. It is right that as soon as we won the bid we thoroughly reassessed the costs. Now we have a secure financial basis on which to proceed. The International Olympic Committee said of the preparations earlier this month that it was assured and impressed across the board. That is a good position to be in and I hope that the hon. Lady will acknowledge that.

Mr. Don Touhig (Islwyn) (Lab/Co-op): The Olympics have been welcomed by everybody in the country, but there is concern that the budget will mean that projects, such as the restoration of the Newbridge Memo in my constituency, may be starved of vital lottery cash. In his discussions with our right hon. Friend the Secretary of State for Culture, Media and Sport, will the Minister ensure that such projects across the country will not be put in direct competition with the Olympics for lottery funding?

Mr. Timms: A good deal of care has been taken to ensure that the voluntary sector is protected. The voluntary and community sector will continue to receive the promised £2 billion lottery funding from the Big Lottery Fund between now and 2012. Both existing programmes and future resources for the voluntary sector are protected. I hope that that reassures my right hon. Friend. The lottery contribution to the Olympics is of a similar amount and over a similar period to the lottery contribution to the millennium celebrations. That is about right for what we should expect the lottery to contribute to the games.

Smith Institute

3. **Michael Fabricant** (Lichfield) (Con): On how many occasions the Smith Institute has held meetings at No. 11 Downing street since 1997; and if he will make a statement. [130441]

The Chief Secretary to the Treasury (Mr. Stephen Timms): No. 11 Downing street is used for official meetings, engagements with external representatives and charity events. The Smith Institute applied for permission to use it on a monthly basis in 1997, and sometimes more regularly. That has been the basis of its usage since then.

Michael Fabricant: We heard last month how the Smith Institute was up into the wee small hours trying to enliven the Budget and brighten up the image of the Chancellor, who is now frowning. He has forgotten how to smile. Yet, following the Budget, the population know that it was a con and the Labour party has dropped one point. Is No. 11 now going to evict it?

Mr. Timms: The basis on which the Smith Institute uses No. 11 is exactly the same as for everybody else. I hope that the hon. Gentleman will press his colleagues on the Front Bench to tell the House whether they will support the public spending projections that we published in our Red Book. That is what people will want to know. Will the Tories fund public services adequately, as we are committed to doing in future, or not? That is the critical question, and we are waiting for an answer from his Front-Bench colleagues.

Fiona Mactaggart (Slough) (Lab): Does the Chief Secretary agree that publications such as those on social enterprise, diversity in Britishness, and restorative justice produced by charities and voluntary organisations, including the Smith Institute, help to produce more intelligent government, and that we should listen to those organisations?

Mr. Timms: I do agree with that, and it has been valuable to open up No. 11 Downing street to use by charities—well over 60 of them—over the past 10 years. They have all contributed to improved policy in that period.

Mr. David Laws (Yeovil) (LD): I agree with the Chief Secretary on that point. Would it not be a good idea to have a seminar on tax at No. 11 Downing street in the near future, so that the Government could explain more clearly why they were right to introduce a 10p tax rate in 1999, and right to abolish it in 2007?

Mr. Timms: I can tell the hon. Gentleman very clearly why that happened: it is because we introduced the 10p rate before the tax credit system was in place. Now that it is in place, it is doing the job that needed to be done.

Mr. Paul Goodman (Wycombe) (Con): The Chief Secretary's first answer was extremely helpful, so let us try another question on him. How many of the monthly events to which he referred did the Chancellor attend? We do not need the details; we just want to know how many he attended.

Mr. Timms: I do not know the answer, but I can tell the hon. Gentleman that it is very few.

Immunisation

5. **Mary Creagh** (Wakefield) (Lab): What recent progress has been made on the international finance facility for immunisation. [130443]

10. **Mr. Sadiq Khan** (Tooting) (Lab): If he will make a statement on the UK's contribution to the international finance facility for immunisation. [130448]

The Chancellor of the Exchequer (Mr. Gordon Brown): The UK contributed £1.3 billion over 20 years to the international finance facility for immunisation. I can announce today that South Africa has become the seventh country to join the facility, which will vaccinate over 500 million children throughout the world, and will save nearly 10 million lives.

Mary Creagh: I thank my right hon. Friend for that reply, and I congratulate him on his great commitment to a global challenge. In the Democratic Republic of Congo, one in four children dies before their fifth birthday. That is a human catastrophe on an almost unimaginable scale. On the administration of the fund, do countries have to sign up, or will the money be distributed through aid budgets? When the fund is administered, will we ensure that the vulnerable children in the most conflict-ridden and fragile states receive the vaccinations that they so desperately need?

Mr. Brown: I am grateful to my hon. Friend. The aim is to vaccinate all those children who, at the moment, are denied the chance of vaccination. That means that the countries where least is done will be the countries where most is done in future. The fund will be distributed through the GAVI Alliance. The fund operates in every continent and it operates as a charity. Much of the money comes from the Gates Foundation and from Governments, and the fund has a record of success that is perhaps second to none in the development field. I hope that there will be all-party support for that new facility.

Mr. Khan: I spend a considerable amount of time visiting and working with churches in my constituency. They are tremendously proud of the progress made since 1998, when 70,000 people protested peacefully outside the G8 summit in Birmingham to try to put the issue of debt higher up the agenda. There has been a doubling of aid, the cancelling of debt and the front-loading of aid. Bearing in mind the link between international poverty and international security, will my right hon. Friend make sure that those items are higher up the agenda when the UK takes over presidency of the United Nations Security Council next week?

Mr. Brown: That will indeed happen, and I can also say that the subject is on the agenda of the G7 Finance Ministers meeting in Washington in April, and there will be a further meeting in June in Germany. We will do what we can to raise the issue to a higher level on the international agenda.

Next Thursday at Gleneagles, there will be a conference that has been put together by the churches to discuss the progress that has been made since Gleneagles. I hope to be able to speak at that conference, and I am pleased that the former Secretary-General of the United Nations, Kofi Annan, is to address the group. The conference will hear that international aid has grown, that the finance facility has been created, and that the facility for education for all, which will mean that every child has the chance of education, is moving forwards. That will lead to a conference that will be held in Brussels on 2 May so that we can secure proper funding for education, as well as vaccination.

John Bercow (Buckingham) (Con): If the striking success of the measles initiative is matched by the output of the immunisation facility, what estimate has the Chancellor made of how much earlier the millennium development goal to reduce child and infant mortality will be reached by comparison with what would otherwise be the case?

Mr. Brown: I wish that I could tell the hon. Gentleman, who takes an interest in these matters, that the world was on track to meet the millennium development goal on child poverty, but there is a great deal more to do. The immunisation facility will help, because one in five African children dies before the age of five, but we also need a trade deal so that there is economic development in those areas; we need action on education, so that we tackle illiteracy; and we need the infrastructure programmes that are necessary not only to bring industry to those areas, but to enable them to trade with the rest of the world. All those things must come together if we are to be able to meet all the millennium development goals, particularly those for young people.

Mr. Philip Dunne (Ludlow) (Con): I am sure that the Chancellor is aware that the lack of insulin availability in sub-Saharan Africa kills more people—more children—than tuberculosis, malaria or AIDS. Following the passing of the UN resolution last December, will the Chancellor seek to ensure that insulin availability in Africa is included in that important programme to reduce that killer disease globally?

Mr. Brown: I am grateful to the hon. Gentleman for raising that, and I will endeavour to put the issue on the agenda. One of the great problems of health care in Africa and the developing countries is not simply the absence of medicines or of doctors and nurses, but the absence of health care systems with the capacity to deliver what is available, even when it is available. I am pleased that the international facility that we have created and the GAVI Alliance are now taking seriously the next stage, which is to try to build capacity in health care systems. If the hon. Gentleman goes around Africa, he will find that the number of midwives in many countries runs only into hundreds and the number of nurses in many countries is lucky if it runs into thousands. That is an issue of health care capacity that we must address, as we address, too, the supply of particular drugs.

Dr. Nick Palmer (Broxtowe) (Lab): It used to be said that this kind of measure had very little electoral support. I joined the Labour party 36 years ago, because I believed that a Labour Government would be responsible for such initiatives and global leadership. I am delighted that it is happening, and a great many of my constituents believe that it is one of the most important things that the Government are doing.

Mr. Brown: I am grateful to my hon. Friend, who takes a very big interest in those matters and communicates regularly with his constituents on those and on other issues, particularly in support of the Budget, as does the hon. Member for Cities of London and Westminster (Mr. Field), who gave an extraordinary speech from the Conservative Benches in favour of the Budget only a few days ago. On Make Poverty History, the figures are now available, and one in three teenagers wore a Make Poverty History armband during the campaign. The idea that we were talking only to a minority—*[Interruption.]* Well, the Conservatives may laugh at people being involved in international development issues, but the idea that hundreds of thousands of young people took an interest fills me with hope for the future, and they will therefore reject a Conservative party that cannot even tell us whether it will match our international development spending.

Wealth/Income Inequality

6. **Danny Alexander** (Inverness, Nairn, Badenoch and Strathspey) (LD): What the levels of (a) wealth and (b) income inequality were in the UK in (i) 1997 and (ii) 2006; and if he will make a statement. [130444]

The Economic Secretary to the Treasury (Ed Balls): The gap between the incomes of the richest 10 per cent. of our population and the poorest 10 per cent. has narrowed since 1997 from a ratio of 4.1 to 4—a measure of overall inequality that rose sharply between 1979 and 1997 from a ratio of 3 to 4.1. The measure of wealth inequality has also declined modestly.

Danny Alexander: I am grateful to the Minister for his answer, but he will know that the households below average income survey, which was published on Tuesday, shows that on the internationally recognised measure of income inequality—the Gini coefficient—Britain is now more unequal than it was 10 years ago. Rising taxes for the lowest earners announced in the Budget will make matters worse. Is he proud that Britain has become a more unequal society under his Government—in fact, one of the most unequal in the developed world—and what hope for greater fairness can he offer in future?

Ed Balls: I am proud that the latest figures this week show that the gap between the richest 10 per cent. and the poorest 10 per cent. has narrowed. Indeed, the Budget took 200,000 more families out of poverty because of investment in tax credits, which the hon. Gentleman and his hon. Friends opposed.

Mr. Wayne David (Caerphilly) (Lab): Does the Minister accept that the introduction of the minimum wage, which some Opposition Members opposed, has made a huge contribution to improving the position of the worst paid in our society?

Ed Balls: My hon. Friend is right. The campaigning by him and other Labour Members was responsible for the introduction of the minimum wage, which has addressed poverty pay and created 2.5 million jobs. It is a pity that my hon. Friend's compatriots from the Welsh nationalist party are not present to hear his proud record of campaigning.

Mr. Owen Paterson (North Shropshire) (Con): The Chancellor just now flatly refused to answer a simple question from my hon. Friend the Member for Tatton (Mr. Osborne). Will the Economic Secretary say whether Mr. Mark Neale, a senior civil servant who gave evidence to the Treasury Committee yesterday, was right or wrong when he said that 5.3 million people will be worse off as a result of the Budget—yes or no?

Ed Balls: Mr. Neale is right to point out that there are more than 20 million winners from the Budget and 200,000 more children taken out of poverty—

Mr. Paterson: Yes or no?

Ed Balls: The hon. Gentleman should compare our record since 1997—*[Interruption.]*

Mr. Speaker: Order. Mr. Paterson, you must behave. It is a habit of yours to shout down the Minister answering the question. You should not do that.

Ed Balls: As I was saying, since 1997 we have taken 200 children out of poverty every day. Under the Tories 200 more children went into poverty every day. That is the difference between the parties.

Angela Eagle (Wallasey) (Lab): Will my hon. Friend accept my thanks and take credit for being a member of the first Government to break the link between old age and poverty, and for taking 2 million pensioners out of poverty? Will he consider what can be done to redouble the battle against child poverty, as we have taken 2 million children out of poverty and need to do more to reach our target of halving child poverty by 2010?

Ed Balls: My hon. Friend is right. When we came into government, we had unacceptably high levels of pensioner poverty, which we have addressed through the winter allowance, pension credit and rises in the basic pension. We also had the highest level of child poverty of any European country. Because of the measures that we have taken, which Opposition Members opposed consistently, we have had the fastest fall in child poverty of any European country since 1997. We on the Labour Benches are proud of that record.

Mr. Nick Hurd (Ruislip-Northwood) (Con): Is a childless adult earning less than £18,000 a year better or worse off as a result of the Labour Budget?

Ed Balls: Such adults are substantially better off as a result of the changes that we have introduced since 1997 on tax and the working tax credit and measures to get people into work. People with and without children were much worse off under the Conservatives because there were 3 million unemployed and interest rates that were high and crippling. We have addressed that through the new deal and the working tax credit, which Conservative Members have consistently opposed. If they want to match our record, they must match our policies on tax credits, the minimum wage and public spending. Until we get an answer from the hon. Member for Tatton (Mr. Osborne), he has no credibility at all as a shadow Chancellor.

Mr. Jim Devine (Livingston) (Lab): Does my hon. Friend believe that a nurse and a fireman living together are rich and can pay the estimated £550 extra a year that would result from the introduction of local income tax?

Ed Balls: The family that my hon. Friend describes will be substantially better off as a result of the Budget and the 2p cut in income tax. If the Scottish National party came to power in Scotland, the family would be substantially worse off because of a 3p rise in income tax. It is a great disappointment that no Member from the SNP is in the House to take part in this discussion, which shows their contempt for democracy and for these matters.

Julia Goldsworthy (Falmouth and Camborne) (LD): In my constituency inequality is being worsened by the fact that, as South West Water customers, my constituents are paying the highest water bills in the country. Because regulatory change is needed to tackle the issue, and because the Government will not hit their own child poverty targets unless it is tackled, will the Minister agree to meet to discuss constructively how to deal with this very difficult issue for my constituents?

Ed Balls: The hon. Lady's constituents are better off because of the Budget and the measures that we have introduced for families. In a revealing comment, the Institute for Fiscal Studies makes it clear that—*[Interruption.]*

"the tax and benefit reforms introduced by the Labour government"—

since 1997

"have been strongly redistributive, favouring lower-income families"

in the hon. Lady's constituency—again, reforms that she has—*[Interruption.]*

Mr. Speaker: Order. The Minister must be heard. Hon. Members must allow the Minister to speak.

Ed Balls: I was pointing out that on income the hon. Lady opposes tax credits, and on wealth she opposes the child trust fund. If she would support me and this Government in our efforts to reduce child poverty, she would have more credibility on such matters.

School Funding

7. **Paul Farrelly** (Newcastle-under-Lyme) (Lab): How much he expects schools in Newcastle-under-Lyme to receive from changes made in the Budget. [130445]

The Financial Secretary to the Treasury (John Healey): As a result of the public spending plans announced in the Budget for the Department for Education and Skills, per pupil funding in England will rise from an average of more than £5,500 this year to more than £6,600 in 2010. Local authority allocations will be announced in due course.

Paul Farrelly: All schools in my constituency are pleased to see education at the forefront of Labour's 11th successful Budget. May I put down a marker for my hon. Friend and any of his Treasury colleagues who might be moving on to new jobs in the future? An important review of the school funding formula is taking place, so will the very generous holders of the purse strings listen carefully to the arguments of Staffordshire and the F40 group of local authorities to make sure that the huge increase in education spending is shared evenly and fairly across the country?

John Healey: The settlement in the Budget continues the top priority that this Government give to investment in education and skills. My hon. Friend is right that we are currently consulting, which will continue until May, on reforming the school funding system. I urge him, his local authority in Staffordshire and the F40 group of local authorities to contribute. He is right that this is a very good settlement for education. He will be aware that an inflexible and ideological third fiscal rule would mean less funding for schools and services in Staffordshire.

Mr. Michael Fallon (Sevenoaks) (Con): In what form will schools in Newcastle-under-Lyme be told that the rate of growth in education spending will be halved over the next three years and will now flatline as a percentage of GDP?

John Healey: The figures are very clear in the Budget. There will be a 20 per cent. rise in per pupil funding across the country, and Staffordshire, like the rest of the country, will share in that. The education settlement was part of confirming a total increase in public spending plans to £674 billion by 2010. The hon. Gentleman's party cannot and will not match that, because of the third fiscal rule. They will have to cut spending. The question for the shadow Chancellor is—

Mr. Speaker: Order.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): Does my hon. Friend agree that in Newcastle-under-Lyme, as elsewhere in the education system, people will be celebrating, because this Budget has reasserted the priority of education for this Government, which is a good news story? Does he agree that we need to nail down the fact that the money will be there for the wonderful building schools for the future programme over the next 15 years?

John Healey: As the distinguished Chairman of the Education and Skills Committee, my hon. Friend will recognise that the Department for Education and Skills is taking a greater share of the increased cash in this spending review than it did in the last one. He is right that there is a powerful and deep commitment on this side of the House to seeing pupils in the state system get the same opportunities as those in the private system, and the investment in capital and the increase in revenue spending per pupil will help us do that. The building schools for the future programme will play an important part in many local authority areas in bringing our schools up to the 21st-century level in which children deserve to learn and teachers deserve to teach.

Budget (Small Businesses)

8. **Mr. Philip Hollobone** (Kettering) (Con): If he will visit Kettering to discuss the impact of the Budget on small local businesses. [130446]

The Financial Secretary to the Treasury (John Healey): Treasury Ministers regularly visit all parts of the country. We are always ready to discuss with local business the beneficial impacts of reforms in the business taxation system. Having checked my diary this morning, I confirm that I currently have no plans to visit Kettering.

Mr. Hollobone: I am afraid that it was not the Minister who was invited, but the Chancellor of the Exchequer.

People in Kettering, particularly members of the East Northamptonshire branch of the Federation of Small Businesses and my constituent Mr. Steven Bellamy, who has written to me about this matter, would like the Chancellor to tell them in person about the bad effect that the rise in the small business corporation tax rate will have on their small service sector businesses over the next three years. If the Chancellor and the Minister will not come to Kettering, may I bring a small delegation of business men from Kettering to see them at Westminster to talk about this?

John Healey: The hon. Gentleman's constituent will be one of those who has benefited from the cut in the jobless rate by more than a quarter in the past 10 years, and his business might well be one of the more than 800 new businesses in Kettering since 1997. If he studies the Budget, he can tell his constituent that the revenues from increasing the small companies rate are entirely recycled to small businesses. I urge him not to make the mistake that the hon. Member for Tatton (Mr. Osborne) made yesterday by saying that 3.4 million of 4.3 million small businesses are not limited companies. They will benefit from the capital allowances and the new annual investment allowance, as well as from the cut in personal income tax made in the Budget.

Kitty Ussher (Burnley) (Lab): If my hon. Friend does not have time to visit Kettering, perhaps he will go a little further north and visit Burnley to reassure small businesses in my constituency that the Government will not at any point in the future pursue a double whammy of cutting taxes while at the same time attempting to raise expenditure, thereby threatening our macroeconomic stability.

John Healey: I do not think that a visit to Burnley is currently in my diary, but I dare say that I might be able to find a space for it. My hon. Friend is right. It is all very well for the Conservatives to call for more support for small businesses, but they voted against the small companies rate and against moves to take action against managed service companies. That leaves a hole of more than £1 billion a year in the finances, so the question for the hon. Member for Tatton is where he would make the cuts.

Tax Credits

9. **Mr. Roger Gale** (North Thanet) (Con): How many people have appealed against a demand for return of overpayments of tax credits since April 2006; and if he will make a statement. [130447]

The Chief Secretary to the Treasury (Mr. Stephen Timms): From April 2006 to February 2007 there have been 343,000 disputed overpayments.

Mr. Gale: Given the unavoidable absence of the Paymaster General, one or two of us had thought that the Chancellor of the Exchequer might have answered this question himself. It is interesting to note that the policy of leading from behind still prevails.

The Minister refers to 343,000 cases of personal misery directly caused by the failure of Revenue and Customs, which is trying to blame its errors on our constituents by saying that they should have known that they have made a mistake. When, please, may we have a wholly independent tribunal system so that these cases can be dealt with fairly and properly, not by a supine adjudicator or ombudsman?

Mr. Timms: I do not agree with the hon. Gentleman's description. I remind him that tax credits are providing support to almost 20 million people, including thousands of families in his constituency. The current position is that Revenue and Customs sends out a one-page checklist of items to check on the tax credits award notice. If all the information about the claimant—for example, how many children they have, their bank account, and the money going into their account—is as on the notice, any overpayment will not be recoverable. That is a straightforward position. A new procedure is being piloted shortly for an independent review involving the adjudicator of disputed overpayments, and that might be helpful as well.

Clive Efford (Eltham) (Lab): Families that have money reclaimed can be put in serious financial difficulty, and I ask the Chief Secretary to examine the way in which money is reclaimed from some families on low incomes. Notwithstanding that, will my right hon. Friend reflect on the success of the working tax credit system in not only taking families out of poverty but removing the block to moving from benefits to employment? Many of us remember the position that we inherited when we came into government—the Conservative party created it as a matter of policy and we have ended it.

Mr. Timms: My hon. Friend is right. He knows that restrictions have been placed on the amount of overpayment that can be taken from families on low incomes. He is right that many families have been lifted out of poverty thanks to the tax credit system. That includes 600,000 children, and another 200,000 thanks to last week's Budget. The tax credit system has also contributed to an increase of 2.6 million jobs in the economy since 1997 because so many more people find it worth their while to be in a job.

Mr. Andrew Mackay (Bracknell) (Con): Does the Chancellor's human shield believe that the overpayment scandal and shambles is the cause of the relatively low take-up of tax credits, which means that the abolition of the 10 per cent. rate of tax harms so many low paid people in this country?

Mr. Timms: I do not know about low take-up: 6,900 families, including 12,000 children, in the right hon. Gentleman's constituency benefit from tax credits. For households on incomes of under £10,000 a year that are entitled to child tax credit, take-up is approximately 97 per cent. Those who benefit the most from the tax credit system receive the money that they need. They benefit greatly from it and it is now worth while for them to be in work.

Keith Vaz (Leicester, East) (Lab): Of course, I welcome the tax credit schemes. However, in some cases, fresh information is presented after the conclusion of an appeal that casts doubt on the original facts that were before the person conducting it. What is the Treasury's approach when new facts emerge after the appeal process is over? Is the approach to a mistake of fact different from that to a mistake of law?

Mr. Timms: The approach of Her Majesty's Revenue and Customs is that all information should be taken into account when reaching a determination. If my right hon. Friend is aware of a specific case in which he is worried about the handling of new information, I would be happy to examine it.

Peter Viggers (Gosport) (Con): If the Chancellor of the Exchequer will not answer questions on his system,

at least he can listen to them. Is not it clear that the return of overpayments causes untold misery to many families, that the take-up of some categories of working tax credit is only 25 per cent. and that, in several cases, the computer cannot handle the situation? Indeed, the system is bust. Is not it time that a different person reviewed the whole system?

Mr. Timms: I remind the hon. Gentleman that 6 million families today receive tax credits. Ten million children benefit and take-up is higher than for any previous form of family income support. We have done much better. The incomes of low paid people have been substantially increased and that has helped dramatically to reduce child poverty and the tax burden on families on lower incomes. I would have thought that he welcomed those achievements.

Mr. Mark Francois (Rayleigh) (Con): Yet another tax credit question, yet again the Chancellor takes the vow of omerta instead of responding in person. Let me ask his Chief Secretary a question in lieu of him. As the effect of last week's Budget, especially the abolition of the 10p starting rate is to push ever more people into a highly complex tax credit system, in which more than half the payments are incorrect, has he ruled out, under any circumstances, a return to a fixed-term system of tax credits, were it to be reformed?

Mr. Timms: I do not agree with the hon. Gentleman's characterisation of the system. The system is doing a great job—*[Interruption.]* Yes, it is. One of the great strengths of the present system is its flexibility. It can respond very quickly when a household's income falls and extra help is needed. That would be lost if we were to change to a system that was based on the previous year's incomes. We will of course keep the matter under review, but the hon. Gentleman's solution does not look attractive to me.

Comprehensive Spending Review

11. **Tony Baldry** (Banbury) (Con): When he expects to announce the comprehensive spending review results for the Department of Health. [130449]

The Chief Secretary to the Treasury (Mr. Stephen Timms): As my right hon. Friend the Chancellor of the Exchequer announced in his Budget speech, the comprehensive spending review will be published in the autumn.

Tony Baldry: Am I correct in thinking that last week's Budget made it clear that the Department of Health will be £900 million worse off in the financial year 2006-07 than was predicted by the Treasury at the start of the financial year; that the figures for the NHS announced in the Budget were recycled re-announcements of the figures from the previous comprehensive spending review; and that with the NHS breaking even this year only because of fairly severe cuts in centrally held budgets, the immediate prospects for the finances of the NHS—

Mr. Speaker: Order.

Mr. Timms: No, the hon. Gentleman is not correct about that. My right hon. Friend made it clear in his Budget speech that the NHS in England will receive an increase next year in excess of £8 billion, which is the largest cash increase in the history of the NHS. It will build on the large increases that have led to a transformation in the health service in recent years and to great improvements in the services received by people up and down the country. The hon. Gentleman should, however, be worried about the failure of his hon. Friend on the Front Bench—

Mr. Speaker: Order. Other Members want to speak. I must call Back Benchers.

Mr. Andrew Love (Edmonton) (Lab/Co-op): Over the past few years, two new health centres, each costing more than £7 million, have been built in my constituency. In June this year, a new district general hospital is to be built at a cost of more than £111 million, with additional doctors and nurses to staff the facilities. Will my right hon. Friend ensure that the next comprehensive spending review builds on the success of this one?

Mr. Timms: I certainly will. I can confirm that there are now 33,000 more doctors and 85,000 more nurses, and that we have undertaken the biggest hospital building programme in the history of the NHS, involving 157 major new hospital schemes since 1997. There are now 80 NHS walk-in centres, compared with none in 1997. We are absolutely determined to build on that further. I know that my hon. Friend will pass on to his constituents the fact that, if the Conservatives were able to—

Mr. Speaker: Order. That is unacceptable.

G8 Summit

12. **Robert Neill** (Bromley and Chislehurst) (Con): Whether he plans to attend the G8 summit of Finance Ministers in Germany in 2007. [130450]

The Chancellor of the Exchequer (Mr. Gordon Brown): Yes. At the G8, we will continue to urge progress on the Doha development round and delivery of an aid-for-trade package for the developing countries. We will push for the universal education objectives of the millennium development goals and, ahead of the meetings, we are today publishing the UK's annual report on the International Monetary Fund.

Robert Neill: I am grateful that the Chancellor at least feels able to answer questions on his personal diary in person.

Chancellor Merkel has said that tackling global poverty is to be a key priority of the G8 summit, and I welcome that. Will the Chancellor of the Exchequer tell us what initiatives he expects to be announced at the summit to tackle the rising level of absolute poverty in the United Kingdom?

Mr. Brown: This is absolutely typical of the Opposition parties. We will be discussing international development, trade and the general state of the world

economy. I will answer the hon. Gentleman's question, however. Absolute poverty in Britain has fallen as a result of the Labour Government. Poverty will continue to fall as a result of the Labour Government. What would prevent poverty from falling in the UK is the return of a Conservative Government, because they would not be able to match our spending plans, which guarantee that we are taking action to improve our public services. It is about time that the hon. Gentleman pressed his shadow Chancellor to make it clear what spending the Opposition are now committed to.

Tax Credits

14. **James Duddridge** (Rochford and Southend, East) (Con): How many people have appealed against a demand for return of overpayments of tax credits since April 2006; and if he will make a statement. [130452]

The Chief Secretary to the Treasury (Mr. Stephen Timms): I refer the hon. Gentleman to my answer of a few moments ago.

James Duddridge: One of the 343,000 is Mrs. Anne Dalipi, who came to see me about such a demand 12 months ago and still has not received a satisfactory explanation of why she has to repay an overpayment. She does not know which payment is covered, and the bill does not state why there is an overpayment, or why she must pay it back. Given that her experience is typical, when will the Chief Secretary come to the House and explain that, unless the reasons that a repayment is required are detailed, the repayment will not be pressed?

Mr. Timms: The rule is pretty straightforward: an overpayment will be written off if it is due to departmental error, and if it is reasonable for the recipient to think that the award is correct. There is a process by which people can query and challenge decisions, through the adjudicator and even the ombudsman. A good process is in place, and if there is a particular issue in the case of the constituent to which the hon. Gentleman refers, I would be happy to examine that.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): The number of my constituents suffering hardship as a result of having to repay overpayments shows no sign of diminishing. I have been seeking meetings with HMRC to discuss and resolve a number of particularly intractable cases since August last year. I contacted it in August, September, October and November, and in desperation wrote in December to the Paymaster General, who at least acknowledged the letter, but I have heard nothing from her since. When can I expect a reply?

Mr. Timms: I will be happy to look into what has happened to the hon. Gentleman's correspondence.

Home Office Restructuring

11.31 am

David Davis (Haltemprice and Howden) (Con) (*Urgent Question*): To ask the Home Secretary to make a statement on the reorganisation of the Home Office and the Department for Constitutional Affairs.

The Secretary of State for the Home Department (John Reid): In the past few years, the world and the challenges to which the Government and the Home Office have had to respond have changed dramatically. This morning, we have refocused the Home Office towards the realities of today's world and the priorities of today's people. Managing migration and immigration, fighting crime and countering terrorism are now of the highest concern to people in this country.

Since the end of the cold war, we have faced a torrent of new challenges: in particular, mass migration, international crime and international terrorism. It is my responsibility as Home Secretary to ensure a response to those challenges that measures up to their extent, scale and character. That is why I have pursued challenging reform programmes across almost all aspects of the Home Office.

The House will be aware of measures introduced to improve the National Offender Management Service, to acquire 8,000 more prison places, to rebalance the criminal justice system in favour of the victim, to roll out neighbourhood and community policing, to develop the Respect agenda and to tackle antisocial behaviour. In addition, I have introduced measures to ensure the fair and more effective management of immigration, and the movement of the immigration and nationality directorate towards agency status. All those reforms will continue.

In addition, however, in the wake of last August's alleged terrorist plot, the Prime Minister asked me to conduct a review of counter-terrorism, involving the appropriate Ministers and Departments, as well as the police and security agencies. Arising out of that review, the Prime Minister has today decided to make changes to the machinery of government. The House will be aware of his written statement laid earlier today. The changes outlined there are aimed at producing a step change in our approach to managing the terrorist threat to the United Kingdom and to winning the central battle, which is the struggle for values and ideas.

Among other changes—which I will not outline in detail, as they have already been outlined in the written ministerial statement—we will create a more coherent ministerial committee system for oversight, establish strategic capacity for the longer term, integrate better our joint effort, and establish the capacity to engage in the struggle for ideas and values. We will do that partly by establishing a new unit, the office for security and counter-terrorism, in my Department.

I should make it plain that no portfolios—no responsibilities—will be taken from existing Departments. There will be no change in the lead Department responsibility for any of the agencies. My right hon. Friend the Foreign Secretary will of course continue to lead on all aspects of foreign affairs. My right hon. Friend the Secretary of State at the Department for Communities and Local Government similarly will retain her responsibilities in the prevent strand of the CONTEST framework and community engagement. Obviously, my right hon. Friend the Defence Secretary will lead on matters relating to the armed forces and wider defence operations.

However, the changes outlined today will add capacity to that which is already engaged in the formulation and carrying through of our security and counter-terrorism policy. It will develop a more strategic, inclusive, integrated and capable response to the current threat. Along with the fight against crime and antisocial behaviour, the Home Office will be refocused towards the challenges of today's world and will focus on the priorities of today's people.

As a result of those refocused and extended capabilities, and the extended attention of ministerial oversight of those exponentially growing challenges, the Home Office, as is appropriate, should shed some responsibilities. Those will be merged with the Department for Constitutional Affairs in a coherent way to form a balanced reformulation of the machinery of government by creating a ministry of justice. The Lord Chancellor will be giving more details of that in another place.

As I said, we are refocusing the Home Office, not for the first time in its history, towards the realities of today's world and the priorities of today's people. I commend those changes to the House.

David Davis: Let me start by thanking you, Mr. Speaker, for granting this urgent question. It should not have been necessary. The breaking up of one of the great Departments of State, with massive implications for crime, immigration, justice and terrorism, should have been brought before the House for proper debate, not disgracefully smuggled out in a written statement on the last Thursday before the Easter recess.

Let me turn to the substance of the Government's plan. On counter-terrorism—the thing on which the Home Secretary majored—some of the measures with respect to co-ordinating anti-terrorism are sensible and overdue. However, he has failed to secure a new Cabinet post for national security and will not be given control of the overall secret intelligence budget. Therefore, he will not be able to drive the counter-terrorism effort every hour of the day in the way that it clearly needs a Cabinet Minister to do.

As for the split of the Home Office, the logic presumably is that the job is too difficult for this Home Secretary to do. It has been well run in the past by Home Secretaries of all parties when it was much bigger and faced equally sizeable responsibilities. Indeed, it still had responsibility for licensing, gambling, broadcasting, fire, civil defence, human rights, equal opportunities and charities. Breaking it up will solve none of the Home Office's problems; it may well just create a whole new raft of problems.

After all, the Home Secretary got his job as a direct result of the scandal of foreign prisoners being released on to our streets because of poor communication between the prisons department and the immigration department. How will that poor communication be improved by splitting the prisons and immigration departments into separate Departments of State?

[David Davis]

At the moment, this country faces the threat of terrorism—the Home Secretary made that point—a criminal justice system that is in disarray, prisons that are overflowing and immigration that is out of control. Now he proposes to distract the senior staff of the Home Office by a massive reorganisation. Where are the resources going to come from to carry that out? Out of the frozen Home Office budget, at the expense of criminal justice, policing and immigration control? How much will it cost and where will it come from?

As for the new department of justice—an extremely important Department according to the Home Secretary's new definition—it already has massive problems, second only to those of the Home Office. Are we to have a Cabinet-rank Minister for this Department in this House, or is the House of Commons only to have second best in terms of criminal justice policy and critical issues of criminal justice?

This proposal has been described as "batty" by one of the Home Secretary's predecessors and as "balkanisation" by the one before that, and was dismissed by this Home Secretary only last year in evidence to the Home Affairs Committee. Because of the way in which it has been carried out, this ill-thought-through exercise to create a department of justice and a department of security will actually leave public security undermined and a justice system overwhelmed.

John Reid: Normally I would begin by welcoming the right hon. Gentleman's positive contribution. I think I can save time today by missing that out.

I believe that the right hon. Gentleman is mistaken. I was intending in any event to invite him, and will still invite him—along with the hon. Member for Sheffield, Hallam (Mr. Clegg), his Liberal Democrat opposite number—to go through the details of the proposal with me. I believe that he is making a dreadfully wrong strategic judgment, for reasons to which I will return, as indeed he is on identity management. I believe that he is on the side of the past rather than on that of the future. I believe that his mistake is strategic, and I am happy to discuss it with him, because I believe that wherever possible national security should be a matter of national consensus. However, I will deal with his points about process in some detail, because they are legitimate.

It was not and has never been the normal practice of Administrations to make oral statements on the machinery of government. It certainly was not the practice of the last Conservative Government. Indeed, proposals were often announced by way of press release from Downing street. Examples of major changes that were not announced by means of oral statements include the formation of the Employment Service in 1987, the splitting of the Department of Health and Social Security into the Department of Health and the Department of Social Security in 1988, the formation of the Central Statistical Office in 1989—during a recess, incidentally—the formation of the Department of Energy in 1992—*[Interruption.]* The right hon. Gentleman asked about process; I am answering his question.

Further examples are the formation of the Department of National Heritage in 1992 and, in 1995, the merging of the Departments of Employment and Education to become the Department for Education and Skills. And then there is the daddy of them all. In 1995, the *Financial Times* reported

> "The decision to scrap the Department of Employment came as a shock to its ministers and officials, none of whom were consulted."

So I do not think that we need take lessons in process from the right hon. Gentleman.

The illogicalities and non sequiturs in the right hon. Gentleman's contribution leap out at me. On the one hand he speaks of a great office of state abandoning its responsibilities; on the other, he refers to all the responsibilities that have been abandoned over the years precisely to enable the Home Office to refocus on today's challenges: constitutional affairs, the fire service, royal matters, rape, faith and cohesion, communities, and the voluntary and charitable sector—and that is only since 2001. There were many before that. Indeed, originally there were only two Departments apart from the Exchequer, those responsible for foreign affairs and for home affairs. While I stand in admiration of Conservatives who wish to retain the status quo however the world has changed, it is not very useful to refuse to change one's opinions and institutions even though the world has changed.

Let me now deal with co-ordination. This is of course a matter of judgment, but there was another great non sequitur in the right hon. Gentleman's contribution. He cited foreign-national prisoners as an example of the way in which co-ordination is improved by matters being dealt with by the same Department. It was, in fact, a classic example of why that does not, of itself, ensure co-ordination.

The one thing that does ensure good co-ordination is the National Criminal Justice Board, which runs like a weld under elements of the present Home Office and elements of the present Department for Constitutional Affairs. It will remain. It is chaired jointly by the Lord Chancellor and myself, and that will continue. It involves the police, the judges, the agencies and the probation and other services, as well as Ministers. That will continue as well. The co-ordinating elements are there. Of course it is a matter of judgment, but it is not self-evident that being in the same department helps or ensures co ordination.

Will the ministry of justice always remain the responsibility of the House of Lords? I do not think so. During the transitional period up to 8 May, and perhaps for some time beyond it, my noble Friend the Lord Chancellor, who presides over the Department of Constitutional Affairs, will be the best repository and the best person to develop the ministry. But it is perfectly possible, and perhaps perfectly appropriate, that after the transitional period, we could move responsibility for a ministry of justice to the House of Commons, allowing it to hold the Minister accountable.

Finally, on a homeland security Minister, the right hon. Member for Haltemprice and Howden does not seem to realise that we already have a counter-terrorism Minister, the Minister for Policing, Security and Community Safety, my hon. Friend the Member for

Harrow, East (Mr. McNulty). He already exists. The sum total—*[Interruption.]* I wish that hon. Members who are interested in national security would listen to their policy to counter today's threats; it is to take the same Minister who, at present, is in the chain of command from the Prime Minister through the Secretary of State to the terrorism Minister and to put him into the Cabinet. It will not add one iota of capacity to the fight against terrorism. It will do nothing to integrate or to give strategic capacity. It will build nothing in terms of numbers or character. It will do nothing at all to meet the seamless challenge with a seamless response.

All the proposal would do is to make two Cabinet Ministers responsible for the same subject to the same Cabinet and the same Prime Minister. In other words, it would create the elementary fault that anyone who knows anything about security would avoid; total confusion of command, control and communication. That is what the right hon. Member for Haltemprice and Howden is offering us. No wonder that after four weeks of not having a shadow homeland security Minister, he still has not appointed one.

Mr. Charles Clarke (Norwich, South) (Lab): Does my right hon. Friend accept that this irresponsible decision further delays the reforms that are critically necessary throughout the criminal justice system? Does he further accept that, particularly in relation to prisons, probation and the National Offender Management Service, where reform is desperately needed, the shift in responsibility will delay the changes that need to take place? Finally, does he accept that the coherence and co-ordination of the criminal justice system that is so important to its success will be damaged seriously by these proposals?

John Reid: I disagree with my right hon. Friend on every point. I respect his judgments. I do not think they have always been right in the past—*[Interruption.]* But I have no doubt that I will make mistakes as well. There are differences in judgment on that and we just have to differ.

Mr. Nick Clegg (Sheffield, Hallam) (LD): If the manner in which the announcement has been made is any guide to the manner in which it will be implemented, we are headed for further organisational chaos at the heart of government. On 21 June last year, the Prime Minister told my right hon. and learned Friend the Member for North-East Fife (Sir Menzies Campbell) that he saw no case whatever for the creation of a ministry of justice. A few weeks or months later, we were told through leaks to the press that, after all, that is on the agenda. Last night, we were told that the Home Secretary would make an announcement to this House. We were told a few hours later that it might be the Prime Minister, and then that there would be a written statement. We now see the Home Secretary on his feet, but only in response to an urgent question from the Opposition. This is a shoddy, shambolic and cynical way of treating this House and the British public on an issue of such grave importance.

How would the Home Secretary feel if he were a civil servant in the Home Office—vilified month in, month out by his political masters—and he learned about such an uncertain future through such contradictory leaks and counter-leaks in the press?

When the Home Secretary responded to my suggestion that there should be a public inquiry into the events surrounding the 7 July bombings, he claimed that my request was out of order, inappropriate and not possible because of the demands that it would make on official resources. How can he maintain that view when this change alone will consume far more official resources—certainly if it is to be implemented at the breakneck speed that he proposes—than a public inquiry?

Can the Home Secretary explain what role will be left for the Cabinet Office? The Cabinet Office plays a crucial role in co-ordinating information concerning our anti-terror strategy. The British public rightly expect the Prime Minister, not an aggrandised Home Secretary, to take the lead in setting our anti-terror strategy. Can he explain why the Cabinet Office appears at least to have been marginalised in the approach that he has set out this morning?

Can the Home Secretary explain how we can have any other interpretation but a political one of the timetable for changes, which will fall neatly on 9 May, the date on which, we are all led to believe, there will be a transition of power from one Prime Minister to the next? Does not he accept that, as long as that timetable is considered to be politically determined—

Mr. Speaker: Order.

John Reid: I notice that the hon. Gentleman managed to avoid saying that this is something for which he has been asking for some considerable time. I heard him this morning make an extraordinary statement, saying, "It is the right thing to do, but we do not like his reasons for doing it. This is the way to fight terrorism, but it is all to do with personal ambition." I will leave the psychoanalyst role to him.

Let me give the hon. Gentleman a few facts. I do not think that he could have been more profoundly wrong on every single particular that he mentioned. First, on the civil servants, his constant running down of certain aspects—I do not mind acknowledging faults—and his refusal to accord any credit where improvements are made, is what depresses people. For several months, civil servants have been involved in discussing the matter, from the permanent secretary down.

Secondly, during that time, there have not been any leaks from the Home Office. There has been one newspaper article, which I wrote and briefed around. There have been 10 other leaks. None has come from the Home Office and all have criticised and misrepresented the plans. Thirdly, unfortunately, it is those misrepresentations on which he has based his analysis. Not for the first time, an hon. Gentleman has spent a lot of time decrying those who apparently chase headlines, and spent the rest of his time chasing the headlines, making the headlines or basing his story on the headlines. The Prime Minister will still oversee the strategic national security elements. He will chair the new integrated committee. The Cabinet Office will service that committee. He will still have a national security adviser. It will not be the Home Secretary who chairs that.

[John Reid]

It is simple facts such as those that are the first step towards a rational discussion. If the hon. Gentleman wants to learn the facts, I will invite him in, but I ask him please not to base his arguments on spurious and misrepresentative reports in the press.

Finally, if the hon. Gentleman thinks that it is a good idea to have a ministry of justice, by definition, that would leave the Home Office refocused on those elements that are not part of the ministry of justice. That is precisely the position that I have arrived at. I know he finds it difficult, but there is an old rule: do not ask for something unless you consider the fact that you might get it. He has just got it. He might welcome it.

Mr. John Denham (Southampton, Itchen) (Lab): I welcome what my right hon. Friend has said about co-ordination of terrorism policy. Does he accept that today's decision leaves criminal justice spread across two Government Departments? I hope that he will come to the Select Committee at an early opportunity to discuss how that will work in practice, but for today can he tell the House which Department—the Home Office or the ministry of justice—will take responsibility for introducing criminal justice Acts? Which Department will take responsibility for the Police and Criminal Evidence Act 1984? How will we ensure that organisations such as the police know who it is they have to deal with and do not have to run around Whitehall trying to find the right civil servant to lobby?

John Reid: I agree entirely with the points made by my right hon. Friend. It is important that we co-ordinate. I have said to my right hon. Friend the Member for Norwich, South (Mr. Clarke), the former Secretary of State, that we have different judgments on the matter. I do not regard all my judgments to be right, or all his to be wrong. It is perfectly possible for those of us who have the responsibility of government—*[Interruption.]* Of course, if one does not have the responsibility of government, it is possible always to be right because all one has to do is criticise everyone else. For those of us who are interested in actually governing the country, it is possible for two men of equal weight and sincerity to make different judgments on a set of facts. Those are important judgments.

I do bear the burden of the point that my right hon. Friend the Member for Southampton, Itchen (Mr. Denham) is making, which is that there has to be an understanding that the Home Office will be responsible not just for counter-terrorism and security. There will also be the responsibility for antisocial behaviour. We intend that neighbourhood policing and the British style of policing will stay the British style of policing. Immigration will also be a responsibility. Those responsiblities will be co-ordinated throughout that Department. In response to his second point, the National Criminal Justice Board will also act on co-ordination across the criminal justice system.

In answer to my right hon. Friend's third point, of course I will come and explain these matters to his Select Committee at the earliest date. He asked about who will bring forward legislation in relation to the operations of the executive agencies inside the Home Office, the answer to that is the Home Office.

Mr. Crispin Blunt (Reigate) (Con): Answer the actual question.

John Reid: I have now answered all my right hon. Friend's points. All the legislation relating to the executive functions of those agencies, including the police, that operate inside the Home Office will be brought forward by the Home Office. The Bill teams will act out of the Home Office.

Sir Patrick Cormack (South Staffordshire) (Con): We know that we will still have all the problems there, but we are not confident from what the Home Secretary has said that we will have the proper solutions. Does not he remember how, on one busy afternoon, the Prime Minister created the Department for Constitutional Affairs on the back of an envelope and sought to get rid of the Lord Chancellor? He then found that what he was proposing was entirely unworkable and unrealistic. What confidence can we now have that the new ministry of justice, created without proper consultation with Parliament, is going to be up to the job? Why on earth did not the Prime Minister have the respect for Parliament to come here today and explain in detail what he has in mind?

John Reid: On the process point, I have already explained the matter. In fact, at the risk of boring the hon. Gentleman, there were 10 occasions on which the previous Administration did not even deign to come to Parliament with an oral statement. On some occasions they did not even issue a written ministerial statement. They changed the machinery of government by a press release from Downing street.

The Prime Minister made a written ministerial statement this morning. I have come here in response to the urgent question. I am more than happy to go through all the elements with hon. Members in a search for consensus. Of course with any of these things there are judgments to be made. Of course there is controversy, but the idea that, by preserving the present structure, we have some benign recipe for perfect co-ordination and operations within the Home Office does not strike me as self-evidently true on the basis of history. It may have been true, but as I have said, each of the units of the Home Office already has a plan for reform. I have introduced three of them, and several were introduced by my predecessor. They are being worked through, including the National Offender Management System. All those elements will continue. This reconfiguration is not a substitute for improving the quality of each of the constituent elements. It will not involve the expense that the Liberal Democrat spokesman, the hon. Member for Sheffield, Hallam (Mr. Clegg), expects. It will be accomplished within the existing budgets of the Home Office and the DCA. The change will not require the expenditure of time, energy or resources that is anticipated. If hon. Gentlemen will give us time to go through that, I am more than open to discussing that continually with them.

Several hon. Members *rose*—

Mr. Speaker: Order. If I am going to be able to call some Back Benchers, I must have one supplementary question and a brief response.

Alun Michael (Cardiff, South and Penarth) (Lab/Co-op): Splitting the Home Office may make sense, but as a former police Minister I am worried about the message to the police of some of the detail in my right hon. Friend's reply today. Will not the changes appear to downgrade the Government's successful focus on cutting crime and disorder and antisocial behaviour, on police community support work and on crime reduction partnerships? Having a department of homeland security may make sense, but it appears to downgrade the emphasis on local policing. Can he reassure us on that?

John Reid: On the first point, let me offer a correction: it will not be a Department for homeland security. That, by definition, would fragment our counter-terrorist and security effort because of the misapprehension that we can neatly segregate the current threat into foreign affairs, defence affairs and domestic affairs. One of the reasons why we need not only a longer term strategic response but a better integrated one is that the threat is now seamless. It is a seamless threat that runs through foreign and defence affairs and affairs at home. That is another reason why the Opposition's recommendation does nothing to address the current threat.

I can give an assurance that neighbourhood policing—the British style of policing, which has been rolled out through the country—will not only remain in the Home Office but will be a very high priority, as will antisocial behaviour. While some elements of legislation—such as police and criminal evidence legislation—will remain with the Home Office, other elements, such as criminal justice Bills, will pass to the ministry for justice. Therefore there will be a partnership approach.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): I worked in the Home Office for three years, and I say to the Secretary of State that there was nothing inherently dysfunctional about it at that time, and that splitting Departments will not address the problems that exist, which are essentially ones of leadership.

Let me also say that having Ministers with responsibility for justice in the other place rather than in this House is profoundly unacceptable. It is not right that the two Ministers of justice—the Attorney-General and the Secretary of State for Constitutional Affairs—will be in the other place. That must be rectified.

John Reid: I understand the right hon. and learned Gentleman's point, and I think that that will probably be rectified after the transitional period, although that will be a matter for the Prime Minister—whoever might be the next Prime Minister.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): As a former shadow Home Secretary—I was also shadow almost everything else without achieving the substance, as the current shadow Home Secretary will find out over long years of opposition—may I make the point to my right hon. Friend that the effectiveness of the machinery of Government depends on whether it works? It has been found in the past—for example, when the Conservative Government took broadcasting away from the Home Office—that the machinery of Government must work. Also, as a former Conservative Home Secretary found, prisons policy can be a mess if it is not properly administered. Does my right hon. Friend therefore agree that the key issue is not the boundaries of Government, but whether the structure works?

John Reid: I agree 100 per cent. One of the reasons why I have come to the conclusion that I have is that it seems to me that although we can improve the constituent elements of work within the Home Office, because of the magnitude of the challenge of three or four elements, the work on them cannot be carried out properly unless we concentrate and refocus on them and shift the other elements to a different dimension or Department. This change is being made because of practical reasons to do with responding to the current challenges of mass immigration, international crime and counter-terrorism, as well as to the policing and antisocial behaviour problems that we have. I say that with sincerity as both the current Secretary of State at the Home Office and in the past as Secretary of State for almost everything else.

Sir George Young (North-West Hampshire) (Con): My right hon. Friend the Member for Haltemprice and Howden (David Davis) asked the Home Secretary what the cost of the restructuring was, and the Home Secretary failed to answer. He must know the figure. Will he share it with the House?

John Reid: No, what I was asked about was the additional cost of this change. I said that that cost will be met from within the existing budgets of the Home Office and the Department for Constitutional Affairs. That is possible because the magnitude of the change is hugely exaggerated. All that is happening is that the National Offender Management Service element and criminal justice system element of the Home Office will now be the responsibility of another Minister.

Mr. David Winnick (Walsall, North) (Lab): Is not the truth of the matter that the Home Office has caused endless embarrassment to successive Governments—I can recall Henry Brooke's career being destroyed when he was Home Secretary in the 1960s—and that the Department is currently far too large to be properly organised and maintained either by the permanent secretary or, even more importantly, by the Home Secretary of the moment? Therefore the reforms and changes are welcome.

John Reid: I am glad that the reforms are welcomed by my hon. Friend. I pay tribute to the permanent secretary and all the staff who have been working on this proposal and on the improvement and reform plans of each of the constituent elements. I am the last person in the world to deny that we have had the odd problem in the Home Office; I have probably been more open in acknowledging problems to do with my own Department than any other Cabinet Minister. However, I assure Members that that is not the driving

[John Reid]

force behind these changes. The driving force behind them is the magnitude of the challenges of mass migration, international crime and countering international terrorism. That is why this has been done. It has been done not to avoid embarrassment, nor as a job creation scheme for a Cabinet Minister, nor for elongating anyone's career. It has been done in the national interest, not in any departmental or person interest.

Pete Wishart (Perth and North Perthshire) (SNP): What discussions has the Secretary of State had with Scottish Ministers and relevant agencies and bodies in Scotland about how their key functions will fit in with this new structure? Can he assure me that crucial work in Scotland on immigration, counter-terrorism and international crime will not be compromised by what is proposed?

John Reid: Most of the material and the structures and functions that will be affected are reserved areas. Obviously, the Scots have control over their policing and legal system through the Scottish Executive, but the other areas—counter-terrorism, mass migration, immigration—are dealt with on a reserved basis. We will consult, of course; I will consult Cathy Jamieson on this, as I do on other issues, to make sure that our response in all the areas involved is as seamless and integrated as possible, given the autonomy in many areas of the Scottish Executive.

Fiona Mactaggart (Slough) (Lab): Will prostitution policy be a matter for the Home Office or for the new department of justice? Will there be a Cabinet Minister in this House or the other House?

John Reid: In either case, there will in due course be a Cabinet Minister in this House, I think. I think that the Minister of justice will probably return here, although I cannot guarantee that because it will be a matter for the Prime Minister of the time.

Mr. Anthony Steen (Totnes) (Con): In the 200th anniversary year of the abolition of slavery, will the Home Secretary confirm that the restructuring of the Home Office will allow for there to be centrally prepared data on, for example, the number of children trafficked into the United Kingdom? Also, what will happen to the children who are not granted asylum, and what will happen to children who disappear while in the care of a local authority?

John Reid: Before I answer those questions, let me say in response to the previous one that I would have thought that prostitution as a policy area will come under the ministry of justice, although the policing of any such matters will of course come under the Home Office.

The co-ordination and partnership that will apply to any areas, including the compilation of statistics, will not change in functional terms from what is the current position. Statistics will be compiled by the Home Office or the ministry of justice as appropriate, and the relationship or partnership with local government will continue. Obligations that we have signed up to—such as the European convention on human trafficking—will be carried forward by the Government.

Mr. Gordon Prentice (Pendle) (Lab): It is regrettable that there will be no detailed parliamentary scrutiny of the changes to the machinery of Government. Those changes have, according to my friend, gone off at half-cock, and that was the case when the Conservative Government were in power as well as under this Government. We have had four transport Departments since 1997, and we had a Department for Productivity, Energy and Industry which lasted five minutes.

May I take my friend back to the central issue of costs? The Cabinet Secretary told me three or four weeks ago in an evidence session to the Public Administration Committee that the costs of the change would be met from within the departmental budget. My question is simple: can we have the figures here and now?

John Reid: I have already made it absolutely plain that the costs will be borne from inside the budget, alongside other ongoing efficiency savings. The cost will be small. There is no need to build new buildings, and no need for a massive reallocation, for a massive restructuring of departmental organisations, or for consultancy fees. This is a merger of an existing, coherent unit—NOMS and the criminal justice section—with the Department for Constitutional Affairs, so the costs are in no way prohibitive and will be met inside our budgets as a normal, routine managerial expense.

Mr. Humfrey Malins (Woking) (Con): The Home Secretary will recognise the importance of effective border controls. Will today's changes enable his Department to close the Brussels-Lille loophole whereby, if a Eurostar passenger at Brussels buys a ticket only for Lille, they are not subject to juxtaposed and other controls and merely stay on the train at Lille, arriving at Waterloo without any documents?

John Reid: I am not going to respond here to the question of the detailed travel arrangements of this hypothetical passenger, but I will look into this issue and write to the hon. Gentleman. He will know that this week, the Minister for Immigration, Citizenship and Nationality, my hon. Friend the Member for Birmingham, Hodge Hill (Mr. Byrne), proposed yet another step change in our immigration and enforcement policy. Through exporting our borders, by the end of next year the people of more than 100 countries will require visas to come here; and the introduction of biometrics, fingerprint and identity management will enable us to track people in and out of the country. I ask Opposition Members to reconsider their opposition to identity management. Without it, we will never be able to counter fraud and terrorism or to track immigration. The hon. Gentleman is on the wrong side of this argument.

Keith Vaz (Leicester, East) (Lab): I welcome the long overdue proposal to create a new ministry of justice, and I commend the Home Secretary on dealing with what must have been very difficult negotiations. However, what are the implications for the role of the Attorney-General, who is the third part of the criminal

justice system? It is important that a statement be made to the House about this matter—especially as the Select Committee is looking at the Attorney-General's role—and that a Minister from that department also be on the Front Bench. Could we please have an urgent debate on this issue?

John Reid: The short answer to my right hon. Friend's question is that there is no significant change to the Attorney-General's role that I am aware of. The trilateral arrangements will still pertain, and the Attorney-General will certainly still be on the National Criminal Justice Board, on which we all sit in an attempt to co-ordinate matters across the criminal justice system. So I think that there is no significant change.

Bob Spink (Castle Point) (Con): Does the Home Secretary know which items will have to be cut from the Home Office in order to make this change, and will he share that information with us?

John Reid: I am not quite sure what the hon. Gentleman means.

Bob Spink: The financial cuts.

John Reid: What the hon. Gentleman does not seem to realise is that a massive efficiency, improvement and reform plan is under way in almost every area. For instance, a staff reduction of 1,600 in NOMS alone is envisaged over the coming period, so compared with the reductions, improvements and efficiency measures taking place, the cost of this change is, as I said, very small. There will be no cuts, but a reallocation and a refocus toward immigration, international crime and international terrorism. The British people's three priorities, according to every single opinion poll of the last three years, are fair and effective control of immigration, countering crime and countering terrorism. These are responses not only to changes in the world, but to what people in our communities want us to focus on.

Mr. Owen Paterson (North Shropshire) (Con): What the Home Secretary has just said is incoherent. The money has to come from somewhere, so why will he not list the programmes that will inevitably be reduced to pay for this change?

John Reid: Because there aren't any.

Mr. Peter Bone (Wellingborough) (Con): The Home Secretary said today that the Prime Minister decided only today on the change, yet BBC television reported it last night, saying that there would be a statement today. Why are the Government briefing the BBC before Members of this House?

John Reid: The answer is: we are not.

Mr. Bone: The BBC reported it last night.

John Reid: The hon. Gentleman is talking about leaks and reports. The *Financial Times* reported it 10 weeks ago; it was a misreport and misrepresentation. The *Evening Standard* reported that one of my Cabinet colleagues was opposed to this; it was not true. There have been constant leaks, as happens in government; that does not mean that we are doing these things. This issue has been discussed for a considerable time across government, and the civil servants and officials working on it have done so with huge discretion and integrity. It is in some ways amazing that the accurate details did not come out until two or three hours ago, when the written ministerial statement was issued; other details have been placed in the Library of the House. I think that the hon. Gentleman will find that all the reports of the past 10 weeks have not been at all authoritative; indeed, for the most part, they have been misleading and wrong.

Mr. Philip Hollobone (Kettering) (Con): My constituents want to know that, as a result of this reorganisation, the roll-out of the safer community teams in Kettering and the surrounding area will not be affected. They would also like to know the answer to this question: when does the Home Secretary expect to update the House on progress?

John Reid: I can assure the hon. Gentleman's constituents that visible, accessible and responsive neighbourhood policing, which is obviously one of their priorities, is one of our high priorities, too. If he asks them, he will find that managing fair and effective immigration, reducing crime, and countering fraud, international crime and terrorism are their three highest priorities, as they are for the rest of the British people. That is what the evidence constantly tells us, and they are precisely the areas on which we have refocused this great Department of state.

Business of the House

12.17 pm

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to give us the business for future weeks?

The Leader of the House of Commons (Mr. Jack Straw): The business for the week commencing 16 April will be:

MONDAY 16 APRIL—Second Reading of the Mental Health Bill *[Lords]*.

TUESDAY 17 APRIL—Opposition day [8th allotted day]. There will be a debate or debates on an Opposition motion, subjects to be announced.

WEDNESDAY 18 APRIL—Remaining stages of the Pensions Bill.

THURSDAY 19 APRIL—Motion to take note of the outstanding reports of the Public Accounts Committee to which the Government have replied—details will be given in the *Official Report*—followed by a debate on marine environment on a motion for the Adjournment of the House.

FRIDAY 20 APRIL—Private Members' Bills.

The provisional business for the week commencing 23 April will include:

MONDAY 23 APRIL—Second Reading of the Finance Bill.

TUESDAY 24 APRIL—Opposition day [9th allotted day]. There will be a debate or debates on an Opposition motion, subjects to be announced.

WEDNESDAY 25 APRIL—A motion relating to the Crossrail Bill, followed by opposed private business that the Chairman of Ways and Means has named for consideration.

THURSDAY 26 APRIL—A debate on defence in the UK on a motion for the Adjournment of the House. To be confirmed.

FRIDAY 27 APRIL—Private Members' Bills.

Mrs. May: I thank the Leader of the House for giving us the future business, and for working with the Foreign Secretary to ensure that we had yesterday's statement on Iran. Since then, of course, the Iranian Government have—quite disgracefully—paraded the captured British sailors on television. Given that the House rises today, what consideration has the Leader of the House given to ways of informing it of further developments?

The Environment, Food and Rural Affairs Select Committee says that the Rural Payments Agency fiasco will cost the taxpayer £500 million, including a fine of £305 million payable to Brussels for incompetence. The Committee said:

"A culture where ministers and senior officials can preside over failure of this magnitude and not be held personally accountable creates a serious risk of further failures."

Will the Environment Secretary come to the House to make a further statement on the Rural Payments Agency?

We have just had the Home Secretary's response to an urgent question on the restructuring of the Home Office. Sadly, the Home Secretary had to be forced to come to the House to give those details. He said that details of changes to the Department for Constitutional Affairs would be given by the Lord Chancellor in the other place. When will a statement on those changes be made in this House? Many of the replies that the Home Secretary gave were completely unsatisfactory. It appeared that he simply did not know the answers to many of the questions that were correctly put to him. Indeed, at one stage, the Leader of the House had to brief the Home Secretary on the answer. Perhaps the Leader of the House, as the Chancellor's campaign manager, knows more about the future than the Home Secretary does. May we have a debate therefore on the restructuring of the Home Office, because that debate would give hon. Members —including the right hon. Member for Norwich, South (Mr. Clarke) and the hon. Member for Slough (Fiona Mactaggart)—an opportunity to express their clear concerns about the proposals?

I was talking of the Home Office, and the Leader of the House once said that he hoped that the Home Secretary would run for the Labour leadership. Now, of course, the Leader of the House is running the Chancellor's campaign and he has written to Labour MPs saying:

"There is absolutely no doubt in my mind that Gordon is the right person".

That is some U-turn. May we have a debate on junk mail?

The Parliamentary Secretary to the Treasury (Jacqui Smith): Spam!

Mrs. May: In last week's Budget, the Chancellor did not mention his Lyons review once. But under him, money raised from council tax has doubled, from £11 billion to £23.5 billion. That is the equivalent of putting 4p on income tax. The Lyons review now proposes taxes on bins, taxes on home improvement, and even taxes on beds. At least the Chancellor did mention the NHS in his Budget—once—but he did not tell us about the health service's soaring deficits, now £2.7 billion. The Health Committee says that the Chancellor has brought "boom and bust" to the NHS. Last week, the Leader of the House said that he

"would be delighted to have...a debate"

on the NHS

"any time."—[*Official Report*, 22 March 2007; Vol. 458, c. 950.]

So when may we have that debate?

It is revealing that the Chancellor stays quiet when it suits him. He once promised that

"a Labour Treasury will be open rather than secretive".

But last week he refused to answer when I asked how many meetings he had had with trade unions. When I asked the Leader of the House the same question, he gave an honest answer. The Chancellor also refused to answer my hon. Friend the Member for Fareham (Mr. Hoban) when he asked about his other appointments. When my hon. Friend asked the Secretary of State for Environment, Food and Rural Affairs, he gave an honest answer. Clearly Labour Members face a choice between a secretive Chancellor and a more open Secretary of State for Environment, Food and Rural Affairs. Can the Leader of the House impress upon all his colleagues the importance of being

as open with Parliament as he is? The public know that this Government have a record of stealth, secrets and spin, and they are sick of it. The problem is that when the Chancellor becomes Prime Minister, it will just get worse and worse—more stealth, more secrets and more spin.

Mr. Straw: The right hon. Lady was doing well until she came to her so-called peroration. In fact, I congratulate her on two rather good jokes—

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): At your expense.

Mr. Straw: Indeed. When the right hon. Lady described an excellent letter that I have sent out as junk mail, the Patronage Secretary, ever loyal, described it as spam. Incidentally, one should never believe anything that Mr. Piers Morgan writes, including stuff about me.

I have been remiss and I apologise, because I failed to read out some of the business for Westminster Hall. On Thursday 19 April, there will be a debate on the report from the Trade and Industry Committee on "New Nuclear? Examining the Issues", and on Thursday 26 April, a debate on a report from the Transport Committee on "How Fair are the Fares? Train Fares and Ticketing". Those titles may be elocution tests as well—*[Interruption.]* These were not my ideas, Mr. Speaker. If it had been left to the Patronage Secretary, the debates would have at least been clear in their subjects.

On a very serious note, I thank the right hon. Lady for what she said about my right hon. Friend the Foreign Secretary coming to the House yesterday in respect of Iran. It is a serious situation and we are all concerned. My right hon. Friends the Foreign Secretary and the Prime Minister and our diplomats, both here and there, are working extremely hard on that matter. Given that the House will not sit again until 16 April, the only way in which we can in practice inform Members about developments is through the media, but of course we shall do so. If there is detailed information that we need to transmit to Members, it can be done by a "dear colleague" letter.

The right hon. Lady mentioned the report by the Environment, Food and Rural Affairs Committee this morning and asked when it can be debated. There are plenty of opportunities for the House to debate issues if it wishes. The subjects for debate on estimates days are determined by the Liaison Committee, and if the Environment, Food and Rural Affairs Committee is concerned, it may raise the issue then. Given the synthetic fury to which we are sometimes subjected in business questions, I am surprised that the Opposition do not take the opportunity—if they really think that criticism of Ministers is significant—to raise such matters on Opposition days. They used to do so, when they were a slightly better Opposition. I remember, time and again, between 1974 and 1979, motions for the reduction of Ministers' salaries—

Mr. John Denham (Southampton, Itchen) (Lab): You are giving them ideas.

Mr. Straw: I am, because—like my right hon. Friend the Member for Manchester, Gorton (Sir Gerald Kaufman)—it is my profound wish and desire to make the Opposition more effective as an Opposition and to keep them there for at least as long as we were there.

John Bercow (Buckingham) (Con): The hon. Member for Sherwood (Paddy Tipping) does not have a salary. You cannot reduce it!

Mr. Straw: No, but he has the joy of working in the Leader's team.

On the restructuring and the ministry of justice, if the right hon. Lady were to read the written statement that my right hon. Friend the Prime Minister issued earlier today, she would see details laid out both on the arrangements for Home Office and on the new ministry.

On the health service, I frankly do not recognise the figures that the right hon. Lady mentions. My right hon. Friend the Health Secretary announced about a month ago that, taking account of the use of some contingency money, there would be a £13 million surplus for this year; and there have been substantial extra funds for the health service for the new year starting on 1 April. Time and again, I listen with bated breath for the right hon. Lady to mention the huge increases in resources in her constituency, but yet again she has failed to do so. Allow me to mention the extra £39 million on top of all the additional funds that her area has had.

Anne Moffat (East Lothian) (Lab): May we have a debate on international whaling, which is a big issue in my constituency? It was first raised by a constituent of mine. Iceland has recently resumed commercial whaling of fin whales. Those magnificent creatures can be seen in the Firth of Forth from my constituency, and it is surely outrageous that we cannot do anything to protect them.

Mr. Straw: I agree. It is not often that I can, as it were, satisfy an hon. Member immediately, but I draw to my hon. Friend's attention the fact that we will have a debate on the marine environment on the Thursday after the recess, in which she will be able to raise those issues. I hope that she catches your eye, Mr. Speaker.

Mr. David Heath (Somerton and Frome) (LD): To pick up on the sedentary comment by the Patronage Secretary, it is obvious that we are in the process of transition from Camelot to Spamalot. *[Laughter.]*

To return to the serious issue of the changes in the machinery of government, and as the right hon. Member for Maidenhead (Mrs. May) said, there is a statement on the Department for Constitutional Affairs in the other place. It is not acceptable for a statement to be made about a Government Department in the non-elected House and not made to this House. I shall leave that thought with the Leader of the House.

Leaving aside the merits or otherwise of the proposed changes, is not the hon. Member for Pendle (Mr. Prentice) right that when we have machinery of government changes that affect Departments, costings and organisation it is sensible for them to be put forward in costed form in a consultation paper that sets out the advantages and disadvantages and allows the

[Mr. David Heath]

House to have scrutiny of such changes before implementation? It is not back-of-the-envelope stuff just before a change of Administration. We ought to be able to set a precedent for this.

May we have a debate on ethical leadership? Given the Select Committee on Public Administration comments this week and those of Sir Alistair Graham, and in the context of Ministers being accused of leaning on officials for political purposes and an ex-Cabinet Minister one day being the advocate of a new policy on ID cards and two years later turning up as an employee of an ID card company, is it not time for a civil service Act and a strengthened ministerial code of conduct? Should not this House have an opportunity to debate that?

May we have a debate on rural housing? The establishment of a new rural housing advisory group has been announced, but we have not yet had a Government response to the affordable rural housing commission that reported only last year. That is a serious issue for many people in rural areas.

Finally, last week the Leader of the House showed that he is adept at studying rail timetables for Milton Keynes and I applaud him for that. I have to repeat my request, however, for a debate on rail services. To quote one of my favourite books:

"Man is born free and everywhere is in trains."

TravelWatch South West said:

"The Government does not seem to care about public transport in the South West",

and points to drastic timetable cuts, plummeting reliability and chronic overcrowding. This is a serious issue for the south-west, as it is in many other places, and it is time that we had a debate not only on the narrow issue of rail fares, which the Leader of the House has announced, but also on the wider issue of what is happening to our rail services.

Mr. Straw: When the hon. Gentleman asked about today's announcement on splitting the Home Office, he included the words,

"Leaving aside the merits or otherwise of the case".

That is classic Lib Demory. They have two views, one in favour and one against, and they cannot make up their mind which, so they leave aside the merits. I take seriously some of the points raised by the Opposition because they have a view about the merits of the case, but, although I listened with great care to what the shadow, shadow Lib Dem home affairs spokesman had to say, I was none the wiser at the end of it, nor was I any better informed of the Lib Dem's position. The matter has been the subject of detailed consideration and of a detailed written ministerial statement. Although there may be a debate about whether some time in future such matters should be handled differently, the truth is that my right hon. Friend the Prime Minister handled it more openly today than was ever the case in the past. As my right hon. Friend the Home Secretary said, in 18 years of Labour Opposition there were repeated examples of changes to machinery of government without any announcement to the House.

I am always very happy, if time allows, to have a debate inside or outside the Chamber on ethical leadership. However, it does not do the reputation of politics any good for the hon. Gentleman week after week to come to the House and in one way or another try to denigrate the standards of public life. I accept that there are falls from grace, but our standards are higher and better than in almost every other country in the world, and that is shown from independent monitoring. If any of my former Cabinet colleagues are taking business appointments, they will be doing so only in circumstances where they have been vetted and approved by the Appointments Commission.

We all accept that rural housing is a serious matter. I happened to listen to a radio programme the other day about ways in which planning controls are being used more effectively now to ensure a parallel market for local people. That is an important issue and I shall certainly pass on the hon. Gentleman's comments to my right hon. Friend the Secretary of State for Communities and Local Government.

I made myself expert on the train services to and from Milton Keynes only because I had to, not because of any affection for that timetable. We recognise that there are problems with train services as a result of overcrowding. The timetable changes introduced by First Great Western, a private company, and its failure to ensure sufficient rolling stock inconvenienced a great many Members of this House, including the right hon. Member for Maidenhead (Mrs. May) and me. Spending on track support has increased by 55 per cent. in the last 10 years, rail passenger journeys are up by 35 per cent. and, to combat overcrowding, my right hon. Friend the Secretary of State for Transport recently announced that an extra 1,000 rail carriages are to be purchased.

David Taylor (North-West Leicestershire) (Lab/Co-op): As chair of the all-party group on smoking and health, I welcome the recent anniversary of smoke-free Scotland and I look forward in four days' time to smoke-free Wales and in four weeks and four days' time to smoke-free Northern Ireland, and on 1 July to smoke-free legislation in England. May I draw attention to my early-day motion 1233?

[That this House looks forward to the introduction of smokefree legislation in England on 1st July this year, following Wales on 2nd April and Northern Ireland on 30th April; applauds the protection from proven health risks of secondhand smoke which this will afford to smokers and non-smokers alike in the vast majority of workplaces and public places; notes the successful passing of the first anniversary of smokefree Scotland; further applauds the 46,000 Scots who used NHS Scotland to support their attempt to stop smoking; recognises that a huge surge in demand is expected for Stop Smoking Services in England, running up to, on and following 1st July; welcomes the £10 million additional funding for 2006-07 and 2007-08 provided by the Department of Health to primary care trusts (PCTs) for increased provision of Stop Smoking Services; regrets that there is evidence that many frontline services are being cut at this vital time despite the additional Government funding; and urges the Government to ring-fence the funding to PCTs for the provision of Stop

Smoking Services in 2007-08 to ensure that the unique opportunity presented by Smokefree England to make a dramatic cut in smoking prevalence is not wasted.]

It draws attention to the fact that the Government have allocated a fair amount of money to boost stop-smoking services, which is what some people are doing at the implementation of this legislation. May we have a debate on how we can protect such funding? Research shows that that extra funding is being used—snaffled, even—by primary care trusts for other services and that smoke-free services are being reduced in scale. May we have a debate on public health and how we can protect finances and give high priority to that aspect of our health policy?

Mr. Straw: I take note of what my hon. Friend has to say. I am glad that he acknowledges the big increase in resources that we have put into it. I hope that he is successful in raising the matter, for example, in Westminster Hall.

John Bercow (Buckingham) (Con): Given that the Home Office continues to remove to Khartoum failed asylum seekers from Darfur, even though the safety of such an approach is being contested in the Court of Appeal, can we please debate the matter urgently in Government time on the Floor of the House, because many of us believe that the Government are breaking their international commitments and putting opponents of the Sudanese Government at risk of imprisonment, torture, death or a grisly combination of all three?

Mr. Straw: I do not accept what the hon. Gentleman has to say. I know of no case and I do not believe that there has ever been a case of someone being sent back as a failed asylum seeker unless and until all the avenues of appeal have been exhausted, including appeals before independent immigration judges and possibly even the immigration appeal tribunal. It is well established case law in this country and internationally that it may well be safe to send an individual back to a part of a country although it may be dangerous in another part of that country. That is particularly true of Sudan, which is twice the size of France.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): Would my right hon. Friend agree that many of the great campaigns in this House start from an injustice to a constituent? Would he think of an early debate on the behaviour of Swiss banks operating in London outside of European Union regulation? Constituents of mine have lost £2 million through fraud. The fraudster used Pictet and Cie—a French bank—and Pictet Asset Management to back the fraud being perpetrated. My constituents can get no justice because Swiss banks operating in London are outside the normal parameters of European Union protection. Can we have a debate about what is going on with regard to Swiss financial services operating in this capital city of financial services?

Mr. Straw: I take note of the seriousness of my hon. Friend's point. I will draw his profound concern to the attention of my hon. Friend the Financial Secretary to the Treasury and the chairman of the Financial Services Authority. I hope that he can raise the matter in debate here.

Miss Anne McIntosh (Vale of York) (Con): The Government must be alarmed by the criticism in the report of the Select Committee on Environment, Food and Rural Affairs, and by the level of fines. Will the Leader of the House make time, as soon as possible after the House's return from the Easter recess, for a debate to consider two particular aspects of the criticisms? The first is the fact that the level of the fines means that the farm budget has been raided. In addition, the rural development fund, which would otherwise have been used for flood alleviation schemes, is no longer at the level that it would have been without the fines. Secondly, as the Government are so keen to look into restructuring Departments and to consider the level of ministerial responsibility, will he please ensure that the Minister with responsibility for farms is a House of Commons man or woman, and is in this House to answer questions and receive correspondence? If that had been the case, the Government would have been aware of the difficulties much earlier.

Mr. Straw: I take note of the hon. Lady's last point about ministerial responsibility. I would just say that my noble Friend, Lord Rooker, has very much made himself available to this House. I understand the hon. Lady's point, but he has done what he can to make himself available. On the hon. Lady's wider point, of course we always take seriously any Select Committee report. My right hon. Friend the Environment Secretary has apologised to farmers for the debacle in the Rural Payments Agency, and I have done so to the House. There have been changes at the head of the agency, and everybody is seeking to learn the lessons from that very unfortunate episode.

Mr. Gordon Prentice (Pendle) (Lab): Congressional committees in the United States ordinarily take evidence on oath, and my friend the Leader of the House told me yesterday in a written answer that it is open to Select Committees to require witnesses to give evidence on oath. Given the controversy over the remarks of the previous Cabinet Secretary, and the fact that my friend is now campaign manager for someone who has been described as a Stalinist, I am interested in my friend's views; would he encourage Select Committees to take evidence on oath on appropriate occasions?

Mr. Straw: I have no particular view about that, because even if evidence is not given on oath, there is a high expectation that those giving evidence will tell the truth, the whole truth and nothing but the truth. I think that I am right in saying that even if the evidence is not given on oath, if it transpires that the witnesses have given false evidence, they can be brought before the House.

Mr. Philip Hollobone (Kettering) (Con): Sadly, far too many small shops are falling victim to crime. A survey by the British Retail Consortium showed that shop theft was up 70 per cent. in 2005, and theft costs shops some £2 billion a year. Will the Leader of the

[Mr. Philip Hollobone]

House arrange for a debate on shop theft, either in Westminster Hall or on the Adjournment of the House, and will he support my call for such a debate?

Mr. Straw: I appreciate that although, overall, crime has come down, one crime is one crime too many, and the statistics are no comfort to the victims of the crimes that continue to occur, so I acknowledge the hon. Gentleman's concern. We are doing everything that we can to cut shop crime and we will look for an opportunity for him to raise the subject on the Adjournment, or in Westminster Hall.

Andrew Miller (Ellesmere Port and Neston) (Lab): May we have a debate on information technology developments in primary schools, and will my right hon. Friend join me in urging Members to encourage participation in the competition that is being run by the Parliamentary Information Technology Committee and e-skills, and which is being promoted in the all-party Whip? It is a great way of getting Members to engage with the young people in their constituencies about something that will really affect their future.

Mr. Straw: I congratulate PITCOM and e-skills, which is the sector skills council for IT and telecoms, for their initiative, and I encourage Members to involve their primary schools in that competition.

Mr. Owen Paterson (North Shropshire) (Con): I still have constituents who have not been paid their single farm payment for 2005. The Leader of the House underestimates the spectacular language in, and the importance of, the Environment, Food and Rural Affairs Committee report. Paragraph 3 says:

"This was a catastrophe for some farmers, and a serious and embarrassing failure for Defra and the RPA. A key part of the Government's sustainable farming policy was in collapse."

The majority of Committee members were Government Members, and the report was passed unanimously. The right hon. Gentleman's replies are not good enough. We need to debate the subject on the Floor of the House, with Ministers present, in Government time. Fobbing us off with estimates days is just not good enough.

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. May I say to the Leader of the House that he will have to imply a question from the statement that we have just heard?

Mr. Straw: I will do my best, inadequate though I am. I do not think that I downplayed the gravity of the criticism that was made; it is palpable and it has been well-rehearsed in the newspapers, and on the radio this morning. I do not have much to add to what I have already said. As I said to the right hon. Member for Maidenhead (Mrs. May), if Members really think that a criticism made of a Minister is serious, there are many opportunities available to them, and particularly to the Official Opposition, to raise the matter on the Floor of the House.

Mr. John Denham (Southampton, Itchen) (Lab): I wonder when we can have a statement from my right hon. Friend the Leader of the House on the arrangements for scrutiny by the House of the Home Office and the new ministry of justice. In particular, what arrangements does he intend to propose on the organisation of Select Committees? Given the division of responsibilities, how can the House ensure seamless scrutiny of the criminal justice system?

Mr. Straw: That is something on which we will have to consult the usual channels, the Chairman of the Liaison Committee and, of course, the Chairmen of the Select Committees concerned. I say to my right hon. Friend that however uncomfortable it may be, the general principle—now enshrined, I think, in the Standing Orders—is that the departmental Select Committees are there to monitor the work of Departments, and that principle is important in making the Select Committees as effective as they can be in fulfilling their role. We have to take that into account.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. I repeat my preference for specific questions.

Pete Wishart (Perth and North Perthshire) (SNP): Looking at the future business, it seems that the Leader of the House and I have failed to secure an Act of Union debate prior to the Scottish elections. I have to say that I am disappointed. I wanted to hear Ministers once again make their positive case—the black hole of the issue of border guards, the brutal language, and so on. When the Leader of the House observes the 10-point Scottish National party lead, does he believe that the current approach is working?

Mr. Straw: I am surprised that the hon. Gentleman did not mention that there has been a 20-point reduction in support for independence in Scotland since the SNP started wittering on about it.

Mr. Peter Bone (Wellingborough) (Con): Yesterday at Prime Minister's questions, the Prime Minister stated, in relation to NHS operations:

"now virtually no one waits more than six months."—[*Official Report*, 28 March 2007; Vol. 458, c. 1495.]

The House of Commons Library informs me that official figures show that there are currently 7,851 patients who have waited more than six months for an NHS operation. After the recess, will the Leader of the House make a statement on the accuracy of ministerial answers to oral questions, and will he say how they might be corrected if they are found to be wrong?

Mr. Straw: I think that what my right hon. Friend said is accurate, and I echo what he said, because virtually nobody is waiting more than six months. The number is down by 284,000 since 1997, and is now relatively small. Of course, that is still too many people who are waiting, but the hon. Gentleman needs to make up his mind about whether he supports the extra money that we have put into the health service—it alone has made the improvements possible—or whether he opposes that spending, as he did at the last election, and the one before that.

Bob Spink (Castle Point) (Con): A major industrial plant in my constituency has suffered terrorist attacks in the past, and thousands of my constituents travel to London every day to work. May we have a debate to explore, in plain language, how the Home Office changes will improve the on-the-ground protection from terrorism for my constituents? That will not be clear to them from the statement made by the Home Secretary this morning.

Mr. Straw: The purpose of the changes that my right hon. Friend the Home Secretary announced this morning is to strengthen the framework for counter-terrorism and to ensure that our work on local policing continues, so that the good people of Castle Point, including those on Canvey Island, can, with a bit of luck, sleep even easier in their beds than they have been able to since that halcyon day, 1 May 1997.

Points of Order

12.49 pm

Mr. Mark Prisk (Hertford and Stortford) (Con): On a point of order, Mr. Deputy Speaker. I seek your guidance about the failure of the Department for Communities and Local Government to answer not one but three named-day questions that were due on 5 March. The questions, which I tabled on 26 February, relate to an apparent breach of planning law by the Minister for Housing and Planning. If that breach is confirmed it may well result in legal action by my constituents against the Department. Three weeks after answers were due, I have yet to receive an answer or even a holding reply from the Department. Will you confirm, Mr. Deputy Speaker, that that is in breach—I tried to identify whether it was—of Standing Order No. 22, and as you are the protector of our interests as Back Benchers, will you advise me how I can resolve the matter in the interests of my constituents?

Mr. Deputy Speaker (Sir Alan Haselhurst): This is something that the House rightly takes seriously. It may be helpful if the Leader of the House, who has heard what the hon. Gentleman said, seeks to catch my eye in furtherance of the point of order.

The Leader of the House of Commons (Mr. Jack Straw): Further to that point of order, Mr. Deputy Speaker, I have obviously taken careful note of what the hon. Gentleman had to say. I shall follow it up and hope to get in touch with him later today.

Mr. Owen Paterson (North Shropshire) (Con): On a point of order, Mr. Deputy Speaker. In Treasury questions, the Chancellor and the Economic Secretary both flatly refused to answer a straight question as to whether a senior Treasury official had given accurate information to the Select Committee yesterday. Is it possible, Mr. Deputy Speaker, for you to convey the message to the Treasury and to other senior Ministers that their reputations and the reputation of our proceedings are not enhanced outside the House by that sort of behaviour?

Mr. Deputy Speaker: The hon. Gentleman must recognise that that is not a point of order for the Chair. The Leader of the House will have heard what he said, and I am sure that he is as interested as any right hon. or hon. Member to ensure that the fullest information is supplied to hon. Members. Perhaps the hon. Gentleman should recognise that all of us in our profession are sometimes fallible in giving the fullest of answers to the questions that we are asked in many different theatres.

DEFERRED DIVISION NO. 85

Mr. Deputy Speaker (Sir Alan Haselhurst): I have to report to the House an error in the numbers reported as having voted yesterday in Deferred Division No. 85 on immigration. The number of Ayes was 366, rather 342, and the number of Noes was 52, rather than 49. I can advise the House that the Clerk will arrange for the record to be corrected.

Easter Adjournment

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Heppell.]*

12.52 pm

Mr. Roger Gale (North Thanet) (Con): Before the House of Commons adjourns for the Easter recess, I want to raise a matter relating to the manner in which we conduct our proceedings, particularly the manner in which legislation is now being progressed through both Houses of Parliament. On 15 March, I tabled a written parliamentary question to the Prime Minister asking him, in the light of an earlier comment that he had made, if he would place on record the *Hansard* reference to the occasion on which a very full debate took place on the Equality Act (Sexual Orientation) Regulations 2007. That written question should have been answered today. The Table Office—and I have no quarrel with the Clerks whatsoever, far from it—rejected the question, on the grounds that the Prime Minister, in his answer at Prime Minister's Question Time to my hon. Friend the Member for Stone (Mr. Cash), had not actually referred to a parliamentary debate. The Prime Minister in fact said:

"We have had a very full debate on the issue in public".—[*Official Report*, 21 March 2007; Vol. 458, c. 811.]

With respect, Mr. Deputy Speaker, this is the House of Commons. We debate issues in the Chamber, and I do not think that it is satisfactory for the Prime Minister or, indeed, any other Minister to tell the House that we have had a full debate "in public"—what does that mean, is it the public bar of The Bull and Bush?—rather than on the Floor of the House, which is where debates relating to contentious issues upon which there are strongly, deeply and honourably held opinions on both sides should be held.

Looking at what actually happened, we can see how fully the matter was debated. Sexual orientation was not debated at all during the passage of the Equality Act 2006 through the House of Commons. It was not debated in Committee or on Report or on Third Reading in the Commons, because it was only introduced as the subject of an amendment in Committee in the House of Lords. That introduction caused what my hon. Friend the Member for Epping Forest (Mrs. Laing) referred to later on the record as "anomalies". I think that we can fairly say that the regulations are pretty anomalous. As the implications of the regulations became clear, public concern was widely expressed. To that extent, the Prime Minister was right—there was a public debate outside the House—but still there was no opportunity for a full debate in the House of Commons.

Those highly contentious draft regulations were laid on 13 March. My understanding—and I stand to be corrected, as it is possible that the Committee was appointed late at night on 13 March—is that members of the Committee designated to consider those regulations were not appointed, or at least informed, until 14 March. The regulations were heard by a Delegated Legislation Committee very early in the morning on Thursday 15 March. From the time the regulations were laid, notwithstanding their highly contentious content, until their consideration and determination in full, insofar as debate is concerned, by the House, there was a period of two and a half days. There was no time for consideration by Committee members and there was no time for any further representations to be made. In Committee on 15 March, 17 appointed Committee members were present. In addition—and this is exceptional, as hon. Members will know, for a Statutory Instrument Committee—24 non-Committee members who were, none the less, hon. Members, were present. A dilatory motion was moved, which the Chairman, quite properly, rejected. Once points of order had been raised—and there were a number of them—one Back Bencher had time to comment on those highly contentious regulations. Fourteen hon. Members sought to intervene: my hon. Friends the Members for Enfield, Southgate (Mr. Burrowes), for Wellingborough (Mr. Bone), for Stone (Mr. Cash), for Gainsborough (Mr. Leigh), and for North Essex (Mr. Jenkin); my right hon. Friend the Member for Wokingham (Mr. Redwood); and my hon. Friends the Members for Aldershot (Mr. Howarth), for Monmouth (David T.C. Davies), for Croydon, Central (Mr. Pelling), for South-West Bedfordshire (Andrew Selous), for Christchurch (Mr. Chope), for Buckingham (John Bercow), for Daventry (Mr. Boswell), and for New Forest, West (Mr. Swayne). They all wanted to make a contribution, in one form or another, to the debate, but they were effectively denied the opportunity to do so.

The Under-Secretary of State for Communities and Local Government, the hon. Member for Sheffield, Heeley (Meg Munn), who was taking the business through Committee and, to be fair, the Leader of the House, who dealt with the matter subsequently when it was raised in the Chamber, both said in terms that the Conservative Front-Bench team could have requested that the business be taken on the Floor of the House, but they chose not to do so. That is slightly disingenuous. The fact of the matter is that no offer was made, but of course, it is open to the Opposition to make a request. I understand that a request was not made, and the conclusion that we are invited to draw is that the Opposition consented to the manner in which the regulations were taken through the House.

In fact, the shadow Attorney-General, my hon. Friend the Member for Beaconsfield (Mr. Grieve), said in Committee that the Minister

"has had representations from the official Opposition that this matter is not suitable to be dealt with by means of statutory instruments, and that it should be dealt with instead as primary legislation. We offered to facilitate that task and to help the Government deal with it in a smooth and sensible fashion."—[*Official Report, 12th Delegated Legislation Committee, 15 March 2007*; c. 11.]

Let us be absolutely clear: the Government were offered the co-operation of Her Majesty's Loyal Opposition to take the business, as it properly should have been taken, through the House in the form of a short Bill as primary legislation. That would have given the House the opportunity to scrutinise the Bill thoroughly, to remove from it what my hon. Friend the Member for Epping Forest described as anomalies, and to produce a good and workable piece of legislation to send to the upper House for its further consideration.

Following that dawn hearing of the statutory instrument, we raised the matter at business questions later in the morning with the Leader of the House. I believe you may have been in the Chair, Mr. Deputy Speaker, when I asked the right hon. Gentleman

whether, at the very least, we could delay that business and the vote on it until after this debate, the Easter Adjournment debate, when hon. Friends might have had the opportunity to make their views known on the record. That request was denied.

There was, as we now know, on the following Monday, in a half-empty House when the business was one-line business which collapsed early, an early evening vote which, not entirely surprisingly, was carried by a considerable majority. A number of Members—on both sides of the House, to be fair—who regard the regulations as pernicious simply did not have time to return to the House from constituency business in their constituencies in time for that vote, which was held at about 7.30 pm, whereas ordinarily it might have been expected to take place at 10 pm. I am not suggesting for one moment that that was deliberately orchestrated, but it is a sad fact that not only were Members denied the right to speak on the issue, but they were effectively denied the right to vote.

The legislation was railroaded through the House of Lords on 21 March. Baroness O'Cathain's amendment was defeated by 122 votes to 168. We were left with no discussion of the effects of the regulations on, for example, small businesses, services and education, or of the highly contentious issue of adoption by gay couples. As Baroness O'Cathain said in the upper House, the Government

"have taken the view that gay rights trump religious rights"—[*Official Report, House of Lords,* 21 March 2007; Vol. 690, c. 1298.]

That has led to circumstances that my hon. Friend the Member for Beaconsfield, the shadow Attorney-General, referred to in the Statutory Instrument Committee, when he said that we will

"promote a great deal of litigation and money for lawyers . . . The procedure is a nonsense—it is not suitable to deal with this matter by way of statutory instrument. We have written to the Government to explain that in moderate and sensible terms."

Following that, my hon. Friend the Member for Epping Forest said, correctly, from the Front Bench that the legislation

"would have commanded far more respect from its opponents had they had a better opportunity to put their arguments."—[*Official Report, 12th Delegated Legislation Committee,* 15 March 2007; c. 19-20.]

The public expected a proper debate on the matter. They expected and had a right to expect from their elected representatives considered legislation from which the flaws had been removed. Instead, we have on the statute book a squalid measure that is illiberal and ill considered and that will lead to legal challenge. That was not necessary.

The Archbishop of York, in the other place, said that

"the Government are venturing down an unconsidered path"

and that they will

"enshrine in legislation a new sub-category of those whom it will be legal to discriminate against. Rather than levelling the playing field for those who suffer discrimination, an aim I"—

the Archbishop of York and I myself—

"fully support, this legislation effects a rearrangement of discriminatory attitudes and bias to overcompensate and skew the field the other way."—[*Official Report, House of Lords,* 21 March 2007; Vol. 690, c. 1309.]

In the second part of his answer to my hon. Friend the Member for Stone on 21 March the Prime Minister said that

"we can, if we are sensible, find a way of preventing discrimination against gay people, while allowing Catholic adoption agencies to carry on doing the excellent work that they do. It is a difficult balance to strike, but I believe that we have struck the right balance, and I think that most sensible people would agree with it."—[*Official Report,* 21 March 2007; Vol. 458, c. 811.]

What the Prime Minister was actually saying was, "We'll give you some time to adjust to this new situation and you no doubt will be able to overcome that." That completely ignores the fact that five days, five months, five years, or 500 years would not affect the issue. We are not dealing with something that is negotiable. We are dealing with principle, and five millennia would not make any difference.

The regulations are so skewed that Catholic adoption agencies will in fairly short order probably close and certainly face discrimination, as do now members of the Catholic and other Churches who feel strongly about these matters. By the way, I myself am an Anglican, not a Catholic. While that is going on, regulation 13 of these carefully thought-through regulations exempts gay welfare groups from the provisions and allows them to reject approaches from heterosexuals, so they can put a notice up on the door saying, "No heterosexuals". Forgive me—that sounds to me just a tad like discrimination. It is not necessary.

The Archbishop of York said in his excellent speech that we must be liberal and we must learn to listen. The Government have not listened. The House wanted to debate these issues. My hon. Friend the Member for Beaconsfield said in Committee:

"Until the House cottons on to the extent to which"

the regulations mark

"a profound change between tolerance and enforcing a new form of orthodoxy, we will fail to grapple properly with the problems that these regulations pose."—[*Official Report, 12th Delegated Committee,* 15 March 2007; c. 29].

To conclude, a fundamental concern has been expressed in both Houses of Parliament from both Front Benches, by—dare I say it?—the Chair and by Back Benchers that the public are disillusioned with Parliament. People outside this place feel that they are not heard and that we do not properly reflect the manner in which their business should be handled.

We voted—some of us voted—earlier this week a not inconsiderable annual sum of money for communications. The thesis behind that was that we need to communicate better with those we serve so that they understand better what we are doing. I do not believe that the people whom I represent will ever understand the way in which this House of Commons and this Government put the sexual orientation regulations through the House, knowing that they were contentious and that they required debate, without giving the elected representatives of those people the chance to have their say. I fear that until we return to parliamentary democracy and reassert the primacy of this Chamber, ordinary people will feel that Parliament is, as it is at present, irrelevant to their lives.

1.8 pm

Mr. Patrick McLoughlin (West Derbyshire) (Con): I begin by welcoming the hon. Member for Sherwood (Paddy Tipping) to his new position. It is a pleasure to see him on the Front Bench. He occupied the position once before and returns to the Front Bench, I understand, as an unpaid post, so presumably this is one area where we will see good value for money. I congratulate the hon. Gentleman. When he previously held the post, and when he summed up these debates, he always did so with courtesy and respect for the House and for Members. I am delighted to see him back in the Government. I want to use today to raise several issues which directly affect my constituency. I raised some of these matters in the Christmas Adjournment debate, and I want to consider how they have moved on.

I want to touch on a real crisis for the countryside. Hon. Members who represent agricultural constituencies feel incredibly worried about the position of dairy farmers. Approximately 10 years ago, a dairy farmer would get 26p a litre for their milk. Today, the figure is 18p a litre. It has been estimated that on average dairy farmers today are losing in the region of 4p a litre, and they cannot go on losing money on their main product without going bust.

The Government must take a serious look at the matter. This morning, the Environment, Food and Rural Affairs Committee issued a devastating report on the Rural Payments Agency. I remember earlier warnings from the Select Committee that the RPA was in serious danger—I think that the Deputy Leader of the House was a member of the Committee at that time—and I also remember Lord Bach saying that the Committee was wrong and that it had misunderstood the whole position. Who was wrong and who was right?

The devastation caused to the farming industry has been fundamental, and the Government's reputation has been seriously damaged. It is no good saying that the Secretary of State has apologised, because the situation is continuing. On 2 March, the RPA extended its final deadline for the return of the hill farm allowance forms, because it discovered that applicants had not received the explanatory booklet and declaration letter. The RPA is now re-mailing a number of upland farmers. That might explain why, according to the RPA, there was a failure by applicants to submit their declarations. It is difficult to submit a declaration if one has not been sent it in the first instance. There needs to be a radical look at how the RPA works, and perhaps that will now happen.

Without the farmers of this country, there would be no countryside. As the Deputy Leader of the House knows, my constituency is very attractive, and 20 million people a year visit the Peak District national park. The visitors come to see the natural beauty of my constituency, but if the land is not farmed, it will not hold its beauty.

The Minister for Local Environment, Marine and Animal Welfare has said this about the RPA:

"One of the problems that it highlighted when it published its interim findings a short time ago was that it had not had many complaints from farmers."—[*Official Report*, 8 March 2007; Vol. 457, c. 1657.]

Following that comment by the junior Minister, I received a letter from a farmer, which stated:

"Most of us see our job to be producing crops and livestock. This is what provides our income. Anything that takes us away from that work tends to be seen as waste of time. In recent years we have been straight jacketed with paperwork from people sitting in front of computers who to justify their existence have to think up new schemes and forms to complete. It is not the fear of reprisals that stops the ordinary farmer from contacting you. Most will have asked question, 'Will it do me any good?' Experience says no. To provide you with evidence each of us has to search through our mountains of paper. And we just don't have the time".

I hope that the Government will take on board the proper concerns of the dairy industry, and of the agricultural industry, in our country.

The next issue that I want to discuss is the resurfacing of the A50. The A50 is a new road that has been built through part of my constituency, and it has become known as the Doveridge bypass. Traffic volumes have grown dramatically on the bypass. Indeed, it is a mistake to call that part of the A50 the Doveridge bypass, because following work in the Stoke area on the A500, it has become the M1-M6 link road. The Government published a 10-year plan—I think that we are now at the stage of five-year plans—and the then Secretary of State for Transport, who is now Secretary of State for Trade and Industry, wrote to reassure me that the 10-year plan included resurfacing some of the concrete roads in our country. He said that the A50 was in that particular scheme and that it would be done. Surprise, surprise, the 10-year plan never reached expectations, and I have been told that that road will not be resurfaced in the immediate future.

I have tabled written parliamentary questions to the Secretary of State for Transport, and I have written to the Highways Agency. Just the other day, I received a letter from the Highways Agency that contained some very disturbing news:

"As you know the current policy with regard to funding all works on the motorway and trunk road network is entirely dependent on safety and maintenance needs. Concrete roads are designed to have a life of approximately 40 years, but the condition of all roads are regularly assessed for safety and maintenance. Therefore under current procedures it is unlikely that the A50 will need resurfacing for some time."

The goes against the assurance that I was given by the then Secretary of State for Transport.

The condition of the A50 has damaged the quality of life in Doveridge. When the bypass was built, people were pleased, but they did not expect one problem to be replaced by another, namely consistent noise in the daytime caused by the concrete road.

Angela Browning (Tiverton and Honiton) (Con): The A30 Honiton-Exeter road exactly mirrors that situation. The Prime Minister came to Exeter and personally promised that that road would be resurfaced. I share my right hon. Friend's concern, because it looks like that will not happen for at least 20 years.

Mr. McLoughlin: We were promised that that would be done.

Mr. David Heath (Somerton and Frome) (LD): Exactly the same situation exists on the A303 in my

constituency. In 2004, I was told that work would start to lay a low-noise surface on the A303 to relieve noise in Wincanton and the villages along the road, such as Holton, Maperton, Compton Pauncefoot and South Cadbury. That has not happened, and there has been no indication from the Highways Agency when it will be done.

Mr. McLoughlin: Assurances were given in the past. Particularly in the summer months, the noise from those roads means that people cannot go out in their gardens or enjoy the countryside in which they have purchased houses.

I first raised the issue of quarrying in the Peak district some 10 years ago, when I was very concerned about Longstone Edge and Backdale quarry. After 10 years, a public inquiry has just taken place. I do not expect the Deputy Leader of the House to comment on that public inquiry. I once asked the Library for a briefing on the subject, and it sent back a note stating that it is "a rather complicated matter"—one can ask the Library for a brief on nuclear weapons or treaties, but if one asks for a brief on Backdale quarry, it states that it is "a rather complicated matter". That is an underestimation, and I will not go into all the issues around the quarry application, but I will say that the issue has been ongoing for more than 10 years.

I hope that when the planning inspector reports, whatever he says, the Secretary of State for Environment, Food and Rural Affairs, to whom I have written about this, will call in and investigate the whole process. The amount of money that it has cost the Peak park planning board and the quarry operators in legal fees, and the amount of officers' time that has been spent, must be incalculable, and it has not been the most effective way of dealing with the matter.

If the planning inspector's decision goes the right way, I should like to think that that might be the end of the line, but I fear that we are still going to have to spend a lot of time on this application, which has been incredibly controversial. After all, we are talking about a national park that is visited each year by millions of people who come to see it and enjoy the activities there. I am joined in that view by the former deputy leader of the Labour party, Lord Hattersley, who lives fairly near to the site.

Another issue that is causing a great deal of anxiety to my constituents is the proposed closure of Stoney Middleton school. We now have a new process for school closures whereby they ultimately go to a school adjudicator. It used to be possible for us, as Members of Parliament, to make representations directly to the Secretary of State before a school was closed, but no longer. Stoney Middleton is a fairly small village but it is on a very busy road on which schoolchildren will have to travel if the school closes. That alone should be a reason to think again. In its motion, the county council considered proposals to "discontinue" the school. I suppose that that is a new kind of language and that it really means "close". Closing the school would take the heart out of the village. I hope that whenever the school adjudicator comes to a final decision, he or she will say that the county council's case has not been made. The school is providing an excellent educational service for its pupils, and it should be allowed to continue to do so.

When I spoke in the Christmas Adjournment debate, I said that I feared that Darley maternity unit would be proposed for closure by the local trust. I am afraid that those fears have come to fruition, so today I shall turn most of my attention to Darley. It is a small unit run by midwives with a wealth of experience. Indeed, my wife was given first-class service when she was there, almost 17 years ago, on the occasion of the birth of our second child, Clare. Having provided that service for people in the north Derbyshire area for a very long time, it is now threatened with closure. That is completely unacceptable.

The way in which the trust has gone about this, in not being open and honest about the figures, is nothing less than an absolute disgrace. In its consultation document, it says:

"The community maternity service review has shown the unit would need substantial extra investment to meet the required standard of clinical practice and bring it up to safe staffing levels. This extra equates to more than £300,000 a year."

When I met officials from the trust, together with the hon. Member for Chesterfield (Paul Holmes), I challenged them on that figure. To say that their response was dismal would be kind. To say that they could not justify it in any way, shape or form would be to underestimate their inability to reply. It was a disgraceful episode. In the 20 years that I have been in the House of Commons, I have never had a meeting with officials that I would class as being so bad. I am still unable to get from them a proper figure for their costs as regards the unit, because every time they are asked a question they come up with a different figure. At the meeting, they started by saying that the unit needed an extra two nurses. I said, "Two nurses don't cost £150,000 each, so what is the rest of the money for?" After a slight pause, they said that it needed an extra five nurses. That is typical of how it went on—it was unbelievable. If trusts are going to make such proposals, they must be told that they need to be honest and open with the people they are dealing with.

I have had many representations from my constituents about the wonderful service that the unit provides. Mrs. Smith from Wirksworth says:

"At Chesterfield for my first baby, I had an appalling birth; no consistency of care, the consultant in and out of the room giving instructions to various midwives without consulting me. I felt totally disempowered I was stitched afterwards by a junior doctor who did not even introduce himself. I had to wait on a trolley for an hour after the birth, unable to move or control my bladder because of my epidural. An auxiliary mopped up my urine without speaking to me. It was like Victorian times. The next day, I was transferred to Darley. I received empathy, support, and debriefing, explaining why my delivery had been so difficult. When I became pregnant again, I booked in to Darley. I can not fault the care I received during labour. I felt supported throughout. Unfortunately, in the final stages, the baby was stuck and I was transferred to Chesterfield in an ambulance. However, the midwife from Darley came with me, held my hand, reassured me. I still felt in control, because I was part of the decision to transfer me. I can never thank the midwives at Darley enough—they saved my sanity. Surely this unit should be a flag ship."

I could read from many others, but I will not because time is limited and other Members want to speak.

The late Professor Brian Williams was tragically killed just 10 days ago in an awful accident where he was again, as so often, helping the community. He was a professional social researcher and a lecturer at

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De Montfort university. At an earlier stage, when the trust first came out with its consultation document, he explained that the trust questionnaires broke all the rules that he set down for his students on preparing such documents, because asking such closed questions produces biased results. He said of the questionnaire in the back of the document that is being circulated by the trust:

"The only way for people who do not agree with the perspective presented in the report to express their views is to ignore or delete the closed questions and write answers in one of the boxes—but people tend not to do that, they tend to get irritated and discard the questionnaire. This, of course, would further bias the responses received."

Just to help the issue along, and before we have the new communications allowance, I produced my own document, which I circulated to my constituents urging them to ensure that they have their say before the final decision is taken on 20 April. I very much hope, even at this late stage, that we get a change of heart from the trust and that the Department of Health investigates the way in which the whole exercise has been gone about.

When people see and hear the Prime Minister telling us how much extra money and resources have gone into making the health service better, as we do every week at the Dispatch Box, they wonder why we are losing the services that we have enjoyed over many years. It does not look that way, even if we want to take the Prime Minister at his word. I find that difficult to do when I consider what is happening to the Darley maternity unit. I hope that the Deputy Leader of the House can respond to that.

Given that the Deputy Leader of the House attended a meeting with me a few weeks ago at Ripley, where we met David Coleman, the chief constable of Derbyshire police, I want to consider police funding and the new formula that the Government have introduced. I am not asking for extra money but for the formula to be distributed in the way in which the Government originally intended. The hon. Gentleman, along with me and other east midlands Members, heard a first-class, impressive presentation. Thankfully, we got rid of the disastrous plan to merge all the police forces in the east midlands, but the presentation described the way in which the forces work together effectively on serious and organised crime. We were taken through the financing and I do not want that element of the police's work throughout the east midlands to be put in danger. I know that the Deputy Leader of the House does not want that and I hope that he can examine that matter, too.

Today's debate is an important opportunity for colleagues to put on record some of the things that are going wrong in their constituencies or matters about which constituents are concerned. I have not picked all the issues from my constituency but I have chosen some of the most important. They are causing anxiety and I hope that the Government will tackle them.

1.31 pm

Keith Vaz (Leicester, East) (Lab): It is always a pleasure to follow the right hon. Member for West Derbyshire (Mr. McLoughlin), who became a Member of Parliament when I did 20 years ago. He spoke with enormous passion about several key issues that concerned his constituents. I am glad that he did not raise them all; otherwise the whole Adjournment debate would have concentrated on West Derbyshire. However, I hope that he is successful in his campaign to keep his local maternity unit open. I ask him to take the Prime Minister at his word, because I have the same problems in my constituency. There has been massive investment, but those who deliver on the front line need to be careful about the way in which they use public money and they need to be accountable. I hope that he gets satisfaction from his local health trust and that the wonderful maternity unit that gave us his daughter, Clare, and others will remain open.

I join in the congratulations to my hon. Friend the Member for Sherwood (Paddy Tipping) on his reappointment as a Minister. He has returned to the post that he held six years ago and I gather from the Opposition Chief Whip that we get him at a discount because of his long service. When my hon. Friend occupied the position previously, he always listened carefully to the views of Back Benchers. I have watched him in the past 15 years or so take up issues of concern to his constituency, and one of the iconic television pictures of the 1992 elections was of my hon. Friend dancing—it looked like banghra dancing—at his count on gaining the previously Conservative seat. I do not say that he has been dancing ever since, but I am sure that he did a little jig on his reappointment this week. I wish him well in his role as Deputy Leader of the House.

On police co-operation, my hon. Friend represents a constituency in Nottinghamshire, the right hon. Member for West Derbyshire represents a constituency in Derbyshire and I represent a constituency in Leicestershire. We did not need police reorganisation for the police forces of Nottinghamshire, Leicestershire and Derbyshire to co-operate. Unfortunately, I missed the meeting to which the right hon. Gentleman referred, but I know that that co-operation is important.

I want to raise two main matters. It is the first time I have participated in the Easter Adjournment debate for some time. I have been unlucky in the ballots so far and have not been able to find parliamentary time to discuss the two issues. I hope that my hon. Friend will give me a positive response and that we get some movement from the Government on both matters.

The first relates to my constituent, Rafiq Gorji, whose case I have raised on several occasions in business questions. He is a widower with three children. Like more than 50,000 British citizens, he went on the pilgrimage to Saudia Arabia to perform his Hajj in December last year. He was on a coach with his wife, Zenab Ali, on the Madinah-Makkah highway near Dubaiyah when it overturned. It hit a central reservation and Mrs. Ali died at the scene of the crash. Mr. Gorji suffered severe burns to his hands and back. Two other British nationals died in the coach crash and many more were injured.

I have met my constituent on several occasions and seen the burns on his body. They remain visible even though the crash happened a few months ago. The crucial point that he makes is that the coach driver was extremely tired. He had been driving for more than

18 hours before the crash. He had been swerving the coach when he was driving Mr. Gorji and his wife, and the coach passengers urged him to stop. They offered him refreshments and asked him to rest because they feared that, if he continued on the journey, the coach would crash. That is exactly what happened.

The crash highlights the problem that many British Muslims, some of whom live in my constituency, suffer when they go on the Hajj to Saudi Arabia. The Leader of the House set up the Hajj Committee when he was Foreign Secretary and my noble Friend Lord Patel of Blackburn chairs it. It does a great job, but it cannot control the activities of the Saudi Arabian Government. So far, we have been unable to bring to the Saudi Arabian Government's attention with sufficient force an understanding of the problem that continues to occur with those who drive my constituents and those of other hon. Members in Saudi Arabia. The Hajj has to be performed there because the holy places are there.

Rafiq Gorji eloquently made the point to me and the Saudi Arabian authorities that the people who are employed by Saudi Arabia to drive the coaches do not necessarily come from that country. Many come from Libya and Syria. They are not paid a huge amount of money for the task and they are made to work for many hours to get that money. That is why they continue to drive even when they are tired.

The incident was perfectly preventable and that makes it especially sad. Had the man not driven, had he stopped and rested, Mrs. Ali would be alive today and the three children who are still grieving for their mother would have a mother, Mr. Gorji would have a wife and the family would be content.

Mr. Gorji made many complaints to the Ministry of Hajj, which is responsible for licensing the coaches and the drivers, but it has been reticent and reluctant to give us any information. It was months before Mr. Gorji received a copy of his wife's death certificate. All her personal effects have been lost, including her copy of the Koran. To this day, we have still not received a copy of the police report.

I telephoned Sherard Cowper-Coles, our very good ambassador in Saudi Arabia, in Riyadh and asked him to intervene personally in the case. I want to place on record my appreciation and that of my constituent for the work of Sherard Cowper-Coles, the consulate general in Makkah, and all the other people involved there. The embassy has been absolutely terrific.

We could not go any further, so I did what I normally do when dealing with a foreign Government, which was to make an appointment to see the Saudi Arabian ambassador, the prince who has recently taken over the role here in the United Kingdom. He was unavailable, so I met the deputy ambassador. I took my constituent with me, and I said that we wanted a police report because my constituent could not make progress unless he knew exactly what had happened.

I was a friendly Member of Parliament—I was born in the middle east, I chair the Yemen group and I am a friend of the Arab community—asking a friendly Government in a friendly way for a simple document. I would have thought that that document would be easy to produce, yet I was told that I had to go back to the British embassy and speak to my ambassador, who would then ring the Ministry of Hajj, and that we would then get the police report. No sympathy was offered to my constituent at that stage. So we did that, and we received the response from our man in Riyadh that this was really the responsibility of the Saudi Arabian Government.

In normal circumstances, one might seek to raise such an issue with a Member of Parliament, but as we know, the political situation in Saudi Arabia is slightly different. Approaching the Government was therefore perhaps the best way to get a response. They are, after all, a friendly Government. We have heard the Leader of the House, the Solicitor-General and the Foreign Secretary tell us from the Dispatch Box what a good friend Saudi Arabia is, what a close personal relationship we have with it, and how it is our ally in the region. I would have thought, therefore, that if a British citizen asked for a police report, it would be a simple thing to obtain. To this day, however, we have still not received it, so my constituent cannot take the issue forward.

I have raised the matter twice with the Leader of the House, whom I admire for his great skills and his ability to deal with Back-Bench Members of Parliament. He always came back to me very quickly whenever I raised issues with him when he was Foreign Secretary. He promised to raise this matter with the Foreign Secretary, who would presumably raise it with her Minister of State, who would then raise it with the Saudi Arabians. It is only a matter of a police report, after all. We did the Saudi Arabian Government a great favour recently when we stopped the investigation by the Serious Fraud Office on the ground that it was not in the public interest. I would have thought that it was in the public interest for information such as the police report on this incident to be given to a British citizen.

I was subsequently contacted by the parliamentary liaison officer at the Saudi Arabian embassy, Prince Sultan—not "the" Prince Sultan, but another official called Prince Sultan—who was actually very helpful. He came to see me at the House and told me that he felt that I was right, and that this was a simple thing to ask for. He said that he would go back to his Government and try to arrange it. Four weeks after meeting him, however, absolutely nothing has happened.

Why should a Member of Parliament have to raise this matter constantly in the House of Commons? It concerns a British citizen whose wife has died. Why am I not getting a response from the British Government? Of course, in the end, the matter is the responsibility of the Saudi Arabian Government, but they are on good terms with us. I expect to see action from the British Government in support of a British citizen. I can give my hon. Friend the Minister many examples of British citizens abroad being helped. I remember when a number of nurses were being held in Saudi Arabia. The case attracted massive publicity and our Government moved heaven and earth to assist them. Why have the Government not taken a similar course of action in this case?

I want this matter raised, please. And I want an assurance that when the Foreign Secretary talks to her Saudi Arabian counterpart about all the arms that she is selling to Saudi Arabia—of course we sell them arms—she will raise Mr. Gorji's case. I also want it raised by the Secretary of State for Trade and Industry

[Keith Vaz]

when he sees his Saudi Arabian counterparts. I want Mr. Gorji's name to be on the lips of every British Minister until we receive the police report on the death of his wife, and I will not stop harassing my newly promoted hon. Friend, or the Leader of the House at business questions, until that happens.

That is only the start. My constituent still has not visited his wife's grave in Saudi Arabia. She had to be buried, according to Muslim rites, almost immediately after she died. He wants to go there, and I want the help of the British Government to ensure that he can do that. Let us be caring of British citizens who face problems such as these abroad, and let us do something about this. I would be grateful to my hon. Friend for a response. He is sitting there very calmly and not intervening. I am not having a go at him; he knows that. However, as the Conservative Chief Whip said, this debate is our opportunity passionately to put forward a cause.

My second subject concerns the problems being faced by the Tamil community in Sri Lanka, which I last raised at Prime Minister's Questions on 14 March. Daily, hundreds of Tamils are having to leave their homes because of the activities of the Sri Lankan Government. Over the past 15 months, 4,000 have died and hundreds of thousands have been displaced. Recently, the military airport in Sri Lanka was bombed by those who support the Tamil cause.

My hon. Friend the Minister was parliamentary private secretary to the Leader of the House when he was at the Foreign Office, and he will know that this is an issue that Britain needs to be involved in, because we are partly responsible for it. Britain gave Sri Lanka independence 60 years ago and, as we did in so many parts of the world, we drew the borders. We created this situation, and we have a responsibility as honest brokers to help. In 2002, the Norwegian Government brokered a ceasefire which was agreed by both sides: the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam.

In response to my question on 14 March, the Prime Minister asked for an immediate ceasefire, so that a dialogue could be resumed. I am utterly in awe of what the Prime Minister has done in Northern Ireland. As a parliamentarian, I do not expect to use terms such as "historic" and "in my lifetime", even though 20 years is almost a lifetime for some. It is certainly a long sentence on certain criminal tariffs. In the 20 years I have been here, the achievements in Northern Ireland have been profound, and I congratulate all those involved, including the Secretary of State for Northern Ireland, on the fact that two Members of this House—even though one of them has not taken the Oath—have been able to sit down together at a table, engage in a dialogue, and agree to share power and form a Government. What a message that is for the United Kingdom to sell to the rest of the world!

I am asking for British involvement in the Sri Lankan issue, to ensure that the two sides get together. Like other hon. Members, I have Tamil people living in my constituency. Some came here as refugees, and some have settled here. They are British citizens whose communities have a hinterland abroad. The continued violence against the Tamil people has to stop. I ask the British Government to do something about it, and to make a statement calling for a ceasefire so that the killing can stop, so that people do not have to leave their homes, and so that we can have peace on that beautiful island.

I have arranged a meeting on 2 May with the Minister for the Middle East, my hon. Friend the Member for Pontypridd (Dr. Howells), and many right hon. and hon. Members wish to be there to support what I am saying. A year from now, Sri Lanka will celebrate 60 years of independence. I am not asking the United Kingdom to apologise for what it has done, but we have a responsibility as the former colonial power. Let us please get involved to bring the two sides together. We all know that the Prime Minister is stepping down. Being a peacemaker in Sri Lanka would be a great role for him. I have not put it to him yet, but I will drop him a note to suggest that he take it on if he is pushed for things to do after he goes.

We had a statement today about Home Office reorganisation. I favour the creation of a ministry for justice, and I was surprised to hear the hon. Member for Sheffield, Hallam (Mr. Clegg) scolding the Home Secretary over that, because it is Liberal party policy.

Mr. Heath: To clarify, we have always advocated a ministry for justice, and want to see one, but we are unconvinced by the Home Secretary's desire to have a sort of anti-terrorism tsar, which we think is a role best played elsewhere.

Keith Vaz: Perhaps the hon. Gentleman should have been making the response to the statement, but at least I am now clear about the Liberal Democrat stance.

I am in favour of a ministry for justice, which should have been introduced four years ago, but my right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett) put a stop to it because he felt that it would cut into his empire. I give the Home Secretary full marks for giving up part of his empire without squealing—he has said, "Here is my portfolio; please have it."

I want the Home Office to concentrate on sorting out the immigration and nationality directorate, because it is still a complete mess, as will be shown by the number of people who come to my surgery tomorrow. Letters go unanswered, passports go missing and decisions are not made. Asylum seekers are told that the reply is in the post. Four years later, they are settled with families. That is what happens sometimes—people come to this country, fall in love and get married, and even the Government cannot legislate against that yet—and as a result, they are settled people. After four years, however, they are told that it is time to go, and that is why they come to see us as MPs—the Government have cut legal aid, so they cannot go to see solicitors. The focus on that area deserves a hooray.

I am concerned, however, about the position of the Attorney-General. We have a good Attorney-General, and some of the burden placed on other Departments—relating to human rights and others issues—should be transferred to his Department. The Select Committee on Constitutional Affairs, under the chairmanship of the right hon. Member for Berwick-upon-Tweed (Mr. Beith), is considering that point. If

we come up with a better solution to the carve-up of the Home Office, I hope that Ministers will consider it carefully. The issue will not go away and I hope that we will have an early statement from a Constitutional Affairs Minister about the effects. I realise that the Lord Chancellor has made a statement in the other place, but we want to ask questions on the matter here.

I wish right hon. and hon. Members a happy Easter and the hon. Member for Southend, West (Mr. Amess) a happy birthday for last Monday.

1.52 pm

Mr. David Heath (Somerton and Frome) (LD): The right hon. and learned Gentleman shows admirable attention to detail.

Listening to the right hon. Member for West Derbyshire (Mr. McLoughlin) speak earlier, I felt that there must be some sort of spiritual affinity between his constituency and mine. My contribution could easily repeat all the issues that he covered. I intervened on him to refer to the resurfacing of the A303, which is a serious issue in my constituency because of the effect of that road on the environment of many villages and on the people who live there. He also mentioned quarrying, and I represent the biggest quarrying area in the country—the east Mendips. I wondered whether he would refer to our concerns about the aggregates levy, and the use of funds raised by it. The levy was set up to alleviate the disbenefits of the quarrying industry, but those funds will now apparently be distributed across the country to areas that do not suffer from such disbenefits, which is entirely contrary to the original intention of the levy.

We have an opportunity today, however, to discuss a matter that hardly ever gets properly debated—the point on which the right hon. Member for West Derbyshire started—which is agriculture. Agriculture has been airbrushed out of parliamentary debate. Ever since the foot and mouth disaster, we have not had the opportunity to debate in Government time the difficulties faced by agriculture, which is a significant industry in West Derbyshire.

Agriculture is also a significant industry in my constituency, but that will come as a surprise to the Home Office, because in a written answer that I received from it last week, in reply to a question about passport interview centres, I was told that Somerset is not a rural county. I invite the Minister responsible to put on her wellies and stand in a field in Isle Brewers, Kingsbury Episcopi, Leigh-on-Mendip or Rudge, among the cows, and then say that Somerset is not a rural county. Because of our settlement pattern, however, with lots of small villages only about two or three miles apart, and without big empty spaces, we are not deemed to be a rural county. I reassure the House, however, that we are very much a rural county, and that agriculture, particularly dairy farming, is still very important to both the environment in which we live and the enterprises that underpin our way of life. Although agriculture employs far fewer people than it used to do, nevertheless, as we saw during the foot and mouth restrictions, it is fundamental to a lot of downstream industry.

I start off with dairying because it is the predominant mode of agriculture in my county. The dairy industry is still in desperate trouble, as the right hon. Member for West Derbyshire said. Farmers are still only getting about 18p a litre for milk, and that farm-gate price does not allow for any sort of profitability—quite the reverse. It means that farmers are making a loss on the raw material that they produce. If primary producers are making a loss, that is not sustainable. Dairy farmers are going out of business every week because they conclude, rightly, that there is little point in continuing a business that is very hard work—when they can otherwise realise their often substantial capital assets—if they are making a loss.

Effectively, there is a classic oligopoly on the buying side: the big supermarkets take 50 per cent. of the liquid milk in the country, apply a limit to the amount that they are prepared to pay, maintain high profitability in the supermarket through the retail price of milk, but do not pass that on to the primary producers, who are in a much weaker bargaining position. I hate to be apocalyptic, but until we address that, it will be hard for dairy farming in this country to have a future. We are exporting the industry abroad. Once dairy farms are lost, they will not be reconstituted.

That does not just mean the loss of liquid milk production, but of all the higher-value dairy products. I am proud that my constituency makes some of the finest cheese in the world—I do not dispute that other good cheeses are made around the country, but that is a fact. Why would this country want to run down one of our most effective, efficient and best industries and export it abroad? That, however, is happening.

Mr. McLoughlin: I agree with the hon. Gentleman's comments. To carry on with the coincidences relating to his and my constituency, the king of cheeses, Stilton, is made in Hartington in my constituency. Farmers are disturbed that while they are getting 18p a litre for milk, it is being retailed at 52p. Where is that difference going?

Mr. Heath: The right hon. Gentleman is absolutely right. I will not get into a quarrel with him on the relative merits of Stilton and Cheddar—they are both very good, and we can enjoy them. As he says, it is not the primary producers who are making the profit.

Even the supermarkets have not thought the situation through. I have never been convinced that consumers buy milk on the basis of price when confronted with a supermarket shelf of milk. They buy a volume of milk and they pay the price. Therefore, if supermarkets must maintain their current profit level—we all know the great profits that they are capable of making—it would be sustainable for them to do so by increasing the retail price of milk. There are some small signs that that is beginning to happen, at least from the assurances given by supermarkets. However, we have had those assurances before, and they have not been sustained. I am afraid to say that I do not believe that that will be achieved by voluntary arrangement. At the end of the day, there will have to be Government intervention in what is effectively a false market in milk. That is why everyone is waiting with bated breath for the outcome of the Competition Commission report, although I am not entirely optimistic about that. We saw what it did last time

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when, as the Monopolies and Mergers Commission, it examined vertical integration in milk in the context of Milk Marque. We saw then what it said about the relationship between the producer and the supermarkets. If we ask the wrong questions, we get the wrong answers. The fact that it is saying that it does not have evidence of a distorted market when the distorted market is there for anyone to see in the price of milk, does not fill me with confidence.

Nevertheless, we will have to go beyond a voluntary code of conduct into something that is on a firmer basis if we are ever to see the rescue of the dairy industry. Some people would be happy for the dairy industry to contract and, in their eyes, be made more efficient by the 1,000-header herds owned by an agricultural conglomerate, but the traditional dairy farm run by a family is the building block of British agriculture. It is what is best for this country in terms of both produce and our environment. I want it to be maintained.

The second issue in farming is the ongoing problem with Mycobacterium bovis—tuberculosis—in cattle. The Government are ducking the problem. They have consulted, and the consultation has finished, but they are still not prepared to come to a decision. I know it is a difficult decision to make. It will be very unpopular—almost any decision that they are going to take will be unpopular. However, we cannot have a continuing growth of the spread of TB among the bovine and badger populations. The welfare of cattle is important; the welfare of badgers and other wild species that carry the bacterium is important. We need swift decisions on what is to be done. How do we attack the reservoir of infection effectively? We must also deal with the corollary issue—the profitability of farms. It is devastating when a herd tests positive for TB. It is even more devastating if the recompense—the table valuations—does not recognise the actual value of the stock that is culled. That needs addressing.

There are also opportunities in agriculture. Climate change should provide a massive opportunity for diversification into new crops and new ways of doing business, yet I do not see any joined-up thinking between those who are involved with agriculture, with the environment and with trade and industry, in particular those who have the energy brief. I see no evidence that they understand how those are linked and how we can open up new opportunities for agriculture.

I do not see the incentives for young farmers to come into the industry. That is a serious problem. Farms in my county—I am sure that this is typical of many parts of the country—are often run by people in middle-age to late middle-age whose children are not interested in carrying the farms on. Younger people cannot see a future in farming and are leaving to do other things. That is their right, but we need those who want to make their living from the land to have the opportunity to come into the industry. That is not available to them.

Mr. Charles Walker (Broxbourne) (Con): Is not part of the problem with farming that many young people who are set to inherit farms realise that it is so difficult to make money out of farming that it is far better, although less desirable, to sell that farm on to a City stockbroker who simply wants an amenity farm—a sort of leisure centre?

Mr. Heath: The hon. Gentleman is right. That happens. Farmhouses—detached substantial buildings in the countryside with nice views—are sold off as houses without land. There is an increase in horsey-culture. There is nothing wrong with horses, but the more prime agricultural land that is sold as pony paddock, the less there is available for farming. It worries me that if agribusiness takes over all the land, it will be run entirely on a balance sheet rather than with any consideration for the land and the communities on that land. If the profitability is down, the agribusinesses will leave and reinvest elsewhere. That is a worrying possibility.

A further common problem is over-regulation. The farming industry is still massively over-regulated, with far too much red tape. I welcome the Davidson review of over-implementation of EU regulations. It is a continuing problem. In addition, we have duplication of inspection. There is the view that the man from the Ministry is always around the corner, trying to find fault with what the farmer is trying to do. It is a one-way street: the farmer makes one mistake and he loses out; the Department can make any number of mistakes and they are rectified in the next month. We need ways to allow organisations to share information so that we do not have duplication. We need more straightforward implementation of regulation and far less paperwork.

Regulation is important. We know that from the experiences of the epidemics of bovine spongiform encephalopathy and foot and mouth. However, it must be done in a way that is constructive and supportive of the industry. It should not be put in place in ways that appear to make things difficult.

We need clear labelling. It is one of the long-standing problems in this country that people cannot identify good British food produced by good British producers from the labels, which are often grossly deceptive in terms of foodstuffs that are produced abroad, repackaged in this country and sold as British produce. That cannot be right.

There are many other things that I could say on farming, including the cuts in scientific research, which are concerning. To meet its budgetary requirements, the Department for Environment, Food and Rural Affairs has cut back massively in the veterinary science organisations for which it is responsible, which could have a disastrous effect. However, my last point is about the Rural Payments Agency. We cannot ignore what the Select Committee on Environment, Food and Rural Affairs said today about the RPA. It has produced a devastating report. The overview says:

"This was a catastrophe for some farmers, and a serious and embarrassing failure for Defra and the RPA. A key part of the Government's sustainable farming policy was in collapse."

It goes on to say:

"This is not the first time that a major public sector business change or IT project has failed."

It can say that again. Lastly, and importantly, it says:

"A culture where ministers and senior officials can preside over failure of this magnitude and not be held personally accountable creates a serious risk of further failures in public service delivery."

That is as devastating and as uncamouflaged an attack on a failure of Government service delivery that I have ever heard from a Select Committee, which has, of course, a Government majority.

The RPA has been a disaster for the Government, but even more of a disaster for those working in agriculture who have found themselves in extraordinary difficulty because of the failure to deliver what is rightfully theirs in terms of payments over such long periods. As we heard, the problems of two years ago and last year are being repeated. We still have difficulties with the administration of rural payments. Those difficulties will continue until the Government get to grips with them.

I agree with the Committee: heads should have rolled. It is not satisfactory that Ministers can walk away from a fiasco like this and be promoted as a result, rather than taking ministerial responsibility. It is not good enough, and it must be addressed as a matter of urgency.

There are many other issues in agriculture, but this is not the time to go through them all. I can only leave the House with the thought that there ought to be an opportunity for us to debate both agriculture and rural issues regularly in the Chamber, with a Minister with responsibility on the Bench to listen. That does not happen. It is left to individual Members to secure Adjournment debates. I have initiated two such debates on the dairy industry in recent years, but debates are not held in Government time, although the issue affects huge swathes of our country and our countryside and, without such debates, goes unremarked.

The problems of agriculture are just one symptom of the malaise in the countryside. We could talk about post offices, rural services, transport and the difficulties of maintaining a decent standard of living in many of our rural areas—which means decent housing over our heads, the ability to work, the ability to find medical treatment and the ability for small schools to be maintained. Those are all important issues; the problem is that we do not have enough opportunities to debate them. This is one such opportunity, and I have taken it today.

I ask the Deputy Leader of the House to ensure that some of my comments, and those of others, are clearly communicated to the Ministers responsible. They have to hear what people in the countryside are saying, and what they are saying is that things need to change.

2.11 pm

Angela Browning (Tiverton and Honiton) (Con): Devon is at its most glorious at the moment. The woodland floors are covered with an abundance of primroses, the tall Devon banks are still covered in daffodils, and the hedgerows are just starting to turn that wonderful pale green. I thoroughly recommend glorious Devon to anyone who has not yet made arrangements for the Easter break: it is looking absolutely wonderful, and I am looking forward to going home tomorrow.

Despite the rural idyll of glorious Devon, however, we have lower than average wages, higher than average house prices and a large retired population. However good the view from the window, the quality of life for my constituents in Tiverton and Honiton is under increasing pressure from numerous directions, not least as a result of the council tax. But today I shall focus on what is becoming another real financial burden, which we have borne for a long time but for which there seems to be no relief. I refer to the charges imposed by South West Water.

The peninsula of the south-west features a third of the nation's beaches that have had to be cleaned and brought up to standard. Those of us who live in the south-west fully understand the requirement to do something about the old Victorian sewerage system, because the way in which sewage was being discharged into the sea was clearly a serious health hazard. A great deal of money has been invested in raising the standard of those discharges to an acceptable level, at a cost to those of us in the south-west who pay water charges, particularly those on lower incomes or in retirement.

In the coming financial year, water charges will rise by 12.5 per cent. for those with meters and by 16 per cent. for the rest of the population. That is a massive hike. I know from my postbag and from discussions with those who seek to represent water charge payers how disappointed people are that neither the regulator nor those officially appointed to speak for the water charge payer have been able to use their influence to ensure that the prices are brought under control. As we know, many people on low incomes qualify for tapered council tax relief. I feel we must now consider a similar arrangement for water charges, because I cannot see the present position improving.

On 21 March I met the new chief executive of South West Water to discuss the issue with him. Sympathetic as he was, it was clear to me that there was little he could do about it, for two reasons. First, South West Water faces the "clean sweep" programme. Ours is a tourist area, and we want clean beaches. We want to be able to say to the holidaymaker "Come and bathe in the water—it is all very clean". Many people come to the south-west to surf. It must be said, however, that although it is not my pensioner constituents who are out on their surf boards on Saturdays—not too many of them, anyway—it is they who are paying for the surfing.

Secondly, the chief executive told me that South West Water faces a five-year programme to refurbish a third of the drinking water mains. Just as one programme starts to tail off and we think there might be a bit of relief in the future, another comes along. The reason for this particular clean-up is a mystery to me. When I go into supermarkets I see people loading bottled water into their trolleys. They stagger under the weight: they can hardly carry the load. We seem to have become a nation that drinks only bottled water, although we have invested enormous amounts in improving the quality and safety of the drinking water that comes out of the tap. For some extraordinary reason people feel that they must buy bottled water, yet regulation upon regulation comes down from on high requiring South West Water to spend more and more on cleaning up the drinking water mains.

There is a serious point that I want the Deputy Leader of the House to convey to his colleagues. Most of the regulations dealing with the costs applying to South West Water originate from Europe. I should like the Deputy Leader of the House to do two things. First, I should like him to ask whether we really need

[Angela Browning]

higher and higher quality. There needs to be a standard—we should all feel relatively certain that drinking water is safe and clean—but how far does it have to go? Why, when standards are higher than they have ever been, must we face a five-year programme?

I understand that the Department for Environment, Food and Rural Affairs has launched a consultation process. The privatised water companies are having to consider taking on financial responsibility for all the unadopted sewers in the country, of which we have a great many in the west country. Who will pay for that? It looks like even more expenditure for the water rate payer in the south-west, and when that is added to the other costs that I have identified, it becomes unbearable and unacceptable.

We have engaged in many cross-party debates about the issue, and there is complete consensus among the parties in the south-west about the unfair burden that is being imposed on water rate payers. We have also had many debates in the Chamber. Now is the time for the Government to do something. I believe that without Government intervention of some kind and some mitigation of the problem, at least for those on lower incomes, there will be a huge impact not only on people's quality of life but on their incomes.

Mr. Heath: I do not know whether the hon. Lady was present earlier during Treasury questions, when my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy) made exactly the same point about South West Water to prove the point that this was an all-party issue. I am afraid that the Economic Secretary's response was simply to talk about tax credits. That does not do a great deal for those who have been penalised by South West Water bills.

Angela Browning: That is exactly right. Often things such as water rates do not appear in the retail prices index and the other formulae used by the Government. I ask the Minister to relay to his DEFRA and Treasury ministerial colleagues that this issue is causing a great deal of hardship, and it looks like it will get worse.

Bob Spink (Castle Point) (Con): Given the relative quality of tap water—a very good product of which we can be proud—is it not curious, or perhaps even obscene, that people are paying more for a bottle of water at their supermarket than they pay for a bottle of milk?

Angela Browning: It is bizarre. We all sit down in restaurants and order a bottle of wine and a bottle of water. It is almost second nature—

Shona McIsaac (Cleethorpes) (Lab): I order a jug.

Angela Browning: A jug of tap water; very good. One can get a jug of tap water here in the House but some restaurants look askance when one asks for a jug of water. The hon. Lady's point is extremely good.

The hon. Member for Somerton and Frome (Mr. Heath) rather wisely stopped discussing the question of who has the best cheese. If we were asked what the worst cheese was, I would say those large pale things with big holes in them; nothing produced in this country, I can assure the hon. Gentleman. Bottled water is another of those continental habits that we have adopted, when we could simply turn on the tap to get a glass of safe, high-quality water for which we have paid an enormous amount.

On that very subject, I come to the issue of how small businesses pay their water rates. The chairman of Tiverton chamber of commerce Mr. David Westwood wrote to me to say:

"Our own offices in Tiverton share our office building with other businesses. The Ground Floor and the first floor are paying in excess of £3,000 a year in water rates. It is more extraordinary that the ground floor has no inlet or outlet water supply. The previous tenants...may also have paid unnecessary rates."

I had not realised, but it transpires that business rates are assessed based on the old rateable value, whether or not there is a water supply. Of course there will be a communal washroom that is shared with other businesses, so at some point there is a mains inlet and a shared waste disposal system. But that has no relevance to the amount of rates that different businesses in the same building might pay, purely because there are differentials in their traditional rateable values.

This is grossly unfair. Nobody minds paying for the service; if those mainly small businesses share the services that the water company provides, nobody is suggesting that they do not pay. However, this is a licence to print money on the part of the water company. The chamber of commerce has taken the matter up. Water companies have confirmed that the Government have allowed all water companies to continue raising charges based on rateable increases. So every year when the rates go up, businesses pay more and more for their water, irrespective of the number of people in the office; it may be a sole occupancy or they may be only a couple of people. However, they will pay an increasing charge for a restricted service.

In the example given to me, a bill charging £549.91 was calculated by multiplying the rateable value by £99.12 for water and £223.58 for sewerage despite the fact that in the office concerned there is no water or sewerage service. I know that the Minister will write to his ministerial colleagues about my concern about the domestic ratepayers. Will he also pick up on this matter? Small businesses are under pressure.

The Budget's changes in the burden on small businesses as a result of the rise in the small companies' rate from 20 per cent. to 22 per cent. will mean that the Treasury brings in £820 million of additional revenue. If the Chancellor is looking for a way to bring some relief to those small businesses that are paying excessive amounts for water services because of the formula, that would be a good place to start.

I come now to another small business case, in which I will refer to a constituent as Mr. E. The case could go into the legal domain; in fact, that is now being seriously considered. I do not want in any way to prejudice a case that may at some point be considered in a court. The case concerns the way in which HMRC has interpreted the Taxation of Chargeable Gains Act 1992. Mr. E and his wife ran a shop in the high street of one of my market towns for many years as a family business. They lived above the shop in a flat. On his retirement three years ago, he disposed of the shop

and the flat at the same time. His accountant prepared the final accounts for the Revenue, and they were agreed and paid.

Two years later, the Revenue revisited those accounts and decided to challenge the apportionment of capital gains tax that Mr. E had paid and that the Revenue had agreed on the disposal. The reason was that although the flat was his prime home, and had been for 20 years, because he had disposed of the shop and the flat at the same time on retirement, the Revenue regarded that as a single asset. In looking at it as such, the Revenue argued that although he was of course able to offset the CGT liability on the flat—none of us has CGT liability on our prime residence—the taper relief that would have applied to the disposal of the business premises was affected. Therefore, the higher rate of CGT was applied to the business disposal, rather than the tapered relief that had previously been calculated. Without wanting to disclose too much about my constituent's personal details, the differential was in excess of £30,000 liability.

I have had correspondence with my constituent, his accountant and Treasury Ministers on the matter. I am astonished that the Revenue should be interpreting the Taxation of Chargeable Gains Act in that way. It is quite clear that, for all other purposes of taxation, when a person lives above a shop in that way, the two items—the flat and the shop—are treated separately for taxation. They are separate assets for council tax and business rates purposes.

The question has been put to me: was that what Parliament intended at the time? I have done research into the case and I am absolutely sure that it was not what Parliament intended at the time.

I sought some explanation from the Paymaster General, and I got a rather strange reply:

"the rate of taper relief is assessed by looking at the use to which the whole asset has been put."

That is pretty clear. It is a domestic flat with its own entrance and a garden at the back. She goes on:

"This rule might at first glance appear to produce an anomalous result"—

it certainly does—

"However, it is the whole of the asset that is being disposed of, even if part of the gain on it is exempt."

Mr. Deputy Speaker, if you owned a shop but had a domestic dwelling somewhere else, or if you let out the flat over the shop as a business proposition, the measure would not apply. As we all understand, different tax rules would then apply.

We are getting very close to this being a test case. I and small business organisations will be assisting my constituent to pursue the matter as far as he needs to pursue it to get the right result. There are big implications throughout the country for every shopkeeper who lives above the shop and has an anticipation of what the tax liability may be.

If hon. Members—we are, after all, the legislators—look at the detail of the case, as I did, I am sure that they will agree that that is not what Parliament intended when that legislation came on to the statute book. In anyone's language, it is pretty clear how the measure should be applied to ensure fairness of the tax system.

It is to small business and the water rates that I have particularly addressed myself this afternoon. I add to colleagues' comments about the Minister. I know that he will take the matters that we raise today seriously and convey them to colleagues. In a previous existence of my own, he and I shared many an end-of-term Adjournment debate across the Dispatch Box. He was extremely diligent in the way he listened to Members' concerns, particularly when they related to their constituency.

I wish everyone—Members and the staff of the House—a very happy Easter, and do come and visit us in God's own county.

2.32 pm

Mr. David Amess (Southend, West) (Con): Before the House adjourns for the Easter recess, there are a number of points that I wish to raise. I thank the right hon. Member for Leicester, East (Keith Vaz), who is not in his place at the moment, for his best wishes for my birthday on Monday. I am not a national figure, so it was hardly a significant event, unlike his 50th birthday celebrations.

Just to show the Deputy Leader of the House how things have changed, when I first became a Member, mine was the only birthday of an hon. Member on 26 March. I note that we are now into double figures with parliamentarians who had their birthday on Monday. In addition, when I entered the House, my Christian name, David, was unusual, but now it seems, certainly in the Conservative party, that it is a requirement if one is to be successful.

Is it really six years since the Deputy Leader of the House occupied that position? As he can see, I am still here. His predecessor, the hon. Member for Edinburgh, South (Nigel Griffiths), did a splendid job. The whole House respects and understands his decision to resign from the Government, but, like my hon. Friend the Member for Tiverton and Honiton (Angela Browning) and my right hon. Friend the Member for West Derbyshire (Mr. McLoughlin), we all welcome back the hon. Member for Sherwood (Paddy Tipping). When we were a little more pressed than we appear to be this afternoon to cover all the subjects, he diligently used to write to us to give us some real responses to the issues that we raised. May I gently say to him, and through him to his officials, that they need not faint at the number of issues that I intend to raise today. I will raise them quickly and perhaps in due course he could write to me about them.

This is the first occasion on which I am able to address the House as a member of the Westminster Lions club. Last night, there was an historic dinner and the Palace of Westminster Lions club was formed. It is the first parliamentary Lions club to be formed in the northern hemisphere. We have 22 members so far, and Mr. Speaker will be given an illuminated address. I hope that other colleagues will join, and we intend to have a charity event.

Angela Browning: I am pleased to hear that, but can my hon. Friend enlighten me on this point: what about the lionesses?

Mr. Amess: My hon. Friend makes a good case. There are a number of lady members of the Lions, but

[Mr. Amess]

we might look into that. I will refer the issue to my hon. Friend the Member for Rayleigh (Mr. Francois), who has been installed as the president of the organisation. *[Interruption.]* Madam Deputy Speaker also appears to be keen on the idea.

The parliamentary period between Christmas and now has been overshadowed—it is a very long shadow—by the terrible mistake we made by engaging in a war with Iraq. Every Wednesday, the Prime Minister has to give sympathy to the relatives of loved ones. I voted for the war, which I will always regret, and I feel increasingly strongly that those lives have been lost in vain in one respect.

However, I and a small group of others have consistently spoken up about the threat from Iran, and we now find ourselves in an impossible situation in respect of that country. The last thing anyone in our country wants is to be involved in a war with Iran, but we are in a terrible situation. I say gently that the British Government's policy of appeasement has got us into a bit of a mess; sadly, the Government's current opinion of the President of Iran is not the same as it was a few years ago. It is a disgrace that the POMI—the People's Mujaheddin Organisation of Iran—is still a proscribed organisation, despite what has been decided in Europe. I hope that the Deputy Leader of the House reflects on that matter and responds on it.

Mr. Stewart Jackson (Peterborough) (Con): Does my hon. Friend agree that the disastrous catastrophe that Iraq has become, and our involvement in that, have grievously undermined the case for liberal democracy all the way from Morocco to Indonesia, and that that has therefore put us in a weaker position as a world power to deal with rogue states, such as Iran, that are a serious risk to stability?

Mr. Amess: Sadly, my hon. Friend is right. One of the tragedies of the current situation is that our country's significance on the world stage is diminished. Other countries do not listen to us as they used to.

Before I move on to the specific subjects of my speech, let me say something about the Budget. I remember being present in the House when Conservative Chancellors, perhaps thinking that they were being rather clever, produced Budget flourishes. When the current Chancellor came out with the big wheeze at the end of his speech that 2p would be knocked off income tax—despite always saying, "We would never bribe the electorate with tax cuts"—I was not looking at Members of my party, but at the Labour Benches. Labour Members were cock-a-hoop; they were thrilled to bits and were waving their Order Papers. They had probably been a little nervous because the opinion polls had not been good, but yesterday's opinion polls appear to offer encouragement to the Government's supporters. However, the Chancellor—who is soon to be Prime Minister—will regret that Budget. I shall be the first to say that, just as the current Prime Minister's nemesis has been the war with Iraq, this Budget will be the downfall of the next Prime Minister.

I want to raise the issue of east coast fishermen—the Deputy Leader of the House has some expertise in this area—which my hon. Friend the Member for Castle Point (Bob Spink) will also doubtless hope to catch your eye in order to discuss, Madam Deputy Speaker. I attended a meeting on Monday with the Minister for Local Environment, Marine and Animal Welfare, and as ever he was very courteous. He was asked a number of tough questions about what the Department for Environment, Food and Rural Affairs is doing to rectify the situation and to save the UK's inshore fleet from ruin. Having reflected on that meeting, I am not sure that we were satisfied by the answers.

The southern North sea inshore fishermen's association and the Kent and Essex sea fisheries committee are battling against ill-thought out regulations produced, in the name of conservation, by DEFRA and the European Fisheries Council that have brought the UK inshore fishing industry to near collapse. This year, the EFC introduced by-catch limits of 25 per cent. on skates and rays. That quota is far too restrictive on individual catches and means that small-scale fishermen such as those in Leigh-on-Sea are legally allowed to land only a couple of those fish per day, which is hardly enough to make a living. The Minister put a different spin on matters, but I believe that there was no consultation whatever on the regulations. Many fishermen continued to fish illegally for six weeks, without even realising that they were doing so.

I welcome the recent DEFRA initiative whereby we exchange some of the British quota of North sea nephrops for German North sea sole, but what a crazy way to do business—swapping to try to deal with what turned out to be a crisis! It was also brought to my attention that it is not just the imposition of quotas per se—for example, 14 different species of skates and rays are classified as one group, ignoring the fact that each species is more abundant in some areas than in others—that is threatening our inshore fleet. Current fishing regulations treat radically different fishing techniques in the same way, which is very unfair. For example, long-lining is subject to the same regulations as beam-trawling. I ask the Deputy Leader of the House to have a word with his colleagues and I urge the Government to press the EFC for a quota management review as soon as possible. I apologise to my hon. Friend the Member for Castle Point if I have completely ruined his speech. This latest saga is yet another example of how important it is that the UK be properly represented at meetings. It is an absolute disgrace that these quotas were ever agreed to in the first place.

I want to take this opportunity to congratulate Southend United community and educational trust. Last year, I congratulated Southend United on their imminent promotion to the championship, and this year is the 15th anniversary of their magnificent community programme. They have organised after-schools coaching, holiday soccer weeks and recreational activities for senior citizens, and received all manner of awards, locally, regionally and nationally. I thought this a good opportunity to praise a football team. The team have actively engaged in the debate on obesity, encouraging children to take part in increased levels of physical activity. They specialise in girls-only

coaching—that will doubtless meet with the favour of my hon. Friend the Member for Tiverton and Honiton (Angela Browning)—and they have organised body care and healthy living programmes that give children a better understanding of how to keep their bodies healthy. They have also introduced programmes such as "getting on with the blues"—actually, that is not a bad slogan for my party—and they target antisocial behaviour and support activities that assist local charities and voluntary groups. So Southend United are doing a splendid job, and I am quietly confident that we will retain our place in the championship.

I do not remember, Madam Deputy Speaker, whether you were in the Chair during the Christmas Adjournment debate, but I mentioned that the centenarians in Southend had set a world record. I am delighted to tell the House that this week that was formally recognised by "Guinness World Records" and I received a certificate on behalf of the centenarians. They participated in the largest ever gathering of centenarians. The previous record was 21 and we have now pushed that up to 23. The way that things are going in Southend, I am confident that we will be able to beat that record later this year. People are living much longer. In 1850, for example, people lived to 40 on average, but now it is no longer surprising to knock on a door—as we will all be doing in the local elections—and have it answered by a person of 90, 95 or even 100 years.

We should have more investment in several areas to ensure that the sight, hearing, mobility and general health of elderly people is maintained. That is why I am delighted that my party is leading the way in the national debate on the quality of life. If the Government accepted that agenda, it would reduce the demand on care services. For instance, age-related macular degeneration is the most common cause of blindness and visual impairment in the UK. However, early diagnosis and prompt treatment can prevent the rapid loss of vision.

I am closely associated with the National Rheumatoid Arthritis Society, which has drawn to my attention the postcode lottery that many rheumatoid arthritis sufferers experience when trying to gain access to treatment that would improve their condition significantly. Despite the National Institute for Health and Clinical Excellence approving anti-tumour necrosis factor-alpha therapy for rheumatoid arthritis in 2002, many primary care trusts refuse to fund its use adequately or they put a cap on the numbers of patients that can be treated. I hope that the Deputy Leader of the House will pass that message on to the Health Secretary.

The report by the Communities and Local Government Committee on small coastal towns was published on 7 March. I and other Members who represent coastal towns were concerned because the report said that the Government have no specific policies for coastal towns and that, despite much diversity, they share many common characteristics—physical isolation, deprivation levels, inward migration of older people, high levels of transients, outward migration of older people, poor-quality housing and the nature of the coastal economy. There is a high proportion of elderly people in our coastal resorts; I have already mentioned the number of centenarians living in Leigh. I hope that the Government will adopt a national approach to promote and support seaside tourism. Like many other hon. Members, I supported the national tourism week at the beginning of March and I was pleased to learn that the photograph that we submitted from Leigh-on-Sea was in pride of place at the exhibition in Regent's street. Tourism brings in £85 billion to the UK, so it would be in all our interests to adopt a national coastal tourism strategy, similar to that in Wales.

I recently visited Princes Avenue school and was greeted by the excellent head teacher, Mrs. Sandy Fletcher, who sadly retires today, and her deputy, Miss Judy Kaufman. They drew my attention to a survey of 5,863 people, which found that 38 per cent. of parents had taken their children on holiday in term time. All hon. Members realise that that happens because families can save £500 on the cost of holidays, but it disrupts schooling. More and more people are doing it, and the Government recognise that. The Association of British Travel Agents comes out with a lot of codswallop about responding to market forces, but I would like to see a little responsibility being exercised. The National Association of Schoolmasters Union of Women Teachers blames parents. I am not brave enough to blame parents, but there must be a way round this—I will not call it a third way—and I hope that we can find a solution.

Another success for Southend is the fact that the YMCA has won the community impact award presented by the Prince's Trust for its short film entitled, "Killer in a Can". Despite having no knowledge of how to make a film, a team of 11 young people decided to raise awareness of the dangers of substance abuse after learning about the subject. They raised £800 to make the film by themselves. It has been shown on national television and used by Essex police. Is not that a good reason to celebrate the excellent work of our young people?

I make no apology for quickly mentioning buses again. We do not have enough buses in Southend, particularly for our elderly people. Why not? It is because 20,000 people were left off the national census in Southend, and so we have no funding for 20,000 people. I hope that a bus company that does not need a subsidy will come forward to provide extra services and that some generous individual or company might come forward with some money to subsidise those services.

Leigh-on-Sea town council is wonderful and is working hard with local businesses to get CCTV installed in a shopping centre. We cannot afford the capital cost of installation and, again, I hope that a benefactor may come forward.

A constituent, Gareth Rogerson, suffered 70 per cent. burns—they are full thickness burns—following a terrible car accident. He is a remarkable person and his family are very proud of him. His hands melted, so he has no hands. Some of us were privileged this week to meet Simon Weston, who suffered 46 per cent. burns—so we can imagine the bravery of this chap. He has friends in Limehouse whom he goes to meet. On a number of occasions, he has been stopped on the train for not being in possession of a valid rail ticket. Prosecutions have been mounted, but I will not name the organisation. The issue is being dealt with. I assume that Gareth is not the only person in this situation. I

[Mr. Amess]

know that it will be said that he should buy the ticket in advance and have it hanging on a piece of chain around his neck, but surely, given the extreme circumstances, can this not be dealt with differently? How anyone could bring the matter to a magistrates court hearing is beyond belief.

Finally, as it is Easter, I come to badgers. The badgers in our area have got together and decided that they like all sorts of back gardens in Southend. I spoke on Third Reading of the Protection of Badgers Act 1992, which made badgers a protected species. I regret none of that but, 20 years on, I must confess that I had no idea of the impact of that legislation. To move badgers humanely from gardens is an issue. They are into the foundations, garages are collapsing and people cannot go into their back gardens—and I am not exaggerating. We all love badgers, although we should not stroke them, because they have powerful jaws and teeth. The issue needs to be dealt with.

I end by wishing everyone a happy Easter.

2.54 pm

Bob Spink (Castle Point) (Con): It is always a pleasure to follow my hon. Friend the Member for Southend, West (Mr. Amess), who raised some important points. I believe that my constituency has the largest urban badger population in the country. I am delighted that some of them are going on holiday to Leigh-on-Sea, and I wish them well. I have about seven badgers and their young in my garden. I enjoy that; I feed them and watch them, and people come to my house to see them. They are beautiful, wonderful animals, but we must make sure that humans have rights, too. We must get the balance right. It is in the badgers' best interests that we move them as quickly as possible when there is a conflict in an urban environment, as there often is in my constituency. There are plenty of places to which we could move the badgers where they would be much better off. That would be better than allowing that conflict to get out of hand; I assure hon. Members that that is very bad for the badgers.

The safety of my constituency is threatened by the proposal of Calor and Centrica to put a massive liquefied natural gas importation plant on Canvey Island. They wish to offload LNG from ships in an increasingly busy Thames. It would then be stored in two massive tanks and fed into the gas national grid. The Health and Safety Executive highlighted the project's potential lack of safety and Calor's application was rejected. Calor has appealed, so the matter is before Ministers. I have raised the issue in the House on several occasions, and I have obtained an undertaking from Ministers that a public inquiry will be held. Most importantly, it is to be held on Canvey Island, so that local people have direct and easy access to it.

Local opposition is strong. Canvey people have, in their thousands, signed Canvey Island Independent party's petition, organised by Dave Blackwell, which I presented in the House. As always, I put local politics aside, and congratulate Dave Blackwell and his team on their important and helpful initiative. Top marks, however, go to George Whatley and his People Against Methane team. They led the battle throughout, and organised a very professional referendum. They are true stars. We all got very wet doing the footwork on winter afternoons and evenings, but it was well worth the effort. The referendum results were astounding.

As I say, it was a very professional referendum, with sealed containers. People could vote, in private, however they wanted—either for against. The turnout was 68 per cent. of the total voting population of Canvey Island. That is much more than twice the amount who would vote in any local government election, which shows that the issue has gripped people. The result was even more remarkable: of those who voted, 99.6 per cent. voted against the LNG plant. Two of the people who voted for it filled in their referendum forms with me. They were operators at the plant, and they apologised to me for how they were casting their private vote. Of course, they had no need to tell me how they voted. The result certainly cannot be challenged; it has great credibility, and it cannot be ignored.

I urge the inspector who will eventually consider the matter to give as much weight as possible to that formal measure of public opinion. I do so respectfully, because I know that the inspector will deal with the planning issues carefully and professionally, as he must. I have absolute confidence in his judgment and his great courtesy in dealing with good, local people, who will represent themselves, while the big business will, of course, employ expensive barristers and professionals to represent it. I know that the inspector will be careful to strike the right balance in the inquiry.

If the proposals go ahead, the Canvey site will become one of the very few control of major accident hazards, or COMAH, sites in the UK. The hon. Member for Cleethorpes (Shona McIsaac), who is present on the Labour Benches, has one in her constituency, too. In the USA, such sites have a 6-mile residential homes exclusion area around them if they involve LNG. They provide that exclusion area for good reason. The incidents in Port Hudson and Cleveland, Ohio, show just what can happen when an uncontrolled vapour cloud detonation takes place. That is a risk with which Canvey and Castle Point people would have to live, and there is no six-mile limit, as is mandatory in the United States—not even a one-mile safety zone—for Canvey people. The plant is literally within spitting distance of homes and schools, as it is only a few hundred yards away.

Let me paint a true picture of the risk posed. An LNG escape would freeze everything in its path. The Health and Safety Executive and the fire service have confirmed that there is no way of controlling such a spill. Indeed, I am having another meeting next Monday morning with the local fire service. At atmospheric pressure, LNG would vaporise and form a massive, growing cloud that would float and blow around in the wind, combining with air to form an unstable and highly combustible mixture. On ignition, it would explode and flash into a high-temperature fire that would destroy everything in its path. Ignition could take place simply if a car passed through the area or if someone flicked a light switch within it. The direction of such a cloud would be indeterminate beforehand, and the effects on homes and schools would be indiscriminate. Unlike at Buncefield, where

the emergency services could use foam to control and contain the fire because it was fuel oil-based, not LNG-based, there is no effective firefighting strategy for an LNG incident. It would be a question of watching and following the fire, and clearing up the carnage afterwards.

Detonation may happen on Canvey Island, but it could also take place on the mainland in Benfleet or Hadleigh. A cloud could even blow over to the constituency of my hon. Friend the Member for Southend, West (Mr. Amess) in Leigh, where the ground is higher, and ignite there. This is not just a Canvey Island problem—it is a south Essex issue. There are many other causes for objection. The terrorist threat is significant, although I will not go into it too deeply. The main threat, however, is from an accident. Flixborough and Buncefield were thought to be totally safe the night before they went up. We know what happened there. Indeed, the HSE Buncefield report states in consultative document CD211, section 6, "Wider implications for other major hazard sites":

"The implications...for major hazard sites need to be considered... Clearly, we have poor scientific understanding of the mechanisms which led to the vapour cloud explosion at Buncefield, and we accept that installations storing other substances could present this type of hazard, for example, bulk LNG".

There we have it: proof positive from the HSE, no less, that we cannot declare the Canvey Island plant proposal safe.

There is only one conclusion—the appeal should be rejected, to avoid unacceptable dangers to schools and homes, not only in my constituency but elsewhere. Neither the HSE nor the Government have a policy on the safe siting of a COMAH plant, for which I have been asking for months. The inspector therefore has no formal standards against which to measure the application that he is considering. I urge the inspector, therefore, to disallow the appeal on that point alone. However, there are many other reasons to reject it, including the dire implications of flood risk for the site, and the difficulty of building the massive tanks on stilts. My hon. Friend the Member for Southend, West smiles, but that is a requirement for new build on Canvey Island, which is in the flood plain and, in some places, is 6 or 8 ft below sea level.

Shipping and navigation safety is an important consideration. The environmental implications are significant, too. Just for the record, the plant would confer very little local benefit on my constituents—not that that is a big issue, because there is a national need. However, there are many other effective sites for the importation of LNG that do not give rise to conflicts with other interests and that are not sited close to homes and, in particular, schools. Let there be no mistake: the application is not about national need but about corporate profits. There is nothing wrong with that, but I told Calor and Centrica at the outset that if there was a safety issue—if safety was compromised in their application—I would fight them tooth and nail. Safety is compromised, so I will fight them with every ounce of effort to stop that ill-conceived project.

The conclusions are clear. There is ample evidence of the devastation that could be caused by an incident at such a plant. There is also irrefutable evidence from the HSE, no less, that the operation of the plant cannot be guaranteed without the risk of an incident—it cannot be made fail-safe or totally safe. The Environment Agency has also confirmed that there are serious flooding risks on the site, which is another reason to reject it. There is no separation of homes and schools from the plant; there is no COMAH safe siting policy against which the inspector can measure the application and make a judgment; and there are more appropriate sites to meet the national need and the national interest. The inspector will consider all those matters very carefully. I say, with due respect to the inspector's independence in making the decision, that I hope that the proposal is rejected.

I am pleased to welcome back the Deputy Leader of the House, who is an excellent Minister—I actually congratulated him on his return last night. Will he confirm that the Trade and Industry Secretary's new policy to speed up the planning process for large scale energy sites will not be applied retrospectively to the Calor application, which is now being appealed on Canvey Island? I see that the Deputy Leader of the House has nodded, which I appreciate.

On the separate but related matter of flood defences, Canvey Island suffered more than any other community in the 1953 floods, when 58 people were killed on the island. Parts of the island, such as the Calor site, lie below sea level protected by sea walls, sea gates and, in some areas, simple earth banks. We all saw what happened last year in New Orleans, where the substantial levees were swept away in moments. That community was devastated last year, as Canvey was in 1953.

On 18 March, which is not yet two weeks ago, Canvey was at serious risk of flooding, and the sea barriers should have been closed. The Environment Agency is responsible for that, but it failed to do that simple but essential job. The Thames barrier was closed, pushing water back up the Thames towards Canvey Island, but Canvey's defences were not activated. The result was predictable—Canvey suffered flooding and damage yet again. The *Echo* report stated:

"Canvey was left to the mercy of raging tides which threatened to engulf it on Sunday after the Environment Agency failed to close two flood barriers, it has emerged. Barriers at Benfleet Creek and East Haven on Canvey island were left open as surging tides breached low-lying shores in Benfleet".

This time it was not on the scale of 1953, thank goodness, but that was due to divine intervention rather than Environment Agency planning or judgment. Rather foolishly, a spokesman for the Environment Agency was quoted by the *Echo* as saying:

"It is just one of those things."

One of my constituents described that comment as "complacent in the extreme". Another e-mailed me only yesterday to say that that demonstrates

"An enormous degree of incompetence and disinterest".

I respectfully ask the Secretary of State to undertake an inquiry into the incident and to give me a report, because I must protect the interests of the people on Canvey Island whom I represent.

Perhaps the Deputy Leader of the House will let me know what steps have been taken to prevent the recurrence of that unacceptable failure. That is an issue on which firm and speedy action is needed, as the

[Bob Spink]

House will understand. I congratulate Christine Sexton of the *Echo*, who is the chief reporter for Castle Point, on her efforts on behalf of Castle Point people on that and other matters.

I turn to one of my traditional themes, the national health service. In the Christmas Adjournment debate, I argued that in many fields, such as hepatitis C and coronary heart disease, the NHS should make sensible preventive investments. If it were to do so, the pay-off would be enormous in terms not only of improved health and quality of life, but of cash returns for the Treasury. The Chancellor, who prides himself on prudence, should not miss such an obvious mechanism to maximise the output from the extra £8 billion that he plans to put into the NHS in 2007-08, which I welcome and on which I sincerely congratulate him. However, what matters to patients—our constituents—is output, not input. We need to ensure that we make best use of the extra money that we have been putting into the health service for some years now.

The 2006 Department of Health report, "The Musculoskeletal Services Framework", is one of the Government's better efforts. It acknowledges the scale of the problem, with 8 million to 10 million people in the UK suffering from arthritis and 206 million hours every year lost to the UK economy, at a cost of £18 billion. My hon. Friend the Member for Southend, West referred to rheumatoid arthritis in his excellent remarks. We are mirroring each other's speeches fairly closely; I am afraid that that will continue. The report states:

"early diagnosis...would be very cost-effective, especially if it resulted in people being able to remain in the workforce as long as possible."

It goes on to say, however, that

"typically, a diagnosis was made approximately 18 months after symptoms first appeared"

and that people with musculoskeletal conditions

"have endured some of the longest waiting times for hospital care".

It recommends structural change in the NHS to speed up progress for arthritis patients through "fragmented and incoherent services". It also pays tribute to the

"significant developments in inflammatory arthritis treatments"

in recent years and concludes that

"multiple cost-effectiveness studies have now been performed to suggest that anti-TNF antibodies should be cost-effective."

Yet we find that inconsistent postcode rationing or prescribing is a serious problem for people with this disease, of whom there are many.

It is, in many ways, an excellent report that proposes dramatic improvements in treatment, with Treasury revenues as the potential prize for that forethought. However, no one has charge of delivery. We still have patchy provision of the cost-effective drugs that would cut in-patient time and reduce human suffering. The Secretary of State for Health must stop shilly-shallying, get a grip of this, and implement the recommendations in the report as soon as possible, for economic and quality of life reasons.

I will not detain the House for much longer, but will return, if I may, to one of my old chestnuts—Europe. I sincerely apologise to hon. Members who must occasionally listen to my rants on the subject; this will not be the last time, I am afraid. The Berlin declaration—a Trojan horse for the EU constitution—has provoked widespread criticism, including from my hon. Friend the Member for Peterborough (Mr. Jackson), who is sitting next to me. One reason for that criticism is the unilateral procedure used by the German Chancellor. The declaration was discussed in secret with EU member states. The Czech Republic envoy explained that the consultation consisted only of a single bilateral phone conversation with the German authorities, followed up with an e-mail giving the declaration's very scant content. Neither national Parliaments nor the European Parliament had sight of the wording.

That conspiratorial, smoke-filled-room approach is no way to run a chicken shed, let alone a group of countries. No people of any member state have been consulted, even though a new EU constitution has major constitutional implications. Where that is the case, it must be for the people, not the politicians, to decide such matters.

Mr. Stewart Jackson: I congratulate my hon. Friend on his traditionally robust approach to issues in Castle Point and beyond. Does he share my concern that we have not yet received an unequivocal commitment from the Foreign Secretary and the Minister for Europe that the Government support a referendum on any major changes in respect of the constitution?

Bob Spink: My hon. Friend anticipates my next point. I share his deep concern about the matter. The Government have implied that they do not believe that the German Chancellor's watered-down new proposal for a constitution should be put before the people of this country. I shall revert to that shortly.

The federal Government of Germany state that they will compel ratification of the lightly modified and previously rejected EU constitution. The Prime Minister will do as he is told by the Germans, just as he did as he was told by Bush—look where that got us. The Germans are trying to sleepwalk Britain into the new constitution without a referendum and without consulting the people.

The Germans perceive the EU constitution as creating an EU President and a Foreign Minister. It robs Britain of its voting rights on home affairs and justice matters. It will be signed off by the Germans, the Commission and the European Parliament, but not the other 26 member states. It will not be put to the people of those states, including the people of Britain. Hon. Members should listen carefully to the British people, whom they represent, show stronger leadership, and stick to clear principles on those matters.

EU membership is a massive burden to Britain. The Government want a constitution without troubling the people with a referendum, as my hon. Friend the Member for Peterborough said. However, the facts are clear: Europe is incompetent, inefficient, corrupt and unwilling to tackle that corruption. It cannot even get its accounts signed off.

The common fisheries policy is a nightmare, which has devastated our fish stocks and virtually destroyed the UK fishing industry. It discriminates especially against local, small, seasonal inshore fleets such as

those that operate from Essex and Kent, including Canvey Island and Leigh-on-Sea in the constituency of my hon. Friend the Member for Southend, West. I shall not repeat his comments—he made the case more eloquently than I ever could. The relevant Minister has arranged this week to swap some of the quota to fill the gap, but that is not enough. We need another meeting with the Minister soon to discuss, for example, the massive Belgian and Dutch boats, which take in more than 2,000 tonnes of fish each year from Britain's six-mile and 12-mile limits. My fishermen are worried about the legality of that—especially of where the fish are landed and eventually sold—and the control on the catches that are taken. That is destroying our fish stocks, as we have experienced in the past two decades.

The EU damages the developing world through the redundant common agricultural policy and its selfish, backward-looking, protectionist policies. Labour Members do not even challenge the EU's failure to deliver international aid effectively. Yesterday, the Secretary of State for International Development said:

"The EU water initiative has been pretty patchy."—[*Official Report*, 28 March 2007; Vol. 458, c. 1482.]

He is right. Multilateral aid through the EU is neither as effective as supporting the voluntary sector nor as giving bilateral aid, whereby this country can control the use to which the aid is put and monitor its effectiveness in helping the poorest people in the world.

I am rattling on for too long. I simply emphasise that if mainstream parties will not tackle those tough issues, the public will increasingly support fringe parties to do the job. None of us believes that that would be good for democracy. Britain should revert to a trading relationship and commonsense co-operation in Europe. Getting out of Europe would help UK jobs, our economy and our border controls and it would return our sovereignty. That is what the British people want.

I wish everyone a happy Easter and tell them not to get too sick on their Easter eggs.

3.19 pm

Mr. Stewart Jackson (Peterborough) (Con): It often falls to me to be the tail-end Charlie of the recess Adjournment debates. I am a political book-end, a humble spear carrier in the drama of British politics. I want to pay tribute to the fantastic community and charity work that is undertaken in my constituency. In no particular order, I pay tribute to Energy for Paston, the Salvation Army in Bourges boulevard, the Greater Dogsthorpe Partnership, Werrington Neighbourhood Council, the Westwood and Ravensthorpe Trust and the wonderful Sue Ryder Care charity. This will be the fourth year that I have been on the fundraising committee for Sue Ryder Care, and we are hoping to exceed last year's total of £36,000 raised for local people who are resident in the hospice.

I also wish all the luck in the world to the Association for Spina Bifida and Hydrocephalus—ASBAH—which is based in my constituency. I hope that, by the time we hold our next Easter Adjournment debate, it will have achieved one of its key objectives: the fortification of foodstuffs with folic acid. That would reduce the incidence of spina bifida and the heartache that afflicts so many families as a result of that disability. It would also have an impact on the hundreds of thousands of elective terminations related to the condition. I pay tribute to everyone involved with ASBAH.

It would be remiss of me not to join hon. Members across the House in welcoming the hon. Member for Sherwood (Paddy Tipping) to his new position. If he has just an ounce of the integrity, decency and commitment of his predecessor, he will be doing a superb job. We welcome him.

I would also like to pay tribute to my own local authority, Peterborough city council, which has managed to announce only a 1.4 per cent. increase in council tax this year, the lowest for any unitary authority in the United Kingdom. It has been able to combine excellent council services with value for money, and I pay tribute to Councillor John Peach and all his colleagues.

Parliament has been through a tumultuous period since Christmas, and sparks have been flying. It is an honour and a privilege to be a Member of Parliament and to represent our fellow citizens in this place. I felt that particularly when I read the transcript in *Hansard* of the wonderful debate that took place on 20 March on the abolition of slavery. The contributions were sparkling, informative, heartfelt and moving, especially those of the hon. Members for Hackney, North and Stoke Newington (Ms Abbott) and for Brent, South (Ms Butler). I had the privilege of being the Conservative candidate for Brent, South in 1997. We must not forget the one and only contribution from my right hon. Friend the Member for Richmond, Yorks (Mr. Hague), who has a particular expertise and, I have to say, commercial interest in the subject of William Wilberforce and all the other people involved in that campaign, including Thomas Clarkson. He was a Wisbech man, and my hon. Friend the Member for North-East Cambridgeshire (Mr. Moss) is obviously proud of Clarkson's role in the abolition of slavery.

I want to talk about the criminal justice system, a subject that is only loosely related to a constituency interest. Suffice it to say, however, that Peterborough has one of the newest prisons in the country. The former Home Secretary once famously said that if no other prison were built in England, one would be built in Peterborough. It is a state-of-the-art prison, and its director general, Mike Conway, is doing an excellent job. It is a prison for male and female prisoners, with 840 beds on the same site. One might not think that it was doing such a good job, however. As a result of the Home Office's mismanagement of the methodology and of the data management system at the prison, it is unable to tell us how well the prison is doing because the computer system cannot cope with having a male prison and a female prison on the same site. The system therefore defaults the performance indicators to place Peterborough prison almost at the bottom of the 130-odd prisons in England and Wales. That is a simple example of how the Home Office is not working.

Hon. Members will know that, in a named-day question on 29 April 2006, I asked how many foreign prisoners had been released from Peterborough prison in the 12 months to 31 March 2006. It took me eight months to get an answer. Even today, the Home Office has not been able to answer the question: what were those 55 foreign prisoners convicted of? That inquiry has taken a significant amount of my time, and the

[Mr. Stewart Jackson]

Minister responsible has been less than clear, but I am determined to get an answer on behalf of my constituents.

The crime and justice review launched by the Prime Minister earlier this week was described in *The Guardian* on 27 March under the headline "New gloss for old policy framework". *The Guardian* went on to say:

"The level of detail and micromanagement by Number 10 of these Home Office policy areas suggests that even after 53 criminal justice bills in a decade, Tony Blair is leaving office deeply frustrated at the slow pace of reform of the police, prisons and probation services."

We have also seen some reheated, rehashed policy initiatives, such as the concentration on prolific offenders, which was first announced by the then Home Secretary, the right hon. Member for Sheffield, Brightside (Mr. Blunkett), more than three years ago.

I want to focus on prisons in particular. There was some discussion last week of the Conservative party's fox being shot. I must say that my fox has been shot slightly because my hon. Friend the Member for Shipley (Philip Davies) beat me to the crease in securing a Westminster Hall debate yesterday entitled, "Prisons (Crime Reduction)". He will therefore have covered some of the points, so I will not labour them. However, there are some important points to be made about prisons, crime prevention and rehabilitation, which I hope that an incoming Conservative Government will consider carefully.

Conservative Members are thinking hard about the penal system and the criminal justice system. I pay tribute to my hon. Friend the Member for Woking (Mr. Malins), who is concerned about the problem of illicit drugs in prisons, and to my hon. Friends the Members for Buckingham (John Bercow) and for Enfield, Southgate (Mr. Burrowes) who are considering the issues of drugs, alcohol and rehabilitation in relation to prisoners.

The problem is that there is a liberal orthodoxy—a settled view—of prisons. According to a liberal, elitist view, driven by criminologists, civil servants and academics, prison does not work and is wrong. That view approaches a cultural disdain for the idea that we, as a civilised society, should send people to prison. I could not disagree with that view more strongly. Prisons are not necessarily bad. The entrenched consensus in the Home Office, and no doubt in its successor bodies, is wrong. Prisons can be made to work. I commend to the House the book, "A Land Fit for Criminals", published last year, and written by David Fraser, who draws particular attention to what he calls the criminal justice elite.

At the moment, prisons are not working, but they can be made to work. Last year, 53 per cent. of prisons were overcrowded, and the figures were even higher at the beginning of this year. Prisoners have been kept in police cells—Operation Safeguard only concluded at the end of December—and prison numbers reached 79,627 by Christmas. I welcome the Government's decision to build two more prisons—one in the Woolwich area near Belmarsh prison, and the other on Merseyside—and to bring on-stream a further 8,000 prison places over the next five years. That said, that is within the context of a short-sighted decision by the Treasury to cut or at least freeze real terms funding for the Home Office over the next few years, which I regret.

The criminal justice proposals, as articulated by the Prime Minister, are a swansong crime review. As my right hon. Friend the Member for Haltemprice and Howden (David Davis) has astutely put it, they are an admission of failure. He says:

"In any event, even the sensible proposals in this document are fatally undermined by the Government's failure to provide the necessary prison places to make them work. In fact, this document barely mentions the crisis in our prisons."

My hon. Friend the Member for Shipley comprehensively demolished the myths surrounding prison, crime reduction and recidivism. The most potent of those myths is that we "lock too many people up", and that compared with other European countries too many people are in prison and we should focus on non-custodial sentences, which are better. I completely disagree with that because it is not good enough simply to look at prison numbers; we must also look at those compared with the rate of crime committed. That measurement, rather than just the prison population, compared with the level of recorded crime shows that the proportion of the number of people we put in prison is almost the lowest in the western world. The rate in the United States is high, at 166 prisoners per 1,000 crimes. We incarcerate just 13 prisoners per 1,000 crimes.

The other myth is that prison does not work in terms of recidivism rates. That is true: 75 per cent. of tagged young offenders are reconvicted within 12 months and a study in 2003 showed that 61 per cent. of prisoners jailed in 2001 had reoffended within a year of release. Surely, though, we should be looking at the likelihood of being incarcerated as a key determinant of whether someone commits a crime. Evidence in the United States shows a causal link between the fact that it has the highest per capita number of prisoners but the lowest crime rate.

A comparative study of crime rates between 1981 and 1996 by Professor David Farrington of Cambridge university demonstrated that as the risk of being imprisoned increased, crime fell. That was in the United States, but during the same period in England and Wales the crime rate increased as the likelihood of being incarcerated reduced. We currently have the highest rate of crime in burglary, assault, robbery, motor vehicle theft and rape than in the United States. Its rate is only higher in murder.

It is a matter of public record that my right hon. and learned Friend the Member for Folkestone and Hythe (Mr. Howard) reduced crime in the period after 1995 by taking a tough line and challenging the liberal orthodoxy then prevalent in the Home Office. I have to say that that reduction continued until 2003, and rose thereafter.

There is empirical evidence that if we put more police on the beat—if we recruit and train more police and put them on to the operational front line—we will also reduce crime. The number of police officers per capita in the United States, which is tracked by the FBI and reported annually, increased by 60,000 officers, or roughly 14 per cent., in the 1990s. Between 1991 and 2001, that accounted for a 10 to 20 per cent. decline in overall crime in that period.

We all have local anecdotes on the effectiveness of policing. I visited the headquarters of the northern division of the Cambridgeshire constabulary a number of months ago and met Chief Superintendent Paul Phillipson at Thorpe Wood in Peterborough. He showed me mugshots of the 22 most prolific and persistent offenders in the city, and estimated that crime would be reduced by perhaps as much as 50 per cent. if they could be permanently excluded from the community. We need to think hard about that.

Overall statistical evidence from the United States shows a disincentive to commit crime if the likelihood of going to prison increases. There is surely a strong economic argument for more prison places. In 2004, the cost of keeping the average prisoner on the prison estate was £27,320 per year. Today it costs us £2.7 billion to maintain 139 prisons, but crime costs us £60,000 million—£60 billion. That constitutes the entire school budget and two thirds of what we will spend on the national health service in 2008. We could spend just £7 billion on doubling the number of prison places to 160,000—which, incidentally, would amount to only 0.4 per cent. of the adult population. Surely such an opportunity cost is worthy of proper examination. Even by fiscal Conservatives such as me, prison can be seen as a bargain.

And, of course, there are the human tragedies. We routinely ignore the many thousand parole board failures that lead to such tragedies, the terrible murder of the City banker John Monckton being the most obvious and infamous example. As any good economist will confirm, unless objectionable behaviour carries a demonstrable cost, that behaviour will not be altered, and will prevail.

It cannot simply be said that prison does not work. It can be made to work. According to the Home Office report "Re-offending of adults: results from the 2003 cohort", published in November 2006, the recidivism rate among those who had served at least four years in prison was 35 per cent., compared to 70 per cent. among those who were jailed for up to 12 months. We need to move from deterrence and incapacitation to rehabilitation. It is perfectly possible to believe in two complementary concepts: the concept that prison works, and the concept of necessary rehabilitation.

I agree with my hon. Friend the Member for Shipley that it is offensive to my constituents and his that 1,500 prisoners have access to Sky television—although I understand that the Under-Secretary of State for the Home Department, the hon. Member for Bradford, South (Mr. Sutcliffe) disagrees with that. It causes them anger and annoyance. That, however, does not mean that we should not focus on rehabilitation. It is not necessarily a question of being liberal, lily-livered and non-judgmental.

I stand four-square behind my party's manifesto commitments of 2005—scrapping the early-release scheme, mandatory minimum sentences and more prison places—but we need to focus on drugs, on rehabilitation, and especially on education. Some facts are inescapable: for instance, 70 per cent. of female prisoners suffer from two or more mental disorders while 44 per cent. of male sentenced prisoners suffer from three or more, and the numbers are much higher among young offenders. It is also time that we focused on the one third of prisoners who have clearly been failed by the care system.

We all know of the endemic effects of alcohol and narcotics abuse across the prison estate, as well as the unacceptable levels of bullying. Two thirds of prisoners are affected by those issues. As a civilised society and for the sake of our own financial well-being, we have a right and a duty to tackle them and to rehabilitate the individuals whom we choose to incarcerate.

Although rehabilitation is vital to reforming criminals and reducing the risk of offending, we must make a decision about spending. We must consider the opportunity cost. There have been some successful schemes in the United States, including the Key-Crest 12-month drug programme in Delaware. After three years, only 31 per cent. of those on the programme had reoffended, compared to 61 per cent. in a control group. In the United Kingdom, there are just 4,700 drug treatment programmes across the whole estate. Prison-based vocational training and employment is important, too. A study in the United States found that prisoners who had been on that programme had a 35 per cent. less chance of re-offending than those who had not.

A particularly innovative scheme is in Florida where prisoners are taught basic skills and manufacture goods such as optical instruments and car registration plates. They are paid a decent wage and given self-respect and hope for the future. Some of the money that comes from selling those goods is put back into the prison estate and to victim support schemes so that prisoners understand the consequences of their actions.

It is our duty and responsibility as parliamentarians to look at giving prisoners hope for the future when they have finished their sentences. It is perfectly possible to believe that we need to jail people longer to prevent crime and that people can be reformed and rehabilitated. I thank hon. Members for listening and I wish all Members, Officers of the House and members of staff a restful and productive Easter break. With that, I look forward to the next recess Adjournment debate.

3.42 pm

Shona McIsaac (Cleethorpes) (Lab): I am delighted to be able to take part in the debate and to address this packed House of Commons. First, I congratulate my hon. Friend the Member for Sherwood (Paddy Tipping) on returning to the Front Bench as Deputy Leader of the House. I have always found him to be helpful to Back Benchers and I am sure that he will take up all the issues that have been raised today with the appropriate Ministers.

The hon. Member for Castle Point (Bob Spink) mentioned developments on Canvey Island. Cleethorpes conjures up the image of a wonderful British seaside resort, which it is, but, geographically, it is a very large constituency. On the Humber bank we have one of the highest concentrations of COMAH—control of major accident hazards—sites in the UK. Several years ago, there was an explosion at one of the oil refineries in the constituency, which impacted on neighbouring villages and towns. I was in my office in

[Shona McIsaac]

Immingham, about two to three miles from the refinery. When the explosion happened, the shock wave bent the glass in the window. I can appreciate the concerns of the constituents of the hon. Gentleman, who also mentioned Flixborough, which is near Scunthorpe. I believe that we have two full-time fire stations because of the number of COMAH sites—refineries, power stations, inorganic chemical works and so on. I understand that given its size Immingham would not even warrant one part-time fire engine if it were not for the COMAH sites within the area. That always has to be looked at in relation to those hazardous developments.

Bob Spink: The hon. Lady is starting her speech in an excellent fashion and I congratulate her. The problem for me is that the COMAH site on Canvey Island will be a liquefied natural gas site, not a petrochemical site. With LNG, it is much more difficult to fight the fire. In fact, it is impossible, because it vaporises and floats as a cloud in the air until it meets an ignition source. We cannot use foam, as we can on a petrochemical fire, as happened at Buncefield, for example. Essex firefighters went in and fought that fire and many of those firefighters were trained to protect my constituency.

Shona McIsaac: I take the hon. Gentleman's point. There are many different types of COMAH sites around the country. On the Humber bank, many of the factories have in-house fire crews with specialist equipment. Given the number of COMAH sites within my constituency, I understand the great concern that his constituents have.

The hon. Member for Southend, West (Mr. Amess) is perhaps an hon. Friend in relation to the subject that I am going to mention next, which is seaside towns. He mentioned the report that had been published. I wished to mention it, too. It details the poverty that can exist in seaside towns and the problems with infrastructure due to their remoteness. Those are serious issues to which the Government need to pay more attention. Those issues were covered by the hon. Gentleman, so I hope that my hon. Friend the Minister will address those points in his closing remarks.

Like the hon. Member for Southend, West and others, in previous Adjournment debates in the House, I have raised many issues. I recall standing here mentioning the subject of East Ravendale school in the Lincolnshire wolds in the constituency, and the fact that it still had outside toilets and other problems. I spoke in the House about getting funding to build a new school. I am happy to report that the new school building is under way. The children are in their temporary classrooms and are looking forward to going into their new school as soon as possible.

I have mentioned in these Adjournment debates before the issue of nuisance from fireworks. We have seen progress on that issue with the passing of private Member's legislation, but we need closely to monitor that issue because, although there have been improvements, it is clear that there are still problems and there is still misuse.

I have mentioned the resurfacing of the A180, one of the noisiest roads in Britain. I know that other Members here would probably claim that their roads are noisier. In our trunk road network, we have an awful lot of noisy concrete-surface roads, which are causing disturbance and annoyance. Some of the A180 was resurfaced, but the programme has stalled, so many of my constituents are still disturbed by the level of noise from the road.

I urge my hon. Friend the Deputy Leader of the House to put pressure on the appropriate Ministers to complete the resurfacing work. It is ludicrous that, in travelling to Grimsby and Cleethorpes, one is literally rattling around on that concrete-surface road. One can almost feel one's bones juddering and the car falling apart. The noise is dreadful. The newly surfaced bit is only a short section. The quietness is astonishing. It was only when it was resurfaced that residents and I realised how extreme the problem was. After the short section, we go on to the old surface again. The port of Immingham is growing. Year on year, there is more HGV traffic coming off the container ships. We need to be able to do something as regards those roads. It is not fair that residents continue to be disturbed by vehicles on that road as the traffic on it increases and the port grows.

That leads me on to another urgent local issue to do with Immingham, which is both a town and a port. Although Immingham has the A180 and two very good roads that lead from the east and west dock gates to the main dual carriageway, far too many heavy goods vehicles go through the centre of the town. I have written to local firms saying, "Please can you make sure that your drivers do not go through the centre of town," and they have assured me that their drivers do not do so, but we have monitored the traffic and we have seen them going through the town. That happens week on week, month on month. It is not only the traffic coming out of the port that is increasing; the traffic going through the middle of what is a residential town is also increasing. That is unacceptable. The local authority is consulting on having a bypass so that the majority of HGVs no longer disturb Immingham's residents. However, as we all know in respect of all such major road projects, that will not happen in the short term. Any solution will be put in place only in the long term. Therefore, there must be some short-term solutions to the problem. I shall continue to press for a weight restriction on the main residential road through Immingham.

Other Members might have come across similar problems in their constituencies to do with my next subject; if so, I would be interested to know of them. I have found that there is a great problem to do with satellite navigation in HGVs. It does not matter whether we put up weight restriction signs at the beginning of certain streets, because if their satellite navigation system tells them to go down such a street, they will go down it. I do not know whether much can be done about that. I fear that it will increasingly become a problem throughout the country, unless satellite navigation can be programmed to inform of weight restrictions on specific roads and to say that no vehicle over a certain weight should travel down them.

Mr. Heath: The hon. Lady is absolutely right. She is not alone on this issue: she might like to take a look at an Adjournment debate secured by the hon. Member

for High Peak (Tom Levitt), in which I spoke. We discussed some of the options that are available, and the Minister present gave a helpful response.

Shona McIsaac: I thank the hon. Gentleman for that information. I think that that Adjournment debate was held this week. *[Interruption.]* Apparently, it was an earlier debate. I shall certainly take a look at it, and if there is more that I can do on this issue, I will certainly do it. I will join other Members who are campaigning to stop the "sat nav" invasion of our residential streets. I do not suppose that I shall get any free satellite navigation systems in the post after having said that—besides, I much prefer using a traditional map. The hon. Member for Tiverton and Honiton (Angela Browning) talked about water earlier; I would rather have a traditional jug of water with my meal, and I prefer to use a traditional map than satellite navigation.

Sadly, Immingham has a large landfill site on the outskirts of town, and unfortunately, because it is in a particularly flat part of Lincolnshire, that site is probably the highest bit of ground for miles around. I noticed that under the Budget there will be increased landfill taxes. That worries me because, sadly, my area is still not recycling as much as it should be. Given that the increase has been announced, I hope that the local council takes on board more initiatives. I have many ideas for initiatives to reduce the amount of waste that our area generates and the amount of it that goes into landfill, thereby reducing some of the blot on the landscape that the residents of Immingham have to live with.

I want to move on to a couple of other issues that are causing residents in my constituency some concern. I have raised them in the House before, off and on. I warn my hon. Friend the Deputy Leader of the House that I shall continue to do so until Ministers kindly get the message, give way and try to come up with solutions to these problems.

The Humber bridge is a marvellous, superb piece of engineering; unfortunately, the level of toll that people have to pay each way to cross it is not so marvellous. Because of the way in which health services in my part of the country have been reorganised, thousands more people who live in the towns and villages on the south bank of the River Humber have to travel north to the hospitals in Hull for essential treatment, particularly cancer sufferers. It is a very long journey, which is always problematic for those travelling for chemotherapy or radiotherapy. On top of that, there is this added charge. Because of the way that the benefit system works, although those in a certain income group can get recompense, those just above that threshold—that includes a lot of pensioners—cannot get any assistance. As those who have to travel for such treatment or to visit someone in hospital regularly know, it costs a lot of money to cross the Humber bridge.

All the local MPs have been working on a cross-party basis to find a solution to this problem. Two private Members' Bills were introduced on this issue, one by my constituency neighbour, my hon. Friend the Member for Brigg and Goole (Mr. Cawsey). As a Whip, he cannot speak in the House for himself any more, so I have to do so. Sadly, his Bill was caught by the ticking clock and we simply ran out of available Fridays to debate it. I was lucky in the draw, so I took up the measures in that Bill, but yet again we crashed into the parliamentary barriers and ran out of time. The Government have a role to play. I hope that, by bringing together all the parties concerned, we can examine the serious issue of the increasing cost of accessing essential life-saving health care.

I turn to antisocial behaviour and police community support officers. One of my local newspapers, the *Grimsby Telegraph*, recently ran a strong campaign on the respect agenda and tackling various antisocial behaviour issues in our towns. Sadly, north-east Lincolnshire did not become a respect action zone, which was a great disappointment to people in our area. However, on analysis, it was clear that many things on antisocial behaviour were not being done as well as they could be. I hope that, by taking on board some of the suggestions that were made, we can move forward and become a respect action zone in the next round. I will certainly support that move, and I hope to come up with some suggestions for the council—based on what colleagues in the House have told me is happening in their areas—that might speed up our application to become a respect action zone.

There is one small difficulty relating to police community support officers. I am not going to get into a debate today about numbers. However, our problem in Grimsby and Cleethorpes concerns recruitment: not enough people are coming forward to fill the places available. In the wider area, yes, we can get people to apply, but in the towns, where we want PCSOs to patrol, people are not coming forward. I hope that the Home Office—or whichever bit of the divided Home Office will be responsible—can consider providing extra assistance if an area is struggling to recruit people. Our problems may be because we were late in recruiting PCSOs. We are perhaps four years behind other parts of the country, because the previous chief constable did not want PCSOs. That time lag has created many difficulties. I have raised the issue with Ministers before, but we are trying to recruit at the moment. That serious issue must be addressed so that people can obtain some sort of relief from the hellish antisocial behaviour that can occur.

Cleethorpes winter gardens does not quite compare to the winter gardens in Blackpool, but it is still very special to Cleethorpes residents. It is the only venue of any particular size in the resort. Planning permission has been granted to demolish the winter gardens and build flats on the site. Yes, of course we need accommodation, but it must be affordable. High-rise executive flats on the sea front are not the type of home sought by most people in Cleethorpes. Some of the prices that I have seen are akin to London prices, but the average house price in Cleethorpes is well below them. I am not sure who would buy those properties.

The winter gardens is iconic to the residents of Cleethorpes, as the winter gardens in Blackpool is to its residents. After the planning permission, we had the sad sight of fences being put up around the winter gardens with "Construction Site" notices slapped on them. The guts have been ripped out of the winter gardens and sold off. However, we now hear that the sale of the winter gardens and land, to which the planning permission was linked, has fallen through. I do not know whether there is any way to save the

[Shona McIsaac]

winter gardens, but there have been marches through the town. I understand that independent candidates will even be put up at the elections on a "save the winter gardens" ticket.

Now that the sale has fallen through, perhaps the Department for Culture, Media and Sport can advise on what we can do next. We have tried to get the building listed, which might have helped, but apparently it had been altered a little too much to get a listing. However, there must be some way in which we can save the only real venue of any size in which entertainment can be put on in our seaside resort. The hon. Member for Southend, West (Mr. Amess) mentioned the report about the problems in seaside resorts, but we have just lost our only major venue and that will have a severe impact on the economy of the area and tourism in the resort. I hope that the matter can be taken up with the Department for Culture, Media and Sport.

For those with vivid imaginations, my next subject may sound a little odd, but it is referred to locally as the problem of the grass on the beach. I am getting some quizzical looks from hon. Members, but I am not talking about the smokable type of grass. I mean the salt marsh growing on the beach. The Humber estuary has shallow areas and salt marsh has grown, causing concern in the tourist industry in the area that it will eat up the whole beach and kill off tourism in Cleethorpes as we know it. If one considers the detailed botany, biology and ecosystems involved, that is not likely to happen, but we are having some battles with various Government agencies as to how to resolve the problem.

The Humber estuary is a site of special scientific interest. Further south, the salt marsh areas are excellent for visiting birds. Donna Nook is one of the biggest seal colonies on the east coast of Britain. The area is certainly attractive, yet we must get the balance between that more natural part and the more traditional beach with its donkey rides and seaside. We need Ministers to broker some understanding between the two sides to see whether we can contain the growth of the salt marsh and maintain the nice sandy area of the resort that people love.

The final issue of concern to my residents is time dependent and concerns the Humberston fitties. Ironically the name "fitties" comes from a Lincolnshire word for salt marsh. The fitties lie behind the sand dunes and are a most wonderful chalet village. The chalets are painted white and the village is the jewel in the crown of the Lincolnshire coast. It is a conservation area. The hon. Member for Tiverton and Honiton extolled the virtues of Devon, but I will extol the virtues of Lincolnshire. The scent of wild roses by the sand dunes on east-coast Britain is a delight in the summer months and certainly worth a visit.

The chalet development has its problems. The chalets are classified as holiday homes and there are serious problems with the leases. They all vary and have different conditions. We have had fights about ground rents. The residents are paying ground rent, 90 per cent. of council tax and a service charge, so they are paying more in local charges than many local residents, yet according to their leases they may sleep there overnight for only 10 months a year. These are people's main homes, yet for two months there is a closed period. They may spend time in their home, for which they pay a mortgage, but may not sleep there overnight.

This year people have been peeping through windows to see whether residents are breaking the terms of their lease and, heaven forbid, sleeping in their own beds at night. Various residents will, unfortunately, be taken to court by the local authority. I feel that that reaction is too extreme. One resident who is being taken to court for having the temerity to stay overnight is terminally ill. The court case was due to be heard a few weeks ago, but has been adjourned until mid-April. I hope that something can be done to prevent the case from going ahead. Another person who stayed in their property during the so-called closed period passed away, so the council did not issue them with a summons. Another person has documentary proof that they were not anywhere near their chalet, but as a sensible resident they had lights on timer switches to make it look as though someone was in the chalet to deter burglars, so the council has issued a summons to take them to court. The summons is ludicrous. It was issued a couple of days before the new season started at the beginning of March and it is to evict the residents for the remainder of the closed period, which finished at the end of February.

It is ludicrous to call people to court in mid-April to evict them from their properties until the end of February. That is a complete waste of time, and it is an extreme reaction. I hope that the local authority will see sense and will stop taking terminally ill people, and people who were not in their home, to court. I hope that the authority will work with the residents of the Humberston fitties to sort out the terms and conditions of the leases and get them up to date. It could consider a shorter closed season. Nobody who lives in the fitties wants a 52-week-a-year residency, but if we could reduce the closed season to, say, two or three weeks a year, people could go away on holiday for those weeks. It is hard finding somewhere for two months. If we did that, we could avoid the silly situation that we seem to end up with every single year.

I thank the House for bearing with me while I raised issues of concern to residents in my constituency. Like other hon. Members, I wish everyone a wonderful Easter, including the staff of the House and all the teachers in our schools. I probably will not visit Devon this Easter, despite the hon. Member for Tiverton and Honiton extolling the virtues of her constituency. I tell the hon. Lady that despite my very Scottish name, my great-granny was born and brought up in Tiverton. I know the area well; in fact, last year I popped down to Tiverton on my way to seeing my mother, who lives in another part of Devon. I hope that the hon. Lady is able to reciprocate by visiting the wonderful east coast resorts of Britain, particularly the beautiful resort of Cleethorpes. I wish everybody a wonderful Easter.

4.11 pm

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): May I start by extending my congratulations to the hon. Member for Sherwood (Paddy Tipping) on his reappointment as Deputy Leader of the House? Earlier, my right hon. Friend the Member for West Derbyshire (Mr. McLoughlin) commented that it would be value

for money, as the Deputy Leader of the House will not get an additional sum of money. The alternative view was summarised by the Leader of the House earlier today in business questions; he said that it was all being done for the pleasure of working for the Office of the Leader of the House of Commons.

It is a great pleasure to respond to the debate on behalf of the Opposition. There have been many excellent speeches, which have covered a broad range of subjects, both domestic and international. The Deputy Leader of the House will be aware that there remains considerable concern about the absence of proper answers to written and oral questions, and given that Members have given up a lot of time to be in the Chamber today, I hope that if there are specific issues that he is unable to deal with today, he will pass them on to the relevant Ministers so that proper answers can be obtained. By all accounts, and given all the praise that I have heard today, I can be confident that that will indeed happen.

We started off with a contribution from my hon. Friend the Member for North Thanet (Mr. Gale), who rightly raised the absence of proper debate on the important issue of sexual orientation. The subject was recently dealt with in the House by means of a statutory instrument, rather than through primary legislation. As he rightly said, the issue was highly contentious, and there was enormous debate outside the House, but very little in it. I hope that the Deputy Leader of the House will take those strongly expressed views on board.

My right hon. Friend the Member for West Derbyshire covered a number of local points. He started off by discussing dairy farmers and the fact that they receive 18p per litre, which means that most of them are losing some 4p per litre. It is hardly surprising, given that those are the sorts of figures involved, that last year some 350 dairy farmers stopped operating, and that the trend is continuing. He rightly raised the issue of single farm payments, which has caused great anguish to farmers. The situation has not been helped by the fact that Ministers have made two contradictory statements. First, it was said that there were fewer than 200 farmers who had not received either their full payment, or the balance of the payment due. However, in a statement in February, the Secretary of State for Environment, Food and Rural Affairs admitted that some 13,000 farmers were still awaiting payment. While an apology has been offered to the 200 farmers, it would go a long way if it were extended to the full 13,000 who are still suffering. It is ironic that the Minister responsible was promoted to the Foreign Office.

My right hon. Friend the Member for West Derbyshire said that farmers were the custodians of the countryside, which is a valid point that the farming community would like to be addressed more than is currently the case in the House. My right hon. Friend rightly said that farmers have been crippled by paperwork. It is a fair point that farmers are in the business of looking after their farms, rather than sitting behind desks filling in endless papers. He referred, too, to the peak district national park planning inquiry. I agree that when the issue is resolved a review should be carried out to assess whether or not the 10 years of legal fees and officers' time was justified. He said that the local school was the heart of the village, and I very much hope that his efforts to keep that school and, indeed, his efforts to keep the Darley Dale maternity unit continue. He is quite right that it is all very well to receive the Prime Minister's assurances when the reality is somewhat different.

My right hon. Friend's speech was followed by a contribution from the right hon. Member for Leicester, East (Keith Vaz). In his typically ingenious way, he managed to bring in and promote Bhangra dancing, which will please his Sikh community. He raised, too, the tragic case of Rafiq Gorji and the death of his wife, Mrs. Ali. I am sure that Members present will share his concern at the lack of response from the Saudi authorities about obtaining the police report so that matters can progress. I noticed that the Leader of the House went to sit next to the right hon. Gentleman and I very much hope that as a former Foreign Secretary he can exert pressure to try to resolve the issue. In my own constituency, I am dealing with the case of Craig Alden, who is still trying to secure justice in Brazil. My efforts at dealing with the Foreign Office have not been particularly fruitful, so if there are any lessons that the right hon. Gentleman can give me, I would be happy to accept them.

The right hon. Gentleman complimented the Prime Minister on the Northern Ireland settlement, and I think it would be fair if the House acknowledged, too, the contribution by a previous Prime Minister, Sir John Major, in arriving at that settlement. That needs to be put on the record. The right hon. Gentleman rightly expressed concern about the Tamils in Sri Lanka, and the whole House will agree that it is right that we should try to engage in dialogue, and that can only happen if there is a ceasefire. He spoke about Britain taking a leading role, and while I agree, I am mindful of the comments by the Minister for Trade in the statement on Zimbabwe that it is important that Britain does not continue its colonial past. There is a balance to be struck—while Britain may offer assistance to former colonies, that should be done delicately and sensitively.

I am pleased that the hon. Member for Somerton and Frome (Mr. Heath) assured the House of the agricultural status of his constituency, and I am sure that his constituents will be pleased that that has been put on the record. He, too, referred to the plight of dairy farmers, and he said that some supermarkets have tried to address the issue of their not receiving enough money. My understanding is that at least three supermarkets have raised the price of the milk that they sell, with the intention that the increase will go directly to the farmers. It is important that that voluntary arrangement is properly monitored to ensure that the price increase goes to the farmers, and not to intermediaries or to the supermarkets.

It was interesting that my right hon. Friend the Member for West Derbyshire made a comment about Stilton cheese being made in his constituency. In my constituency, there is the village of Stilton, where every year on a Sunday we have a Stilton cheese rolling carnival. As for the connection between the village in my constituency and the cheese manufactured in West Derbyshire, I leave that for another day.

The hon. Member for Somerton and Frome spoke about bovine TB, which is indeed a matter of concern.

[Mr. Shailesh Vara]

I understand that for the past two years it has been increasing in many herds and the problem certainly needs to be dealt with. The hon. Gentleman referred to the farming industry being overregulated. Most of us who have farming communities in our constituency would echo the sentiment that it is time for regulations to be reviewed, with the aim of lessening them.

I agree with the hon. Gentleman about the need for clear labelling. It is a scandal that products that are made overseas or animals that are reared overseas are brought into this country, processed, packaged and sold in British supermarkets and shops as British goods. That is largely a result of the Trade Descriptions Act 1968. It is high time that the Act was revisited, with a view to ensuring that the British public have properly labelled goods.

My hon. Friend the Member for Tiverton and Honiton (Angela Browning) began her contribution unashamedly with a plug for the tourist industry of Tiverton and Honiton. She said that Devon was at its most glorious now and commended it for all of us to visit during the recess. She made a passing reference to pensioners surfing, but given the activities that pensioners engage in now, I would not be surprised if a large number of them were thinking of taking that up.

My hon. Friend made the serious point about the lower than average wages in her constituency, compared with the high property prices and council tax. She focused particularly on the massive hike in water rates in her area, which she attributed to regulations emanating from Europe. I would add that it may have something to do with the tradition of gold-plating undertaken by our civil servants. It would be interesting to know how many other European Union countries are as diligent in enforcing regulations as we are.

My hon. Friend spoke of the unfairness for small businesses that are charged water rates with reference to the rateable value of properties, regardless of the number of people who may use the water in a particular business. I hope she has joy in dealing with the issue of taxation arising when the disposal of a flat and shop at the same time by one of her constituents was judged by the Revenue to be the disposal of one asset, rather than two, particularly when for all other matters—council tax and so on—they are treated as two assets. The Chancellor of the Exchequer recently took on board my party's suggestion for a reduction in corporation tax, so I am hopeful that he will look favourably on the suggestion offered by my hon. Friend.

The contribution from my hon. Friend the Member for Southend, West (Mr. Amess) was typically robust, as in previous Adjournment debates. He commented that he was rather saddened by the fact that when he entered Parliament, he was the only Member whose birthday was on 26 March, but the number of Members who share that birthday has now reached double figures. He also lamented the fact that there are a lot more Davids in the House than when he entered Parliament. By way of consolation, he should take comfort in the uniqueness of his contribution to this House.

We were all delighted that my hon. Friend took part in yesterday's inaugural Lions club dinner, where we were heartened by the robust contribution by my hon. Friend the Member for Tiverton and Honiton, who questioned whether there would be lionesses, too—I was pleased to learn that there will be lionesses, although they will not be called lionesses.

My hon. Friend also mentioned the more serious topic of Iraq, which concerns many in this House and around the country and which will continue to dominate discussion inside and outside this House.

I share my hon. Friend's concerns about the regulations on fishing, and I wish him well in trying to get a review of quota management in his constituency.

My hon. Friend mentioned the elderly community in his constituency. In particular, he commented on the centenarians of Southend, who have been formally recognised by "The Guinness Book of Records" at a gathering of 23 of them. He made some welcome comments about making sure that we have effective and proper quality of life for an increasingly elderly population. The young community were not left out, however, because he followed that up by praising members of the Young Men's Christian Association.

My hon. Friend the Member for Castle Point (Bob Spink) is also a regular contributor to Adjournment debates. He discussed the balance of rights between badgers and humans and suggested that we need to strike a suitable balance for co-existence. He pointed out that he has managed to achieve that, because he has seven badgers in his garden.

Shona McIsaac: It must be a big garden.

Mr. Vara: I would like to know whether my hon. Friend is sure that there are only seven. He went on to discuss more serious matters, such as the local referendum on planning permission for a plant which threatens the safety and security of schools, homes and the area generally. I, too, hope that when the inspector makes his decision, he will take note of the result of that referendum.

My hon. Friend expressed concern that the Environment Agency failed to activate flood defences to prevent flooding. He asked the Secretary of State to hold an inquiry into the matter, and I am sure that the Deputy Leader of the House will pass on those concerns.

My hon. Friend also discussed health. He rightly pointed out that it is important that the NHS concentrates some resources on preventive medicine rather than trying to deal with illnesses after they have occurred. Such an approach would clearly have a major impact on the NHS budget.

My hon. Friend concluded by referring to the European Union, a subject which has been debated for many hours in the House. The debate has been going on for a long time, and I am sure that it will continue. No doubt he will contribute to future debates.

My hon. Friend the Member for Peterborough (Mr. Jackson), whose constituency adjoins mine, discussed the new prison in his constituency, which has placed law and order at the forefront of local matters. He also considered the arguments of liberal academics who advocate fewer custodial sentences and made it

clear that he favours stronger sentencing. He rightly pointed out the overcrowding in our prisons, and, like many hon. Members, he will welcome the fact that the Government have announced that two more prisons will be built. In my view, although that is welcome, we need those prisons now, and we must deal with the problem before those two prisons come into operation.

My hon. Friend touched on the balance between policing and crime, as well as the prevalence of drugs and mental illnesses among those who end up in prison. Of course, law and order is a massive, complex issue that has only been made more complicated by the changes that were proposed earlier today. The House awaits clarification on their full impact in the days and weeks ahead.

We concluded with a speech by the hon. Member for Cleethorpes (Shona McIsaac). I confess that when she said that she wished to comment on the speeches that had already been made, I was a little concerned that the Deputy Leader of the House and I would be left without much to say, but I was heartened when she quickly moved on to address issues in her constituency. She particularly mentioned the A180, with its noisy concrete surface. I wish her well with her endeavours in resolving that. She mentioned the heavy goods vehicles going through the town and port—she was keen to emphasise the word "port"—of Immingham and the campaign to get weight restrictions imposed. Again, I wish her well with that. She is clearly passionate about the level of tolls on the Humber bridge, which she has spoken about on several occasions, and I hope that that is dealt with satisfactorily. She mentioned the planning issues involving the Winter Gardens and said that there is some uncertainty as to whether the sale has fallen through. I hope that that, too, is satisfactorily resolved.

The hon. Lady concluded by saying that she wished to promote her tourism industry. On what better note could I conclude than to say that with the recess coming, perhaps hon. Members might consider taking a few days off and going to her constituency, or to that of my hon. Friend the Member for Tiverton and Honiton.

I wish you, Mr. Deputy Speaker, all the staff in the House, and all right hon. and hon. Members a very happy and peaceful Easter.

4.32 pm

The Deputy Leader of the House of Commons (Paddy Tipping): It is a great privilege to be able to respond to this debate. I am delighted by the very generous—perhaps over-generous—comments that hon. Members have made and thank them for doing so.

There has been a lot of talk about birthdays. I was delighted to attend the 50th birthday party of my right hon. Friend the Member for Leicester, East (Keith Vaz)—a big bash. The hon. Member for Southend, West (Mr. Amess) had a significant birthday last week. I have some prescience and know that my hon. Friend the Member for Cleethorpes (Shona McIsaac) has her birthday next week.

One of the things that my right hon. Friend the Member for Leicester, East talked about was about dancing. When I last did this job, I learned that one has to be quick on one's feet. My hon. Friend the Member for Cleethorpes talked about recycling. I feel that I have been recycled into this job; after six years, perhaps I am a bit rusty.

We heard 10 speakers cover a wide range of subjects, including international issues such as Iraq, Iran, Saudi Arabia, Sri Lanka and Europe. We also heard about the smaller but important question of the quality of local cheeses. I am not going to get into that, nor will I get drawn into a discussion about whether one should have jugs of water or bottled water at a restaurant. With regard to the comments of the hon. Member for Tiverton and Honiton (Angela Browning), I am interested in what happens to all the plastic water bottles. One of the big issues in recycling is how we can make better use of those bottles. That is being considered by the Government agency, WRAP—the Waste and Resources Action Programme. The message must be that we should drink from the jug rather than buy the bottle.

I listened with interest to the hon. Member for Tiverton and Honiton extolling the virtues of Devon. I know its countryside, and for a moment I wanted to walk out of the Chamber to see the banks of primroses.

I also know Donna Nook. For Members who have not been there, it is worth taking visitors in the early part of the year, when it is cold and ferocious, to see the newborn seals. The right hon. Member for West Derbyshire (Mr. McLoughlin) reminded us that he has a daughter, who is now an adolescent. Adolescent girls can be difficult but my adolescent girls enjoyed their trip to Donna Nook, which I highly recommend. I commend the British tourist industry and, like other hon. Members, I took part in last week's event. Tourism is important to new investment and new jobs, especially in rural areas.

Rural communities were a strong theme throughout the debate. Hon. Members referred to agriculture, the environment—including the marine environment—and climate change. Noise pollution was also mentioned. I believe that that will become increasingly important, especially on concrete roads. That affects local residents and I believe that the local environment will increase in political significance in future.

The landfill tax was also mentioned. I am delighted that the Budget increased the landfill tax by £8 a tonne. It is important to divert waste from landfill and move towards recycling.

Let me deal with the specific comments that hon. Members made. I shall start with the right hon. Member for West Derbyshire, first, because of his significance in the Conservative party—he is one of the most powerful men in the Chamber—but secondly, because I know his constituency well and visit it often. I often use the A50 to get there. He is right to remind us of the position of dairy farmers, which the hon. Member for Somerton and Frome (Mr. Heath) also mentioned. There is no doubt that dairy farmers face an extremely difficult position and that something needs to be done.

I look forward to the Competition Commission inquiry. Like the hon. Member for Somerton and Frome, I am not holding my breath because I have been here before. It is the third Competition Commission inquiry into the power of supermarkets. The hon.

[Paddy Tipping]

Gentleman was slightly dismissive of the call for evidence from farmers and producers. It is vital that people rise to the challenge and give genuine evidence to the Commission of abuse that takes place.

There should be more honesty and transparency in the supply chain in the milk industry. There is hostility between the producers, the processors and the retailers. Although I examined the matter in some depth at one time, I never really sorted out the cash flows and where the profit came in. There is a supply chain working party and we need to try to get some answers to people.

I am pleased that the report of the Select Committee on Environment, Food and Rural Affairs on the Rural Payments Agency has been mentioned. I have read it—it is belligerent in tone and shows the difficulties of trying to make management changes while not being clear about policy. The report uses strong words. The new Secretary of State has been diligent in coming to the Chamber, apologising and ensuring that the House is kept up to date with developments. My noble Friend Lord Rooker holds regular surgeries—I have used them—which colleagues can attend to seek advice on individual cases. That is important because the payments for 2005 are not yet resolved. We are in the middle of the payment window for 2006, and 2007 is not far away. We must resolve the outstanding issues before we get into the third payment window. We need to do a great deal and there is a lot to learn from the report.

I know Longstone Edge, which the right hon. Member for West Derbyshire mentioned, the scar on the ridge and the history, which I shall not recount. However, I believe that it would be excellent if we could make arrangements with aggregates extractors not to work in national parks. I do not think that we shall achieve that, but I look forward to the result of the planning inquiry. I noticed that the right hon. Gentleman was present at the public inquiry, looking extremely smart in his country clothes. My noble Friend Lord Hattersley appeared in casual wear, and I know who had the most effect.

Stoney Middleton school is important. The rate of small village school closures has declined dramatically over recent years. Consultation exercises need to take into account the social value of educational establishments, and such considerations should also apply in the campaign for the Darley Dale maternity unit. A consultation is taking place on that at the moment. There is a debate about choice in the health service, and the Government need to be clear that if we offer choice, there will, almost by definition, be increased costs. One of the issues relating to the Darley Dale maternity unit involves costs, but there are also clinical issues involved. The unit is highly regarded, but it is also relatively small, and that needs to be taken into account in the consultation.

I liked the point that the right hon. Gentleman made about the management of primary care trusts and, indeed, of the NHS. I sometimes feel that the non-executive board members of some of those organisations tend to be out of touch with local people. I suspect that that issue will be raised again in the House, and it is one that we should examine.

I would like a debate on agriculture, as the hon. Member for Somerton and Frome suggested. It would give us the chance to talk about common agricultural policy reform, in which a lot has been achieved, but more needs to be done. It would also give us an opportunity to celebrate the fact that, today, at last, the English rural development programme has been announced, and that £3.9 billion has been allocated for the period from 2007 to 2013, which is double the amount for the last payment period.

We need to make decisions about the contentious issue of bovine tuberculosis, but that is not easy. In the long term, we all aspire to a solution involving vaccination, but for as long as I have been in the House, vaccination has always been 10 years away and it never seems to get any closer. One of the puzzling things is that the incidence of TB has declined, but now appears to be rising again slightly. We need to look closely at the science. There is a case for culling, but there is also an argument that culling migrates the problem. This is not an easy issue, but the hon. Gentleman is telling us to make our minds up, and he makes a strong point, of which the Secretary of State is well aware.

Biofuels offer opportunities in the countryside, and the hon. Gentleman made a case for joined-up thinking between all the Departments involved, including the Department for Environment, Food and Rural Affairs, the Department for Transport and the Treasury. I am conscious that we have not always done that as satisfactorily as we might have done.

The hon. Member for Tiverton and Honiton spoke, as all MPs from the south-west do, about water and sewerage charges. I was with representatives of South West Water earlier this week, and I know that the charges are a hot issue in the south-west. Having such a long coastline means that it is not easy to clean up areas of sewage pollution. There are also real issues of affordability in the south-west, where water bills are relatively high compared with those in other parts of the country. As the hon. Lady knows, South West Water has a trust fund for cases where there are difficulties, and it is also involved in an affordability project. We need to come forward with some proposals on that fairly quickly.

It is important to listen to consumers' voices on water charges, and that is happening increasingly often. One of the questions that I have heard involves marginal increases in water quality: is it worth paying for that little bit extra? There is a real debate to be had in the water industry on that issue. There is also a debate to be had and completed on unadopted sewers. I have argued for many years for the adoption of unadopted sewers. The Government have finally announced that they will do it, but there will be a further period of consultation in which the issue of increased cost, which the hon. Lady rightly raises, will be discussed yet again.

I was also interested in the hon. Lady's important point in relation to water costs and business premises, and I shall draw the attention of my hon. Friend the Minister for Climate Change and the Environment to that. The case of Mr. E also deserves attention. I do not want to say too much about it because, as she rightly said, it might become a test case, and might come before the courts. If I can help in any way, however, I would be delighted to try to do so.

The hon. Member for Castle Point (Bob Spink) rehearsed the arguments that he was going to make at the public inquiry, which, I thought, were compelling. He knew what he wanted to tell the inspector. Clearly, local people also knew what they were going to tell the inspector. I am delighted that, as he puts it, they will fight tooth and nail at the public inquiry.

The hon. Gentleman also raised the issue of what planning guidelines will be taken into account by the public inquiry, and I am delighted that my Friend the Minister for Housing and Planning is in the Chamber to hear that point. As the hon. Gentleman rightly said, planning guidance will change in future to allow quicker processing of big infrastructure projects. He and his constituents need to know, when they go to the public inquiry, on what set of rules they are fighting. I will make sure that he receives a reply on that. He also referred to the recent inappropriate use of flood barriers. He deserves a proper reply, and I will make sure that he receives one.

The hon. Gentleman made an important point about the NHS, and I am pleased that he recognised the extra £8 billion going into the NHS next year. He is right that we must move away from investment in acute services towards investment in preventive services. To try to achieve that, a big change programme, and an education programme, need to take place in the NHS.

It is a long time since I have replied to the hon. Member for Southend, West in one of these debates. I was sorry that he did not mention the Palace theatre in Southend, which has been a running issue for many years. I hope that that matter is now resolved.

I also hope that progress can be made on the issue of east coast fishing. Looking to the future, how we control, conserve and pursue economic activities in the marine environment will become increasingly important. The House will debate the marine environment on the Thursday after it returns from recess, and a White Paper on the marine environment is out. The Government have a manifesto commitment to bring forward proposals to manage better the marine environment. Therefore the hon. Gentleman is on a winning wicket. I shall make sure that he gets an appropriate reply to the points that he raised.

I was also pleased that the hon. Gentleman mentioned buses. The Department for Transport is consulting on how local authorities can work more closely with bus companies on a more strategic overview of routes. At present, basically, bus routes are planned through market forces, which does not make sense for local consumers, especially vulnerable elderly people. I am pleased that the Department for Transport is consulting on the matter, and it has been indicated that there will be legislation when—as they say—parliamentary time allows.

The hon. Member for North Thanet (Mr. Gale) did the House a great service by raising the issue of the sexual orientation regulations. As he put it, there are strong, deeply and honourably held opinions on the matter. He will know, as he has been in the House for many years, that there are different views on different sides of the argument. As the hon. Gentleman said, it has proved difficult to reconcile those views. However, I accept his point that outside the House there was a feeling that we did not deal with the process, which he described properly and in some detail, as well as we might have. In the Government's defence, I have to say that there were discussions between the usual channels, but I accept that many hon. Members, myself included, have strong views on the subject and missed the opportunity to vote on it because the vote was early. We did ourselves a disservice by not handling the matter better.

I think that I am the only hon. Member in the Chamber who has been involved in the actual adoption process. Adoption is vital. It is important that we remember the law—that the needs of the child are paramount. We lost sight of that in the discussion, although I know that my right hon. Friend the Prime Minister is determined to ensure that faith-based adoption agencies survive into the future. It will not be easy, but I know the valuable work that they do and the difference that they have made to many children's lives. It would be criminal to see them go out of business.

My right hon. Friend the Member for Leicester, East used his tremendous expertise at the Foreign Office to raise the case of Mr. Gorji and his wife Mrs. Ali. He has been pursuing that vigorously and I have heard him raise it on several occasions in the Chamber. I assure him that he will get maximum help from the British embassy in Saudi Arabia. There is already a recognition from the Saudi Government that there need to be new and better regulations on drivers. My hon. Friend the Minister for the Middle East will pursue vigorously the point that my right hon. Friend raised about releasing the accident and police report.

My right hon. Friend also mentioned Sri Lanka, where the situation is extremely difficult. He will be pleased to know that my right hon. Friend the Foreign Secretary met the Sri Lankan Foreign Minister on 7 March and talked about the importance of establishing a peace process. As my right hon. Friend the Member for Leicester, East keeps a close watch on such matters, he will know the significance of the role of the Norwegian Government in that regard. It may well be that that is the best avenue for making progress.

Keith Vaz: I thank my hon. Friend for his words. Does he agree that the position should be that the killing of innocent Tamil people needs to stop and it needs to stop now? That is the key to getting a dialogue going. Violence is not going to achieve that.

Paddy Tipping: My right hon. Friend the Foreign Secretary has made that clear.

My right hon. Friend the Member for Leicester, East also talked about the reorganisation of the criminal justice system. He is a distinguished member of the Select Committee on Constitutional Affairs. I shall ensure that those issues are pursued and that he gets replies to them.

The hon. Member for Peterborough (Mr. Jackson) spoke about the importance of the justice system. I have visited Peterborough prison over the years—I know it well. *[Laughter.]* In a former life, I used to spend a lot of time in prison, but I had the keys, so it was okay. He is right to say that prisons are an important part of the spectrum of managing crime. He went on to talk about the importance of having a sufficient number of prison places. There have been 19,700 new prison places since 1997, and a further 8,000 are planned by 2012.

[Paddy Tipping]

The hon. Gentleman was also right to talk about the importance of police on the streets. Again, police numbers are at a record level. There are an extra 14,000 police under this Government, backed by new police community support officers, and that figure will grow to 16,000 this year.

I will pursue the point raised by my hon. Friend the Member for Cleethorpes about recruitment difficulties. She also made important points about antisocial behaviour and the need for neighbourhood policing.

The right hon. Member for West Derbyshire mentioned police financing as well. As what he said concerned the east midlands and affects my constituents and me, I will pursue it vigorously. He was right to point out that the five police authorities in the east midlands are not receiving their quota under the present formula. He and I, and others, have already pursued that vigorously with the Minister for Policing, Security and Communit, Safety, my hon. Friend the Member for Harrow, East (Mr. McNulty). My hon. Friend has agreed to visit the east midlands special operations unit, where we have both been fairly recently. That will provide an ideal opportunity not only to press for funds for the unit—£8 million of Home Office grant may well disappear next year—but to press the wider issue of fairness of funding that the right hon. Gentleman raised.

My hon. Friend the Member for Cleethorpes emphasised the importance of seaside towns. The Government have an excellent record for large-scale regeneration projects. All over the United Kingdom, cranes can be observed and the work can be seen taking place. Where we have not been so successful, and need to be more sophisticated, is in areas with relatively small pockets of deprivation. The Select Committee has produced a report, and the Government will respond in due course—I hope favourably, because seaside towns need an adequate infrastructure.

My hon. Friend also talked about fireworks legislation. We have made progress, but the matter must be kept under review, and I am keen to do that.

Winding up the debate for the Conservatives, the hon. Member for North-West Cambridgeshire (Mr. Vara) spoke of concern in the House about oral questions. The Leader of the House is pursuing that issue, and the issue of written questions, extremely vigorously. I will ensure that we try to improve in that respect, and I also undertake to write to all Members to whom I have not responded today.

Two strong themes emerged from the debate. Both the hon. Member for Peterborough and the hon. Member for Southend, West spoke of the importance of community and voluntary groups. They are vital in providing care services and a range of help throughout all our constituencies, and we cannot thank them enough. A number of Members mentioned campaign groups, in Canvey Island, in West Derbyshire and in Cleethorpes. One of the things we must do as a Parliament is connect their activities, their legitimate concerns and their voices. We must ensure that their voices are heard and responded to in this place. Unless Parliament can have greater connection with the public, we are on a slippery slope.

A number of Members also said, "Let us all have a good holiday". I hope you have a good holiday, Mr. Deputy Speaker, and I hope the staff have a good holiday. I remind my hon. Friends in particular that five weeks from today will be 3 May, the day of important elections in Scotland, Wales and local councils. I hope that Opposition Members will have a peaceful and relaxing time, and I hope my colleagues are diligent, hard working and successful in their efforts.

Lord Commissioner of Her Majesty's Treasury (Claire Ward): I beg to ask leave to withdraw the motion.

Motion, by leave, withdrawn.

PETITION

Armed Forces (Postage)

4.59 pm

Bob Spink (Castle Point) (Con): I wish to present a massive petition with well over 6,000 signatures, superbly organised by David Cain, a redoubtable campaigner, and compiled with the help of many excellent people including Mr. Moir, Steve Lant, landlord of the Haystack pub on Canvey Island, John at the fast-rejuvenating Canvey Island football club, and Jim Neven of Canvey Island Royal British Legion.

It is at times like this—times of celebration and reflection like Christmas and Easter—when we most miss our loved ones who are serving our country in the armed services abroad so valiantly and professionally, and when we most want to communicate with them. I am honoured and delighted to present this petition, which states:

To the House of Commons

The Petition of David Cain, residents of Essex, Dorset and others, declares

That the cost of sending parcels and letters to members of HM Armed Forces in Iraq and Afghanistan is inequitable in relation to the nature of their work and to the commitment they have made to serve their country.

Therefore, your Petitioners implore the Government to adopt a policy of free postage to members of HM Armed Forces for families and friends in the UK in recognition of the contribution made by these brave men.

And the petitioners remain etc.

To lie upon the Table.

Housing (Northampton)

Motion made, and Question proposed, That this House do now adjourn.— *[Mr. Shaw]*

5 pm

Ms Sally Keeble (Northampton, North) (Lab): I am pleased to have this Adjournment debate and while I am conscious that I could go on for an hour and a quarter, that might not encourage you to call me again, Mr. Deputy Speaker. I will make sure that my remarks are to the point.

Most people in Northampton, as in other parts of the country, own their own home and have done very well, in no small part owing to low mortgage rates resulting from the Government's economic stewardship. Northampton is a growing town, so we have a lot of new housing, some of it to very high standards because of the development of new design standards. For those people, housing is not a problem but an economic asset.

However, there is also a group in my constituency for whom things have got quite considerably worse; the people who are dependent on social housing, particularly in certain parts of the constituency where the housing is deteriorating and there is pressure on that housing. We tend to see a widening gap between people doing quite well and those for whom things are very difficult. It gives me real concern that for some, during my time as an MP, things have not improved and different pressures have arisen. I want some assurances as to how things might progress for them.

I know that my hon. Friend the Minister will say that most of these matters are down to the local authority, and I would agree, but she and the Department know that there are particular difficulties in Northampton in terms of the borough council. It is hard to stand by and watch my constituents being left in a worse position because they have a bad council.

I want to focus on some particular housing problems, such as the actual number of people who are homeless. We often think of homeless people as rough sleepers, but there are a lot of hidden homeless who are doubling up in the houses of parents, aunts and uncles or friends. Some are sleeping on sofas or in crowded conditions and some are moving from place to place. Those pressures still exist in my constituency.

In addition, instead of being helped into council housing or other social housing, those people are being pushed into private sector rented accommodation. This has produced some real difficulties, with people finding it impossible to get back on to the housing ladder.

The best way to illustrate the point is with a story about a teenage couple with a charming little girl; I will not mention their names. The mother was vulnerable for a number of reasons—it is not appropriate to go into those here—and they needed extra support. They were living with his parents. His mother was being very supportive and helpful to them. It was she who brought them to me to see whether we could sort something out for their accommodation.

I have no doubt that, in previous times, that couple would have been put into council accommodation. They may have spent some time in temporary accommodation, but they certainly would have been straight into the council system given their circumstances: she had been involved in the care system; they were teenagers; they had a young child; they were very committed to looking after the child; and determined to make a go of things in quite difficult circumstances. They were, however, directed into private sector rented housing and refused access to council accommodation.

The next time we heard from the family, they had to move because they had only a six-month tenancy. Therefore, they were forced to move. The mother was expecting another baby. They managed to do the next move but then things got very difficult. As often happens, because rents are high, they got into arrears. Then real disaster struck. With all the rushing around that he was having to do, the boy lost his job. He had been working to support the family. They had been doing a really good job of holding things together and then he lost his job.

It seems that, because of their record of rent arrears, it is unlikely that the couple would be accepted for council housing. In any ordinary circumstances, they should have been supported by the council and put into social housing. With just a little support, and because they were so committed and they had the support of his parents, they would have probably established and maintained a successful family unit and would have looked forward to a good-quality, happy life. Instead, they are faced with a series of extra problems to cope with, when they already face challenges.

We have been through the subject before, but the couple were directed down the road of private sector housing before a full assessment was done, or else the assessment must have missed a few points. To me, that seems to be wrong. For a number of people, private sector rented accommodation is not a good idea because they cannot afford the rent, or they cannot afford the top-ups of the rent if the landlord is charging above what is covered by housing benefit. For a lot of people, the insecurity of six-month tenancies, with the reality, not just the prospect, of moves each six months, is inappropriate.

Another issue is about the use of bed and breakfast. I know that the number of families with children in bed and breakfast has gone down since the Government said that it should be used for six weeks only and then only in case of emergency. However, it still seems from the cases that I see in my advice surgeries that the prospect of being put into bed and breakfast effectively acts as a deterrent for people who would otherwise properly claim support with housing and then be placed into council housing. I would like my hon. Friend the Minister to say whether it is right that, once someone has given a notice to quit, which then gives 28 days for the assessment to be done, that should be regarded as an emergency. It seems to me that, if someone has given a notice to quit and they know that there will be 28 days for the assessment, that should not be regarded as an emergency.

Housing repairs is a real problem in my constituency. That is something else that I am concerned about in terms of certain areas in my constituency. As always, nice private housing goes up and people move into that as they can. Because there is a buoyant economy, people have jobs and can by and large move, but there is a residue of deteriorating public sector housing that

[Ms Sally Keeble]

continues to decline in quality. I am concerned that, if nothing is done to deal with some substantial problems of disrepair, a few years down the line, the gap will have widened between people who have very nice private sector housing and people who are stuck in housing that is going down in value.

When the original stock survey for Northampton was done, it was said that the council could achieve the decent homes standard for all housing within existing resources, and therefore it did not go for stock transfer or the other options. However, it was also recognised—finally—that the housing on the east side of town, or in the eastern district as it is called and which is in my constituency, was deteriorating. The standard of housing there was declining as other housing was improving, and it was acknowledged that the two paths would soon cross and that there would be a problem.

That deterioration has continued apace, and I have to deal with some serious problems to do with disrepair, in particular damp. That is often attributed to condensation, although some of it does not look like condensation to me. Condensation is normally accompanied by certain types of mould growth and certain quantities of water, and some of what I see appears to be worse than that, although I am not an expert. A young woman explained to me that she was told that her ground-floor flat had condensation and that she should leave her windows open, and she said that she wondered who in their right mind would leave the windows open of a ground-floor flat on an estate such as hers, which has a high crime level, so all the contents of the flat could rapidly disappear as a result of burglaries.

Some properties do not have central heating. In some instances, that is simply unacceptable. A man who lives in a disability bungalow came to me. He had a couple of storage heaters and he had been given a couple of electric heaters. Not only are they expensive to keep running, but in such domestic circumstances people with a disability, who need a constant and reasonable level of heat, cannot use parts of their home at certain times because they are not warm enough. Does the decent homes standard include the requirement to have central heating? What type of heating are people supposed to have? Also, what will happen in respect of the decent homes standard in future—I ask that especially in the context of the deteriorating housing that I have mentioned?

Adaptations for disabilities is an issue. There is a general problem to do with the disabled facilities grant and the amount of money in it. I am concerned as a number of my constituents who are disabled—or, more importantly and more frequently, who have children who are disabled—have real difficulties in using their accommodation. I was called to see a family with a boy who was almost trapped on the ground floor in his wheelchair because they could not have a stairlift and he had become too big to carry up the stairs, and also the design of the property was quite awkward. He had not had a bath for quite some time, because they had no way of getting him up the stairs. What is regarded as being acceptable in terms of disabled children and their accommodation?

Let me give another example. A woman lives with her partner and two children. One of them is a boy aged 4 who is thought to have attention deficit hyperactivity disorder—he is being assessed. There is also a little girl of one and a half years of age who cannot walk and faces major surgery to her legs and feet. During the time of the recovery, she will need major splints—a frame around her legs—to help with the treatment. They are living in a second-floor flat with no lift. The family find it hard now to get her up two flights of stairs, but that will become very difficult after she has had her surgery and she is in her recovery time. The children's bedroom has a very old gas heater, and because of the boy's behavioural difficulties, the parents feel that it is not safe for him to use; I am not surprised at that. They put the wardrobe in front of it so that he cannot get at it, but of course, that means that the room has no heating at all. There is also a hole in the outer wall, which they asked to be filled in.

On considering the information in the application, the medical panel assessed that

"the current accommodation is reasonable on medical grounds",

so no award of medical points was made. I find that very surprising. What is the guidance on providing accommodation for families with children with disabilities? Getting such children up and down stairs is hard enough, but it is even harder when equipment also needs be carried up and down. The type of accommodation provided for children with behavioural difficulties is also a real issue. If a child is fidgety and fiddling because of ADHD, should they be placed somewhere where there is a gas heater, particularly the older type, which as we know presents problems?

In addition to the disrepair of such properties, there is the wider issue of estate management. If a housing estate is not generally managed well, it becomes a haven for antisocial behaviour. That can, and has, made life very difficult for some of my constituents. The safer community teams have played a really important role, providing a fresh impetus for some of these difficult estates. However, it is quite wrong, as has sometimes happened, to expect the police to deal with problems that housing management should resolve. It is a waste of the police's function to do work that should be done by housing management. I shall bring one such case to my hon. Friend's attention a little later.

A fourth issue is overcrowding. I pay tribute to the way in which my hon. Friend has dealt with this issue on the Government's behalf—I know that standards on overcrowding are due to be published shortly—but I should point out that it is a very real problem not just in the big cities, but in middle England constituencies such as mine. Let me give an example from my constituency. A man, his wife and five children are living in a single bedsit in a hostel that is supposed to be for homeless single people. He was a homeless single person when he came to this country as a refugee, but now that his wife and children are also here, they really need something a bit bigger.

Let me read a letter that I received today—I promise that it is not a plant—that is perhaps a much better example of the typical cases of overcrowding that I hear about. I shall take out some of the detail, so that hopefully, the woman in question cannot be identified:

"My partner and I have four children and I am pregnant with my fifth and we live in a small two-bedroom house and it is very

stressful because we don't have a lot of room. The three older children sleep on just a mattress on the floor in what people would call a box room. They can't even have wardrobes or toys because there is no room."

What she wants is a bigger property

"where we can live as a family which will be good because me and my kids have been through enough due to the violent and aggressive relationship that we suffered with the older children's dad. My kids mean a lot to me and it means a lot to me that they are happy."

That is the general sentiment of most of my constituents and it is not an unreasonable aspiration. It is important that women who suffer domestic violence can move on and try to establish a stable family unit, in my constituent's case with a partner who is playing a positive role in her life and the lives of her children. They need a decent start in life.

Another example also concerns the problems related to disability. A woman was living with her husband and their five children, three of whom have special needs, including physical disabilities, in a three-bedroom house. That is a reasonable size, but given the children's difficulties it was hard. On top of that they were being bullied by other children on the estate. Because of the children's disabilities, they were targeted and harassed. That raises two issues, one about the standard of accommodation and another about how to manage harassment and bullying when it comes to housing provision. I hope that my hon. Friend can say something about when the standards for overcrowding will come out. What cognisance will be given to children with special needs and disabilities?

As Northampton grows, the existing properties need to be improved along with the new build, because it will not help community cohesion if some people move into nice new properties while others see their personal circumstances, living standards and neighbourhoods deteriorate. If a town is to grow and be successful, everybody needs to share in the good fortune of its growth and development.

In all the discussion about "Every Child Matters", attention was paid to many issues, but there was no focus on housing, which has always been a slight problem. Unless the problems that I have identified are resolved, we will not be able to deal with some of the issues of vulnerability and social exclusion. Those under particular housing pressure are disabled people, young parents, single parents, victims of domestic violence and children, especially disabled children. For the most part, those are the very people whom social housing was designed to support. I expect that my hon. Friend the Minister will say that it is the local authority's responsibility, and I accept that, but it is important that pressure is put on the local authority and steps are taken to ensure that my constituents get better housing services. They need to see the prospect of improvements in their lives and a constructive future for their families.

5.23 pm

The Minister for Housing and Planning (Yvette Cooper): I congratulate my hon. Friend the Member for Northampton, North (Ms Keeble) on securing this debate and choosing to raise a series of issues that are hugely important to families in her constituency. She told the House some heart-rending tales of the experiences of families in her constituency and she is right that poor housing, in different forms, can have a devastating impact on family life and on people's chances in life. I wish to try to address some of the points that my hon. Friend has made and to refer to some of the national issues, as well as the local issues that she raised.

We are clear that we face housing pressures across the country as a result of not having built—over a 30-year period—enough homes to meet rising demand, with the growing number of single households and people living longer. We are clear, too, that if we are to address the pressures of affordability for the next generation, we need to ensure that we build more market housing, shared ownership housing and social housing. That means that we need to address pressures around social housing in my hon. Friend's constituency and across the region. When there is demand for social housing, it is even more important that the social housing in place is well and sensitively managed, including issues of allocation and quality. For those reasons, the cases that my hon. Friend raised are of concern.

My hon. Friend will be aware that we have set standards for decent homes. There was a shocking £19 billion backlog of repairs and maintenance in 1997. Every council and social housing tenant has a right to live in a decent home. We have given local authorities an additional 30 per cent. in real terms funding per home compared with 1997 to invest in improvements and refurbishment to council housing. We urge them to ensure that it is well used to improve housing standards. Some local authorities need additional resources, given the backlog of repairs that they face. That is why we have made available additional resources through arm's length management organisations and stock transfers.

My hon. Friend and I have met people from her local council at her instigation to urge them to look at the deteriorating stock that she identified and what more needed to be done to meet the decent homes target. It is important that councils take account of areas where the age of homes means that they may be able to anticipate the need for further work over the next few years and ensure that that is properly taken account of as part of the decent homes programme.

Given my hon. Friend's concerns about the continuing deterioration of the stock in a particular area of her constituency, I will ask the Government Office to review the position for her area against the decent homes programme and to look into heating issues. It is certainly part of the decent homes standard that they should be heated to a proper modern standard. Local authorities need to make sure that they have appropriate heating systems in place.

My hon. Friend spoke about overcrowding. She has campaigned on this issue over many years and has been responsible for raising it up the political agenda and ensuring that it is addressed. The standards have not changed for 70 years and they need to be updated. We have consulted on a new approach but, as she will be aware, it is not enough simply to change the standards; we need a programme to address overcrowding. That is why we are looking not simply at standards, but at how to combine that with the appropriate work to prevent overcrowding through building larger family homes

[Yvette Cooper]

and better management of our stock to ensure that we can better address the needs of large families.

My hon. Friend asked about homelessness. It is important that housing authorities have a sensitive approach to the particular needs of families who are becoming homeless. It may be that all kinds of measures can be taken to prevent them from becoming homeless in the first place and to support them. Councils should take into account the vulnerability of different families and their particular needs. They should carry out proper assessments to ensure that people get the right kind of support.

My hon. Friend raised issues concerning families with disabilities and children with behavioural difficulties. There is a wider issue here around children in poor housing that we need to look at further, particularly around children with disabilities and the links between housing and child poverty. It is interesting that the Fabian Society's recent report on life chances, which looked into the issue of life chances and child poverty, did not consider housing very much. There is a tendency for people to think about child poverty simply in terms of the income that a family receives, but the quality of the housing that people live in, and that children grow up in, can be critical to their future.

The decent homes programme has already lifted 1.4 million children out of bad housing since 1997. We have made substantial progress in improving the quality of housing for many children across the country, but there are issues, particularly to do with overcrowding, that my hon. Friend is right to highlight, and we need to do more on some families' special needs. She raised a series of other questions, too. She pointed to the fact that many of the issues are matters for the local council. We need to do more in a series of areas at national level if we are to continue the progress that we have made, both through the decent homes programme, and through the recent increases in the amount of social housing built. However, there are clearly responsibilities at local level, too.

We recognise that Northampton borough council's housing service has considerable room for improvement, and the Audit Commission's progress report, published earlier this year, indicated that its housing service was poor. Programmes of work are under way to try to improve the service in different areas, but we want those improvements to be sustained. There is considerably more work to do in a series of areas, and Northampton borough council needs to do more to improve its housing services in the interests of local tenants and local people across the board. We have asked officials at the Government office for the east midlands to work closely with Northampton borough council to improve its housing services before the next Audit Commission inspection, which is planned for this autumn. I will raise the concerns that my hon. Friend has mentioned this afternoon with officials, so that they are included in that improvement process. May I again thank my hon. Friend for raising such important issues, and wish her and the House a happy Easter?

Mr. Deputy Speaker (Sir Michael Lord): Before we rise, perhaps I might in turn wish right hon. and hon. Members—those who are here, and those who are not here—and members of staff across the House, who support us so well, a happy Easter.

Question put and agreed to.

Adjourned accordingly at twenty-eight minutes to Six o'clock.

Westminster Hall

Tuesday 13 March 2007

[MISS ANNE BEGG *in the Chair*]

Inter-city Rail Services

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Cawsey.]*

9.30 am

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): I am pleased to have the opportunity to address the House on an issue of great importance to my constituency and my city. The issues that affect Edinburgh affect other communities up and down the country, so I shall want to speak about some of the wider issues, draw some lessons and make some proposals.

I want to raise issues about the east coast main line, the cross-country franchise and the longer term future of the inter-city rail network in the UK. Those are vital links for Edinburgh. They are vital for business and tourism, and therefore for economic prosperity, as well as for family and friends. Some 2 million people in Scotland have links to families south of the border, so the long-term future of the rail network is important for them, too.

We are discussing the issue at a crucial time for the rail network. As hon. Members will know, the east coast main line is up for retender, decisions are to be taken about the cross-country franchise and there is an ongoing debate about the longer term strategy for the rail network. I will say something about that last point in my concluding remarks.

The service operated along the east coast by Great North Eastern Railway is recognised as of a reasonable quality. I agree with that. I frequently use the service—most recently yesterday—and there is a high rate of satisfaction among passengers on the line. The starting point has to be the retender. There should be no deterioration in any service provided by a new operator. Some of the operators who have been shortlisted for the new tender have in the past been associated with rail services that have not always been as popular with their customers as the GNER service has been. We do not want any deterioration in the service, and I would be grateful if the Minister can tell us what he intends to do to ensure that the starting point is maintained.

I want to see—I am sure that cities along the line and users of the line will want to see it, too—the retendering process used to improve the east coast main line service to benefit passengers up and down the route. I am grateful to have seen a recent report by Edinburgh city council that highlighted some of the difficulties that have arisen over the past few years because of what has happened to the operating and regulatory framework for the east coast main line since 2000. The council rightly states that

"since 2000 the long-term future of the East Coast Main Line has been uncertain. That is not a criticism of the train operator. The problem lies with the different (and changing) authorities charged with long-term stewardship of this asset."

I agree with the comments from Passenger Focus, which has concluded:

"In the longer-term it is crucial that that the lessons from this affair are understood. Passengers are best served by long-term, mutually beneficial partnerships between Government, train operating companies and Network Rail."

The Government have certainly shown signs that they recognise that—for example, in the strategy that they are developing for the railways—but it must be emphasised that a period of certainty and long-term planning is required, not only for the east coast main line but for the rail network in general.

The uncertainty is bound to have negative consequences. The quality of the staff on the GNER service is good. I am always impressed by their commitment to the service and the facilities that they give passengers. It surely cannot be good for the morale of staff to be uncertain of who their employer will be from year to year. No matter how good the staff are, that cannot help. As well as the intangible effects of such uncertainty, the possibility of improvement for the passengers as a result of the retendering process has not been fully taken up. The process has had a shorter term perspective, inevitably, over the past few years, notwithstanding the attempts to have a longer franchise introduced.

There have been two significant improvements in the service from Edinburgh—and that from Aberdeen, Miss Begg—to London over the past seven years. We have seen a welcome refurbishment of train interiors and the introduction of wi-fi internet, which is used by an increased number of passengers. However, although we had seen an increase in the number of direct services between London and Edinburgh, in 2007 that dropped back to the number that we had in 1996. Average journey times, which had increased to four hours and 42 minutes in 2005, have only now been restored to an average of four hours and 35 minutes, which is not a significant improvement since the service was first upgraded. As passengers will know, no trains are now running the regular four-hour service that was originally provided for when the service was upgraded back in the 1980s.

Clearly, a longer term perspective is needed. The issues cannot be addressed merely through short-term renegotiations. They need to be emphasised because they highlight the longer term perspective that we need to adopt in our policy towards the east coast main line. As far as the renegotiations are concerned, I endorse the shopping list put forward by Edinburgh city council to represent that community in the renegotiated franchise. It is a reasonable list of proposals, and I hope that the Minister will be able to give some suggestion that the Government will be faithful to it in the renegotiation procedures. First, there should be reduced journey times between Edinburgh and London. We need to see more journeys completed within four hours or just above that time, with commensurate benefits for the stations further north of Edinburgh and south of the city. That will mean that passengers in Newcastle, in the constituency of my hon. Friend the Member for Middlesbrough, South and East Cleveland (Dr. Kumar), or in Stockton and Darlington can enjoy the faster services that they have

[Mark Lazarowicz]

a right to expect in this day and age. *[Interruption.]* I had better give way to my hon. Friend, as I think that he wants to intervene.

Dr. Ashok Kumar (Middlesbrough, South and East Cleveland) (Lab): No.

Mark Lazarowicz: I am sorry. I misunderstood my hon. Friend's indication of approval from his sedentary position. Those passengers, too, should have those benefits.

We want, too, to see a half-hourly service between Edinburgh and London throughout the day. At times of the day, there is a half-hourly service, but only for part of the day. As any transport operator will say, it is not only the length of the journey but the frequency and regularity of a service that attracts passengers to particular modes of transport. There must be a continuing requirement for Network Rail to continue to strengthen the overhead electrification network's physical robustness and capacity. Anyone who travels on that line will know the dread announcement over the public announcement system that there is a problem with the overhead line somewhere ahead. If that happens, the journey can be extended by one or two hours, and sometimes by six, seven or eight hours. When the line was electrified in the first place, the system was not as strong as it ought to have been to cope with physical interruption.

On the theme of electrification, there ought to be a commitment to fill some of the gaps in the network that would be ideal candidates for electrification to allow the direct running of electrified, high-quality services between different points on the network. One proposal by GNER, for example, is the line between Leeds and York. It would allow much better use of the link to Leeds from the north, so that passengers from Newcastle, from the north-east of England and from Edinburgh and further north in Scotland could have a higher quality, more frequent direct service to Leeds, and ongoing connections from Leeds to Yorkshire and further points in that part of the country.

There is also a need to develop a clearer, simpler and cheaper fares structure. It has been reported on many occasions that it is often cheaper to travel by air than by rail for some important journeys in the UK. I am aware that if people book rail tickets well in advance, they can get tickets that compare favourably with even the cheapest budget air prices in the UK, but the fact is that at times the system is not easy to use, nor is it very flexible. Again that must be addressed in renegotiating the franchises.

A retendering process is under way. I would not expect the Minister to provide specific commitments today—if he wishes to do so, I certainly would not throw away the opportunity—but I hope that he will give some indication of how the Government will approach the issues, and that he will give reassurances that passengers, consumers and customers in my city and along the line have every right to expect.

I also hope that operators—no doubt they will listen to today's debate or at least ensure that they are aware of the content of comments made by Members, and certainly those made by the Minister—will recognise that MPs from many communities up and down the country support my list of proposals, and that we expect operators to respond positively when they make proposals for the new tender.

Let me turn briefly to the cross-country franchise, another one for which negotiations are under way. Again, it is an important link for much of England and central Scotland. Specifically, given my interest, it is an important link for Edinburgh. In fact, 10 per cent. of all rail journeys from Edinburgh are on the cross-country service, and there are several concerns about it that affect my community and, no doubt, areas along the line as well.

The first concern is the possible transfer, as I understand it, of the Scotland to Birmingham service—more generally the service on the west coast main line—to the west coast franchise. There is concern that overall service levels should, at the very least, be maintained. Indeed, I hope that they will be improved.

There is concern about a proposal that more journeys will require a change of train at Birmingham. If that is to be the case, it is certainly important that there be a significant improvement in the services north of Birmingham to compensate for the fact that passengers would have to change at Birmingham for services to some points in the south of England.

Another concern that has been expressed to me by several passengers' organisations and by rail passengers directly is the proposed transfer of the Edinburgh to Manchester trains to the TransPennine Express franchise. That is causing worries to rail users. At present, there are no guarantees that overall service levels on the route will be maintained, or, as they ought to be, improved. To be blunt, the present train service between Edinburgh and Manchester is not what it could be in terms of quality of stock and the time that it takes to travel between the two cities and, obviously, places en route. The journey time between Edinburgh and Manchester is not significantly different from that between Edinburgh and London, even though it is half the distance.

Clearly, if passengers are to be encouraged to use alternatives to air travel, they should be able to think that short journeys such as that from Edinburgh to Manchester are significantly better by rail, when they take into account the associated time of travelling to airports and so on, than by air. At present, the service does not meet that standard for journey times.

It is important to take advantage of the massive upgrading that has been done on the west coast main line when the new arrangements are put into effect. Money has been spent on that line. Surely, we should make absolutely certain that the route from Edinburgh to Manchester is able to use the tilting-train technology that is now used on the west coast main line so that there could be a significant improvement on existing journey times from Edinburgh to Manchester.

Of course, the issue is not just about the line between Edinburgh and Manchester and the stations along it. It is also about the connections from Edinburgh northwards and westwards throughout Scotland, the connections from Manchester to areas in that part of England and the links to Manchester airport. As I said, this is a matter of great importance, and I hope that

the Minister will give us some indication of the Government's thinking, particularly about the use of tilting trains in the new franchise.

Furthermore, the Minister should bear it in mind that TransPennine Express has no depot or crew facility in Scotland. If it is to be the franchisee, some provision must be made for a depot and crew in Scotland. Clearly, the potential for difficulties, particularly with early morning trains, will be magnified if the operator is not based in the part of the country where the route starts.

We would like, at the minimum, an hourly train between Edinburgh and the south of Birmingham, ideally with the flexibility to run trains every two hours to the south-west of England and every two hours to the south coast.

Another aspect that will become even more crucial if there is to be a break in the service at Birmingham such that there will be fewer through trains from Scotland to the south of England, is the need to maintain the current opportunity that cross-country passengers have to access lower fares across the franchise. If there will be a requirement to use different operators at different points in the service, there will obviously be a danger that passengers will not be able to access the same types of reduced fares that are available with advance booking and so on. That could have an effect on passengers travelling from Edinburgh to Gatwick airport, for example, or to Brighton, Portsmouth or Southampton. We would want some guarantees about the availability of low fares across the routes that are currently operated by the cross-country franchise.

Clearly, issues about the east coast main line and the cross-country franchise are important to Edinburgh and many other communities along the line, but, by the nature of the franchise negotiations, they are primarily short-term concerns. We are talking about making significant improvements with the existing routes, network and technology, and I recognise that only so much can be done in the short term under current franchise negotiations. I want to take a few minutes today to consider some of the longer term issues in respect of the future of rail services in Great Britain, with particular relevance to how they will affect Edinburgh.

One reason why we have problems in making the best use of the current rail network and in combining the need for faster services with the need for adequate services to communities en route is that capacity is limited. The welcome increase in rail passenger use has been accompanied by pressures on the capacity of the rolling stock and of the network. I very much welcomed the Government's announcements about providing new rolling stock, but we cannot get away from the fact that we also need to address the capacity of the rail network itself—the capacity of tracks to take more, ideally faster, trains.

We must provide substantial extra capacity in the rail network to allow us to meet future demand in the next five, 10, 20, 30, 40 and 50 years. We should take the opportunity to provide increased capacity. It would allow passengers throughout Great Britain to use the type of high-speed services that our Edinburgh neighbours are used to but which in the rest of Britain will be enjoyed later this year only on the short stretch from St. Pancras to the channel tunnel, when the channel tunnel link is finally fully open and taking passenger services.

I am not one of those who believe that we can create a French-style TGV network simply by drawing lines on a map and spending tens of billions of pounds. We need to think of the economies involved and the business case to be made for such investment. It is all too easy to start playing amateur railway builder and planning the ideal rail system for the United Kingdom without thinking of the costs that would be involved.

In passing, I observe that we should not be too ready to criticise some of our European partners or other nations for developing high-speed rail networks. That policy is being adopted by more and more European countries, and by countries elsewhere in the world. I suggest that they cannot all be wrong in deciding that the development of a comprehensive high-speed network is the right way to go.

I accept that we cannot set up a high-speed rail network just because we think it a good idea. We should have good economic and transport arguments, and environmental ones too. The fact is that much work has already been done by the Strategic Rail Authority, and we also have the Atkins report. That highlighted the economic viability of high-speed rail links and a high-speed network for the UK.

It is important for the Government to indicate their long-term strategic approach to the development of high-speed rail links and to say, when they consider the long-term strategy for rail later this summer, whether high-speed rail has a role in the UK. I hope that the Minister will give us some indication of the Government's thinking.

Last year, as hon. Members will know, the Eddington report was fairly sceptical about high-speed rail. I have to be blunt: I have heard much criticism of the report. I have read it in full, and if I had the time I would certainly take issue with a number of points in the analysis and conclusions.

Dr. Kumar: My hon. Friend said that the Eddington report was sceptical about the north-south link, but I thought that it rejected the fast north-south link, although the reasons were not clear.

Mark Lazarowicz: I am clear why Eddington rejected it, but his conclusions do not justify that rejection. For example, I do not agree with his analysis of the environmental benefits. He also gave insufficient consideration to the benefits of freight and passenger services making more use of the space that would be made available by new high-speed links freeing capacity on the existing network.

On a number of points, Eddington's analysis is limited. However, even he does not reject high-speed rail. To some extent, he argues against what is described as a very high-speed rail network, but he really only considers the possibilities of high-speed rail networks that use such things as Maglev technology or those that would require investment on new networks throughout the UK. He does not consider in great detail the possibilities of a more incremental approach to the development of high-speed rail links.

[Mark Lazarowicz]

To be fair, although I criticise Eddington, I qualify my criticism by noting that he concedes the point to a degree. At paragraph 4.174 he states that

"it is important to recognise that not all high-speed rail line options would be subject to the same issues. For those that do not involve relying on untested technologies and are targeted at solving proven congestion and overcrowding problems, higher and more certain returns are likely than for high-risk options on new links where demands are speculative."

Again, he points out in paragraph 4.180 he states:

"It is outside the scope of this study to assess the detailed costs and benefits of specific high-speed rail options."

Even with his scepticism, Eddington allows some openings for high-speed rail. Certainly the Government should give make it clear that they are prepared to consider a role for new high-speed rail developments. I accept that we do not want to adopt grands projets simply because they look good on paper—on the transport map of the UK—but neither should we be too modest in our ambitions.

To some extent, Eddington has an element of predict and provide in his thinking. He predicts where the increase in the rail demand will be, and then suggests that we provide in the areas where that increase is to be seen. In doing so, he does not take full account of some of the wider economic consequences. It is worth bearing it in mind that the consequence of taking Eddington's approach to its conclusion is that we would invest in those areas where we are already investing heavily—particularly in the south of England—precisely because that is where the short-journey congestion identified by Eddington is concentrated.

If we are to meet future transport needs, we need more capacity—and not only high-speed capacity, but capacity for existing passenger and commuter services—which could be assisted by the proper development of high-speed links. An incremental approach might be best for Britain, with stretches of new line providing first phase improvements in the context of a larger strategic framework. For example, on the east coast main line we might have improved high-speed links between Newcastle and Yorkshire, which would also benefit the cities to the north of Newcastle and to the south of Yorkshire. That would provide a high-speed link for the network as a whole, but it would obviously provide immediate economic benefits to the core cities in central and north-eastern England.

That is a possibility, but I am certainly not going to draw my own ideal railway map. I only ask the Government to consider the possibility of taking an incremental approach to high-speed rail in the UK and not to fall into the trap of assuming that the only way forward for high-speed rail is to go immediately for the investment of £50 billion or £60 billion in some form of unproven technology.

We want to see faster services on the key inter-city routes. If we could bring the London to Edinburgh times down to three and a half hours or even three hours, and if we could bring the London to Newcastle time down to under two and a half hours or even two hours, competition with air would become much keener and rail travel more attractive not only for business passengers but for private passengers. We have seen such benefits on the west coast main line, where massive investment has resulted in a major shift from air to rail in the London to Manchester corridor; and we have seen some changes in the London to Glasgow services and elsewhere. There are clear environmental advantages in switching from air to rail when possible—and when good alternative services are provided on the rail network.

I had not planned to spend so much time on the matter, but it is important to many parts of the country. I recognise that the Government have made a massive investment in the rail network, and in the west coast main line in particular. We should take full advantage of that investment, for instance by allowing the tilting train technology to be used not only for the Glasgow, Birmingham and London services but also for the Edinburgh to Manchester services and others.

The west coast main line is another reason why it is best for Scotland and England not to separate but to stay together within the Union. For example, it is hard to believe that providing rail improvements up to the Scottish border would have been a priority for a Government whose responsibilities only reached as far as Carlisle. That is another example of how the links between Scotland and England are beneficial to both sides of the border and why those links must be maintained.

Let us learn from the success of west coast main line investment, the process of which, to put it mildly, caused difficulties along the way. Now it has been completed, we can appreciate the benefits of such investment and of having a strategic approach to our rail network. On the theme of developing the links between England and Scotland, what better year than 2007—the 300th anniversary of the Union—for the Government to announce that they are examining ways of developing new high-speed rail links between England and Scotland? That could be considered a new "Union railway" to underpin the links between England and Scotland. I hope that the Minister will give us, if not a commitment, an opening to such a longer term perspective and vision when he concludes the debate.

10 am

Dr. Ashok Kumar (Middlesbrough, South and East Cleveland) (Lab): I congratulate my hon. Friend the Member for Edinburgh, North and Leith (Mark Lazarowicz) on securing the debate. I praise him for his speech; he has been on his feet for half an hour and has been very thorough. I thought that there would be more hon. Members here so I have prepared a speech that should only take a few minutes. While listening to my hon. Friend, I was reminded of the contributions that he made during our Labour Students days when he made long and exciting speeches. It is the first time that I have ever followed him in a debate in the House and it is a pleasure to do so some 25 or 30 years later in this Chamber. I am sure that he is happy to be reminded of the great socialist debates that used to take place in our party.

I wish to highlight some concerns that I have about inter-city rail links between the Tees valley and major cities in the UK. I shall concentrate on the east coast

main line, which my hon. Friend mentioned and which at present serves Tees valley through Darlington station. I say "at present" because in a few months' time open access train services directly to and from Sunderland, Hartlepool, Stockton and London will be introduced. That service will be operated by Grand Central Train Services and will be Teesside's first direct link with the capital for nearly two decades. If that service is as good as the other open access service on the east coast main line, which is now operated by Hull Trains, it will be a quality service easily accessible to travellers who may not otherwise travel by train.

I intend to focus on the totality of services on the east coast main line, which, after the west coast route, is the second busiest main line in the UK. I am aware that the Minister cannot comment directly on franchise matters that he will be called on to determine later, but there are concerns about the future of east coast services in relation to the forthcoming franchise round. My hon. Friend the Member for Edinburgh, North and Leith voiced concern about the future quality of the service, which I share. I think that there is genuine fear about that issue. GNER currently provides an excellent service and has excellent staff—I travel regularly on the service between Darlington and London—but staff employed by GNER are worried about what will happen when the present franchise comes to end. I praise GNER staff for their professionalism and dedication; they provide an excellent service, but they are worried about their future. They are also concerned about whether the Transfer of Undertakings (Protection of Employment) Regulations 1981 will apply to them. I hope that the Minister can respond to that important concern, because since the debate on the new franchise started those staff have raised their concerns with me every week and asked me to draw the issue to the Minister's attention. I am here to make the Minister aware of their concerns and I hope that he will say something in relation to that.

Mark Lazarowicz: I am grateful to my hon. Friend for emphasising the concerns of staff. I am sure that he knows that, because of how the service is operated, many staff are based at the Edinburgh depots. They certainly share those concerns and I agree with my hon. Friend that they need reassurance. I too hope that the Minister can provide that reassurance today.

Dr. Kumar: I endorse that comment. I think that I saw the Minster nod and that he will comment on that issue.

I wonder whether robust human resource policies on the part of the companies applying to run the east coast main line will be seen as an important scoring factor when the franchise is awarded. If they are, GNER staff will be greatly reassured that they will be able to carry on serving the public in their present role. If the Minister is in a position to take those matters into account, it is important that he provides a positive response.

I will move on to the upgrading and improvement of the main stations on the east coast main line, including my local station, Darlington. Before withdrawing from the franchise, GNER announced that it had begun a programme of station enhancement. However, I understand that the Department for Transport tendering document states only that it is "recommended" that bidders be encouraged to invest in stations, with a mechanism to ensure that they get a return over the long term, which could be beyond the term of the franchise. That seems to be a disincentive to potential tenderers, and I would be interested to hear the Minister's comments on the subject.

Such issues relate to the choice of the railway operating company, but that is only one aspect of the operation of the east coast main line. The line allows not only for current GNER operations, but for services run by other important rail operators, such as Virgin Cross-Country, First TransPennine and Northern Rail, serving the east and west midlands and the south- east. The line is also a key freight route. As I mentioned only a couple of weeks ago in this Chamber, as the Minister may recall, the line is crucial for the continued aspirations of the port of Tees and Hartlepool to become one of the UK's premier container ports. It is also an important route for other bulk commodities that are important to Teesside, such as steel and chemicals, and for the conveyance of coal and post-related freight from the Humber to the big Trent power stations and inland container terminals.

As the Minister knows, there are problems of capacity on the east coast main line. I am aware that work is under way on route utilisation strategies for the east coast main line and, in a national setting, for freight. It is crucial that the findings of both rail utilisation studies are brought together so that the maximum benefits of future investment programmes can be dovetailed effectively.

Another, broader issue that I shall raise in this context focuses on the need to look afresh at possible new build for UK rail for the coming century. As I mentioned in the exchange with my hon. Friend the Member for Edinburgh, North and Leith about the Eddington report, I felt that the report rejected the concept of establishing a dedicated north-south link. I would be interested to hear the Minister's view on that matter. Even in that context, other schemes could be examined that would ease the bottleneck on the east coast main line. The east coast main line has a number of handy routes that broadly run parallel to the main line, some of which are well known and are already part of the national network, such as the alignment between Doncaster and Peterborough via Lincoln. In my area, where the majority of the east coast main line is mainly or exclusively simple two-line running, there are important lines running from Northallerton to Stockton and from there to Ferryhill. Just further north of that last junction is a totally unused rail alignment—the Leamside route. If that were utilised, it would take pressure off the east coast main line all the way to Newcastle.

I hope that the revitalisation of such key, but under-resourced, links will be taken into account when the east coast rail utilisation study and the investment that will flow from it are examined. Work on such strategies would help to free up the east coast main line. One possible proposal involves the reopening of the old grand central line from west Yorkshire to the channel tunnel terminals. That line could run to full European gauge limits from day one. As well as easing congestion, it would provide more slots for regional

[Dr. Kumar]

services and would allow far more continuous high-speed running for the inheritors of the old GNER and Virgin Cross-Country services.

Mark Lazarowicz: My hon. Friend kindly reminded hon. Members that I first met him some 25 to 30 years ago. Perhaps he might confirm that it is also some 25 to 30 years or more since the first suggestion was made in relation to the grand central railway. That indicates that clear decisions need to be made now, or in the near future, if we are to see long-term strategic benefits even 20 to 30 years from today. If we do not take the decisions now, our successors will be having the same debate 25 to 30 years hence.

Dr. Kumar: I wholeheartedly agree with the sentiment expressed by my hon. Friend. We do not want others to be debating the subject in 25 to 30 years' time, which is why we need some action from Government and some vision. It seems rational on the basis of cost and speed to utilise the existing capacity fully to meet the needs of the region.

The concerns about the east coast main line that I have raised with the Minister are genuine concerns that have been expressed by many. We should ensure that we retain the excellent premier league service that we already have. A lot lies in the Minister's hands, and I hope that he will take seriously the issues that I have flagged up and ensure that we indeed continue to have a first-class service.

I congratulate my hon. Friend the Member for Edinburgh, North and Leith once again on initiating the debate. I am disappointed that more hon. Members were not present. Nevertheless, those of us who have spoken have between us taken 45 minutes and we have contributed to keeping the debate live.

10.13 am

Paul Rowen (Rochdale) (LD): I, too, congratulate the hon. Member for Edinburgh, North and Leith (Mark Lazarowicz) on having secured the debate, and I welcome the contribution of the hon. Member for Middlesbrough, South and East Cleveland (Dr. Kumar). The debate is important and timely, coming as it does on the day when the Government have published their draft Climate Change Bill. In developing inter-city services we need to ensure that many of the issues that are raised by the Bill are addressed.

We are due to hear from the Minister later this year when the Government publish their 30-year rail strategy, and the present debate is important in helping to frame what my party believes are some of the key issues that we hope will be addressed in the strategic White Paper. Network Rail is currently negotiating with the Office of Rail Regulation on the setting of funding for the period from 2009 until March 2014, and those discussions frame the debate, as well. If we do not fund services, we will not get anything from them. I hope that the Minister's response will put our debate on inter-city rail services in the context of those matters that I have mentioned.

We know that we face a 30 per cent. growth in passengers and freight over the next 10 years. That is a phenomenal increase that testifies to the investment that has been put into rail services, and to the fact that rail is now perceived to be a much more viable option and a better means of travelling. If one undertook a survey of most hon. Members, one would find that the majority travel here weekly by train.

Hon. Members have mentioned a number of short and longer-term issues on which I should like to set out the Liberal Democrat position. The hon. Member for Edinburgh, North and Leith mentioned fares. Earlier this year, the *Evening Standard* carried out a survey that showed that it is cheaper to travel by plane than by rail on most of the main inter-city routes. It cannot be right that plane travel should be so cheap, nor can that be acceptable in terms of encouraging environmental "goods" as opposed to "bads"—a debate in which we are all now getting involved. In the context of the proposals published by my party earlier this year and the debate that has been started by the Conservatives and by the Labour Government, I hope that we shall see taxation being used to encourage more people to take the train rather than the plane.

Having said that, rail fares have increased hugely in the past few years, and compared with those for other European countries the figures do not bode well. The cost of a return ticket from Madrid to Barcelona or from Berlin to Bonn—distances of 387 miles and 365 miles respectively—is some £63, whereas a first class return on the Manchester to London route costs £337, and even if one buys a standard ticket the cost is £119 at peak time. Those are not acceptable figures, so one of my questions to the Minister is: what is the Government's policy on rail fares? I accept that investment has to be funded, but I hope that there will be a switch in the source of money, so that more people are encouraged to use rail rather than plane travel. We should be rationing slots on routes that can be served by fast trains.

There are currently two franchises out to tender—GNER and the cross-country service. The case of GNER raises some important questions about Government policy on letting franchises. My party's view is that the current franchise period is too short. The investment figure of £1.2 billion that was expected from the original franchisee was far too punitive. I hope that when the franchise is let there will be a proper debate on the situation that led to the current operator pulling out, despite having contributed greatly to the service, as hon. Members have said.

Mark Lazarowicz: As the hon. Gentleman says, there are a number of factors relevant to why the current franchise ended, and that is something that we need to examine. However, does he agree with me—perhaps differing from the views expressed by my hon. Friend the Member for Middlesbrough, South and East Cleveland (Dr. Kumar)—that one difficulty was perhaps the open access possibilities, which will inhibit long-term investment by franchisees in substantial infrastructure improvements?

Paul Rowen: The hon. Gentleman anticipates my next remarks. Clearly, one of the issues at the root of the withdrawal was the open access agreement that Hull Trains secured. I know that that went through the High Court, but if an operator is expected to deliver a premium as high as GNER was and it then faces

competition through the development of other services that was not anticipated when the franchise was let—that is the key point—clearly that has a huge effect on the financial return that it can expect. The Minister is nodding his head.

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): I would not usually intervene at this stage, but the hon. Gentleman said that I was nodding my head. For the record, I was shaking my head.

Paul Rowen: We shall await the Minister's comments with interest.

Once the franchise has settled down, with the seven and a half years that are left on the contract, there needs to be a serious investigation of what happened. I am sure that other hon. Members expect that when the franchise is re-let, it will cost more than the original franchise provided for. I return to the point that if we want investment in inter-city services and to get the desired returns, we need longer franchises than are currently being let.

Hon. Members have mentioned the cross-country franchise. The east-west cross-cutting link is a vital service, but there are concerns about the loss of through trains. The hon. Member for Edinburgh, North and Leith was right to say that if there has to be a change at Birmingham, we need to ensure that the fares are interconnected and that some of the cheap fares are not lost. If that is to happen, Network Rail's provision in its next control period to redevelop Birmingham New Street to make it far more accessible is vital. I hope that when the franchise is let, that will be one of the projects that go ahead.

The Minister recently announced the inter-city express programme. That will be the largest single investment in rolling stock for a long time. Between 500 and 2,000 trains will be provided to replace the old high-speed trains from 2014. The HST has been the workhorse of much of our inter-city network. In procuring the new trains, why have we gone for diesel-electric? Such trains will be more expensive and, although they will be far more efficient than existing rolling stock, they will not necessarily be more efficient than electric-only trains. What work has been done to examine whether the rest of the inter-city network could be electrified? That could prove to be a much better investment than providing dual-fuel trains, which are heavier and more costly to run. That question needs to be answered.

I know that the Office of Fair Trading is investigating the role of train leasing companies. Who will own the new trains? Have we considered Network Rail being the provider of the trains, or will that be done through the train operating companies if they are given longer franchises? Many of us currently have serious concerns about the cost of trains and carriages provided by train leasing companies. I look at the rolling stock that serves much of Greater Manchester, which is 30 years old and has long been paid for. It is nonsense that we are having to pay £300,000 a carriage for trains that have long since been paid for and have seen better days. I hope that the Minister can give us some information on that point, because it is not mentioned in the documents provided.

I would also like an assurance that, in view of Britain's record of designing and building trains, the new trains will be designed and built in the UK. There is concern about whether certain rail manufacturing companies will remain open. The order for the new trains could give us a vital opportunity to secure Britain's manufacturing base.

The longer-term question is: what happens once we have provided that capacity? How do we take it further on a network that will not be able to accommodate any more trains? We need to have a proper discussion about the development of a brand-new high-speed train that serves London, Manchester, Birmingham, Glasgow and Edinburgh. Although Eddington may have pooh-poohed the idea, I believe that if we seriously want people from Edinburgh not to fly but to catch the train down here, we need a service that can travel between the two cities in under three hours, which will be deliverable only with a brand new line and a brand new high-speed train that can deliver such services. Whether that is a Maglev train or the French variant of the HST, we need to be carrying out investigations in that respect. We can deal with things with our existing network for the next 10 years, but if we are to continue to encourage people to use the train, we will need to develop those high-speed routes.

I thank everybody for the contributions that they have made. We have had a good opportunity this morning to take forward the debate about inter-city services.

10.27 am

Stephen Hammond (Wimbledon) (Con): Like the hon. Members for Rochdale (Paul Rowen) and for Middlesbrough, South and East Cleveland (Dr. Kumar), I congratulate the hon. Member for Edinburgh, North and Leith (Mark Lazarowicz) on initiating the debate and on his speech, which was a tour de force, examining the future of inter-city rail. It is disappointing that there are not more hon. Members in the Chamber this morning. As far as my party is concerned, the reason seems to be the inexplicable decision by my colleagues to go and listen to a briefing by my right hon. Friend the Member for Witney (Mr. Cameron) and my hon. Friend the Member for Tatton (Mr. Osborne), rather than coming here to listen to me—I cannot think why they decided to do that. However, it means that I have a rather longer time than is usual in such debates in which to speak. Last night, the Minister urged me to be brief. Today, he is urging me to be lengthier in my response. I shall try to take the middle course.

The extra time allows me to start my remarks by going through the history, which is quite interesting. The hyphenated Inter-City was introduced by British Rail in 1966 as the brand name for its long-haul express passenger services. It is instructive that British Rail, in one of its few moments of real clarity, introduced the brand name Inter-City and that that was taken up by the whole of Europe. The UK Inter-City reached the peak of its public awareness in the 1970s, thanks principally to those of us who are old enough to remember the "This is the age of the train" adverts, which were fronted by Jimmy Savile.

In 1986, the British Railways Board divided its operations into a number of sectors, and the sector that

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was responsible for long-distance express trains continued to use the brand name Inter-City. Following on from the adverts of the 1970s, we had the Inter-City 125 adverts, also fronted by Jimmy Savile. The name of that train reflected its top speed in miles per hour. We are not here to debate that today, as the hon. Member for Edinburgh, North and Leith made clear, but it is always interesting to examine how what was a brand name has become a generic name.

As everybody who has contributed to the debate so far has said, it is clear that demand for long-distance travel has been growing for many years. The capacity constraints that we face in the next 10 years we also faced 25 years ago. Demand for long-distance travel has been growing for the past 25 years. The Conservative Government recognised that and started a programme of extensive electrification and line upgrades in the 1980s. The east coast main line, to which the hon. Member for Middlesbrough, South and East Cleveland referred, is the spine through the east of England up to Scotland. He will recognise that the electrification of the line to Leeds, Edinburgh and Glasgow in the 1980s significantly decreased journey times and increased capacity.

As has been rightly said, however, demand for long-distance rail travel continues to grow significantly, and all the major routes require substantial increases in capacity. The hon. Member for Rochdale quoted the popular statistic that the Corporation of London gave us last year, which shows that demand on the London commuter network is expected to grow by 30 per cent. by 2014. Similarly, Government statisticians suggest that the east coast main line, on which 2,000 passenger trains and about 250 freight trains currently run every day, will see a 40 to 50 per cent. increase in inter-city passenger traffic, a 30 to 40 per cent. increase in cross-country traffic and a 20 per cent. increase in the need for freight over the next decade.

We must ask, therefore, what will provide such extra capacity and what the Government intend to do, particularly on the east coast main line. There have been a number of suggestions. In 2000, Network Rail's previous incarnation, Railtrack, planned to spend about £1.6 billion on the line to remove some of the bottlenecks. Over the past five years, we have seen the reconstruction of the station at Leeds and work in the surrounding area, as well as the overcoming of the bottleneck problems around Grantham. It is good that that work has been completed, but as the hon. Member for Middlesbrough, South and East Cleveland said, we need a commitment from Network Rail or, through Network Rail, from the Government to increase line capacity. Several stretches of the east coast main line could be inexpensively converted from two or four tracks to six. Clearly, some of the bottlenecks on the line are difficult to relieve—the principal one being at the viaduct just outside Welwyn Garden City, where I was brought up—and it would be expensive to increase the line's capacity in some areas. However, it is not true that moves to increase capacity on the line are being constrained wholly by the need for expensive land purchases, and many of the problems on the line could be overcome through inexpensive land purchases.

Although capacity is the pre-eminent problem facing the railway network, it is fair to say that other problems include over-prescription by the Department for Transport—last year, in a parliamentary answer, the Minister's predecessor said that 14 civil servants were writing the timetables—Network Rail's lack of vision, until relatively recently, as regards capacity increases, and the shortened franchise system, which acts as a brake on innovation and investment. Indeed, last July, as the hon. Member for Rochdale said, the Conservative party set out its belief that franchise lengths are too short and act as a brake on innovation and investment. If the Government take more premium out of the franchise period to recuperate their subsidy, one of the problems that we will have to accept is that the economic return to train operating companies during the life of a franchise will be shortened, and their ability to innovate and invest will be taken away. The lengthening of franchises is one of the key issues in terms of increasing capacity not only on the inter-city lines, but across the railway network.

The future of inter-city rail is also being constrained and that is likely to remain the case. The *Evening Standard* survey, to which the hon. Member for Rochdale referred, found that travelling by rail was not only more expensive than travelling by air, but that it was three times more so. A passenger on a typical rail journey creates one tenth of the carbon footprint of a passenger making the same journey by air. We therefore need to look not only at the economic consequences, but the environmental consequences, of pricing.

Despite the increased fares, however, anyone hon. Member who reads today's debate pack or who looks at their postbag and at the articles in the newspapers will know that there have been several instances of passengers paying the full fare, but having to cram themselves on to their trains and stand for long journeys from Manchester, Birmingham and constituencies further north. In many cases, this year's fare increases have been four times the rate of inflation, and we cannot expect people to keep making the environmentally friendly choices that we want to make if, at the same time, we do nothing to promote those choices.

Many people feel that they are being priced off the railways, and there is an indication that the industry thinks that that is a Government strategy. I should be interested to hear how the Minister responds to that. This year, Virgin and GNER have put up their average prices by more than 11 per cent., and one or two of my constituents on certain lines have faced fare increases of 56 per cent., which is hardly an incentive to go on the railways. If train operating companies are to be allowed to put through increases beyond the retail prices index plus 1 per cent., which the Government say is the standard fare increase this year, many people will want to ensure that companies deliver the necessary investment.

My hon. Friend the Member for Epsom and Ewell (Chris Grayling) summed things up rather accurately when he said:

"Transport is one of Britain's big headaches...We already know that major routes...are going to be full to capacity in ten years time. That's why we have to start assessing...longer term solutions".

During the Christmas recess, the Conservative party announced that it would undertake a feasibility study with engineering consultants and financial backers on extending the high-speed rail network across the country. We accept that that is not a short-term project, but the thinking needs to be done now if we are to attack the congestion problems of the next 10 years. We also accept that no Government are likely to wish to spend in one go the £50 billion or £60 billion necessary to build high-speed rail from north to south, and nor could they afford to do so. Equally, we accept that the project may need to be phased, but the construction of our motorway network was phased, and the route from London to Manchester was not built overnight. Indeed, the motorway network was spun off from an extraordinary beginning—the motorway to Preston, which was the first piece of the network in this country.

On 19 January, my hon. Friend announced that the Conservative party was undertaking a further feasibility study to address the congestion problems about which we are all hearing. The study will look at technology that would allow an eight-minute journey from Glasgow to Edinburgh and a 15-minute trans-Pennine journey. I refer, of course, to Maglev technology and the next generation of travel. That is the sort of medium and long-term thinking and feasibility study work that needs to be done now to ensure that we make improvements and overcome congestion constraints.

Last night, the Minister and I were in the House, and I spent some time going through the Government's transport failures. I do not need to re-enact those today, because, as the Minister knows, I set them out clearly and extensively, and they are recorded in *Hansard*. My speech was somewhat lengthy, but the Minister made a very short speech, and I am sure that his speech today will be a little longer. None the less, we welcomed his announcement on 8 March that the process for procuring the new train fleet for the inter-city express programme has started. The Government set the programme up to work in conjunction with high-level outputs, and it potentially represents a significant development of the inter-city network in terms of rolling stock. It is certainly the most significant announcement on the development of inter-city services that we have had from the Government in the past 10 years and, to that end, they are to be congratulated.

Perhaps I can encourage the Minister to go a little further this morning, beyond his announcement of last week, and answer some more questions. The hon. Member for Rochdale put several, including some on the environment. He touched, of course, on ownership. With the railway leasing companies at loggerheads with the Government, and one company, Angel Trains, refusing to buy Pendolinos for the Virgin west coast operation, citing uncertainty about how it will recoup its investment, how does the Minister expect the process to work? Can he confirm today that he has spoken to the leasing companies about that, and that the problem has been overcome?

Will the Minister also confirm whether the Department has the sort of expert negotiators in procurement needed to undertake a programme of the size in question? Government and public sector procurement records for Governments of either political colour reveal that a constant issue has been a lack of experts. The Government procurement record has thus left us, particularly in the context of defence, doing deals that have cost the taxpayer rather more than they should.

The Minister last week mentioned a figure of between 500 and 2,000 carriages. Will he discuss what the number will be? Will it be closer to 500 or to 2,000, and what will be the evaluation mechanism? Clearly, the number could have a significant impact on what can be delivered. Also, if the inter-city express programme is supposed to complement the high-level output statement, would not it have been more sensible to announce the two together? Are the Government now considering speeding up their announcement of the HLOS, so that we can see how the inter-city express programme will complement it? I wonder, too, whether the first operational date has been set. I notice that we are hoping for some trains in 2012, but perhaps the Minister will comment on when there will be full operation. What infrastructure improvements are intended to go alongside the rolling stock procurement? In the Minister's statement of 8 March there was no indication of any infrastructure improvements. The Government have some hopes for the success of the inter-city express procurement programme, but is not its impact likely to be lessened without the infrastructure improvements that other hon. Members have discussed this morning?

Mark Lazarowicz: I sense that the hon. Gentleman is coming to the end of his comments.

Stephen Hammond: Indeed I am.

Mark Lazarowicz: Before the hon. Gentleman sits down I would be interested in whether he can enlighten us about the intentions announced by the right hon. Member for Witney (Mr. Cameron) with respect to taxation on air travel. It is good to have a debate on the issues, but I should have thought that if there is to be such a taxation increase an obvious way to allocate resources would be to invest in rail services and more environmentally friendly forms of transport. It would be helpful if the hon. Gentleman said whether that would be a good way to spend such money; I think that it might be.

Stephen Hammond: The hon. Gentleman might indeed think that a good way to spend money, and others might too. It is an interesting temptation for me to prejudge what money might be raised and how, when we are in government in a few years' time, we shall spend it. I am sure that the hon. Gentleman will understand my resisting the temptation, but I note what he says.

I want briefly to mention the invitation to tender for the inter-city east coast franchise. That was announced on 15 December and on 20 February the pre-qualified bidders were announced. I understand that the Minister cannot talk about the bidders or where they are in the process, but perhaps he can enlighten the House—because the matter is significant for inter-city travel—about when he expects the franchise process to come to some conclusion. Can he confirm that the

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bidders will bid solely against a Department for Transport specification, as I think he said previously? If not, what other process is being used, and what are they being allowed to put into the process? Earlier in the year the Minister said that he expected the Department to be able to raise the sort of premium, from the rebidding or the reallocation of the franchise, that was in the original franchise. Does he still have that confidence, and, if so, what safeguards will be established so that the new franchisee, whoever that is, will not suffer the same fate as GNER?

10.45 am

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): I congratulate my hon. Friend the Member for Edinburgh, North and Leith (Mark Lazarowicz) on securing the debate. Before I respond to points that he made, perhaps I can start almost in reverse order by dealing with some of the comments of the hon. Member for Wimbledon (Stephen Hammond). I feared, when he began his comments with a reference to 1966, that it was going to be a very long speech. Strangely, his quick history of inter-city rail services in Britain glossed over the privatisation of the rail industry by his party's Government in 1994. He gave more mentions to Jimmy Savile than to the privatisation of the rail industry.

Perhaps the hon. Gentleman will take this opportunity to intervene; I do not have that much time, but I should be happy to give way to him. He has made several critical comments. Can he confirm that any future Conservative Government will refuse to accept premiums from any bidder for a rail franchise? While he is doing that will he confirm that they would not necessarily go for the company offering the largest premiums?

Stephen Hammond: I did not mean to avoid speaking about privatisation this morning; it could have taken us into a rather long discourse, and I thought that we were relatively constrained by time, so I did not head down that route. The Minister will I am sure want to confirm that use of the railway system has increased significantly since privatisation. As to premiums it is far too early for us to prejudge what would happen. We might of course choose an altogether different system for the operation of the railway network. It is not at all clear yet, so I shall resist the temptation from the Minister, rather as I did the interesting temptation from the hon. Member for Edinburgh, North and Leith.

Mr. Harris: I shall take that as a no.

The hon. Member for Rochdale (Paul Rowen) made a similar comment about premiums. He said that the premium required by GNER in the previous franchise was too punitive. I wonder if he understands that when an invitation to tender is issued, not only do the Government not specify a level for premiums; they do not specify whether a premium should be paid. I am not sure how the hon. Gentleman can conclude that a premium that was volunteered by GNER was too punitive. The term punitive suggests that the Government were in some way trying to punish the winning bidder for the GNER franchise.

I sometimes, in my darkest moments, envy the Liberals. It does not happen often, but I wonder what it would be like to have the luxury of being in a party that, never aspiring to Government, does not have to consider the consequences of policy or finance. We have seen this morning a typical example of Liberal Democrat wishful thinking on policy. The hon. Gentleman talked about fares and about its being cheaper to travel by plane than by rail. He gave a continental example. He did not point out that he was making a comparison of the most expensive peak fares in Britain with average off-peak fares on the continent. That is fair game in politics; I understand the point that he is trying to make. However, sometimes we should pay less attention to badly-conducted newspaper surveys in this country and more attention to the facts. However often we say that air travel is cheaper than rail travel, simple repetition does not make it true. Often newspaper surveys do what the hon. Gentleman has done this morning. They take the cheapest advance flight on easyJet or one of the cheaper airlines and compare it with the same journey by rail, for which they take the first-class, pay-on-the-day fare. Of course those fares will be more expensive than advance purchase fares on the cheaper airlines. The hon. Gentleman fails to take into account airline tax and the fact that there is sometimes an additional charge for baggage on flights. Also, the cost of travelling from a city centre to an out-of-city airport, on the Heathrow Express for example, is never taken into account.

Paul Rowen: I understand the Minister's point, but let us deal with real facts. A first-class ticket from Manchester to London is £337 by rail and £319, including tax, on a British Airways full-rate fare. That is a clear example without any reduction in fares. That clearly is not right.

Mr. Harris: I do not accept the hon. Gentleman's comparison.

The hon. Gentleman said that fares have increased hugely in the past few years. There are two points to make on that. First, because of the control that the Government have exercised in the past 10 years, regulated rail fares, which the majority of rail passengers use, are 2 per cent. cheaper today, in real terms, than in 1996. He says that that is a huge increase, but I think it is a decrease.

Secondly, is the hon. Gentleman suggesting that the Government should increase the subsidy to railways in order to reduce the fare that passengers pay? That is a perfectly legitimate policy, which I might embrace wholeheartedly if I were a Liberal—hypothetically, of course—knowing that I would never have to implement it in office. It is a lazy argument simply to say that every passenger should be even more subsidised than they are.

Paul Rowen: Does the Minister accept that if we had longer train franchises, we would be able to get investment without having to raise such huge sums through fares?

Mr. Harris: There will be plenty of opportunities to explore the nature and structure of the franchise system. There is no accepted consensus within the British rail industry on the length of rail franchises.

Different people in the industry will give different answers on that. If we were to increase the length of franchises and there was a particularly profitable franchise, we would be in a position to double its length but not to accept any premiums from the company that was chosen to run it. That is an absurd policy position.

Before I move to my main remarks, let me have one more go at the hon. Gentleman. He asked whether the new trains for the inter-city express programme will be built in Britain, and made it clear that he thinks that the Government should deliberately choose a British company to manufacture the new trains. I absolutely sympathise with that view because I share his concern for British manufacturing. However, his party is known in the House as being particularly pro-European—arguably more so than the other two parties. Is he saying, as his party's Front-Bench spokesman on transport, that the Government should deliberately seek a prorogation from European procurement rules that oblige Britain to seek the cheapest possible tender from throughout the European Union? Is that the Liberal Democrat party policy? If so, it is quite courageous, but I suspect that he has not cleared his comments with the right hon. and learned Member for North-East Fife (Sir Menzies Campbell).

Paul Rowen *rose—*

Mr. Harris: I shall not take an intervention on that point, but will let the hon. Gentleman consider it. Time is moving on and I have only six minutes left to reply to my hon. Friends who spoke.

My hon. Friend the Member for Edinburgh, North and Leith raises an important subject. Our inter-city services are the backbone of Britain's rail network and make an essential economic contribution by connecting our most important city centres quickly and efficiently. The record growth of Britain's railways in the past decade is well-documented. Inter-city services have played a significant part in that growth. More than half of all rail travel is for distances of 50 miles and above. Indeed, it is in such longer-distance markets that rail is strongest. Although rail accounts for only 2 per cent. of journeys overall, it accounts for more than five times that percentage for longer distance journeys. It now completely overshadows the short-haul air market to as far north as Manchester and Yorkshire and competes effectively as a mode of travel to Newcastle.

Rail used to have 40 per cent. of the market share for travel from London to Manchester. That market share rose to 60 per cent. after the west coast main line upgrade was completed, and is expected to grow to 80 per cent. when the 2008 timetable is implemented. Interestingly, rail is used as much, if not more, by those who own or have access to a car as by those who do not. Sensibly, many drivers choose instead to let the inter-city train take the strain. Is that the phrase to which the hon. Member for Wimbledon referred earlier?

Stephen Hammond *indicated assent.*

Mr. Harris: In terms of origin and destination, London dominates the inter-city market, just as it does rail in general. However, in considering our important inter-city and inter-urban links, we must not forget cross-country services or the TransPennine Express. Those services provide valuable long-distance connections and have the secondary function of supporting key commuter markets. That happens on all the mainline radial routes into London, but cross-country services also pick up commuter traffic around Bristol, Birmingham, Manchester, Sheffield and Leeds, making these routes some of the most crowded on the inter-city network at peak times. In the past 10 years, the average trip length on inter-city services has fallen by 10 per cent., which shows that increasing numbers of commuters are now using those services and mixing with long-distance business and leisure travellers.

The House will be aware that the Government are re-letting several inter-city franchises. Bids for the new cross-country and east midlands franchises have been received and the Department is undertaking a detailed and rigorous evaluation of them. The inter-city east coast invitation to tender went out last week.

The cross-country market has changed significantly in the past five years, as the number of journeys on those services has grown spectacularly from 12 million journeys a year in 1997 to 20 million last year. Most of that growth was in the core section between Bristol, Reading, Birmingham, Leeds and Manchester. About 10 per cent. of cross-country journeys are more than 200 miles. In the past five years, the average journey length has decreased by 20 miles, which suggests that fewer very long-distance journeys are being taken, and that there are more short to medium-distance travellers.

By responding to those changes, the new franchise will bring several key benefits to passengers. I hope that these points address some of the concerns raised by my hon. Friend the Member for Edinburgh, North and Leith. There will be increased capacity on the core sections where trains are busiest, and services will run to a clock-face timetable to improve predictability and reliability. The frequency of services will be maintained on the core routes, and timetabling improvements will simplify train operations and should lead to improved timekeeping for all new cross-country services.

My hon. Friend the Member for Edinburgh, North and Leith raised his specific concerns about cross-country services between Manchester and Scotland. They will cease in December 2007, but the TransPennine Express Manchester airport to Cumbria service will be extended to central Scotland. Service frequency between Manchester and central Scotland will remain as it is today and journey times will, at the very least, remain similar to those now, with the possibility of accelerations. Simply put, that service is not being downgraded.

Before I step up a gear and try to speak at 350 words a minute, I tell hon. Members that I am more than happy to address in writing later any points that I am unable to address today. As there are less than two minutes left, that it is highly likely to happen.

I want to reassure my hon. Friend the Member for Middlesbrough, South and East Cleveland (Dr. Kumar), who asked about the uncertainty hovering over the heads of GNER employees. As I said in the House last Tuesday in transport questions, GNER employees will be protected by the TUPE regulations.

[Mr. Tom Harris]

The circumstances of the re-letting of the inter-city east coast franchise are such that the specifications for the new franchise will broadly continue the existing operation, including cross-border services and those north of Edinburgh, with the addition of the London to Leeds half-hourly service that will start in May 2007. I suggest to my hon. Friend the Member for Edinburgh, North and Leith that there is no need for an inquiry into why GNER lost its franchise. That fact that its franchise was taken away is evidence that the Department for Transport will continue to act robustly when any franchisee fails to meet its obligations under the franchise contract. That is an essential function of the Department, as we are responsible for ensuring that passengers get the best possible value for money.

Cultural Diplomacy

11 am

Mr. Don Foster (Bath) (LD): I am delighted to have secured this debate on the fundamental importance of cultural diplomacy in international relations. A large number of colleagues are interested in participating in the debate, so I shall try to keep my remarks relatively brief to allow them the opportunity to do so.

Although we are doing a great deal of good work in this area—work of which we should be immensely proud—we could and should be undertaking extra activities that could have lasting benefit. Anyone doubting the fundamental importance of culture in international relations should consider the international outrage sparked following the destruction of the Buddhist statues in Afghanistan or the appalling lack of protection of Iraq's cultural heritage following the invasion in 2003. Both of those cultural events had a huge impact on international relations: one strengthened support for our approach in Afghanistan while the other added to doubts about our approach in Iraq.

There is nothing new in the link between culture and international relations, after all, the Romans expanded their empire through a mixture of military might, which might be termed "hard power", and the spread of culture, which some have called "soft power". There is a strong case for having a cultural aspect to our diplomacy, not as an add-on or as subordinate to hard power, but as a fundamental part of our diplomatic activity.

My personal journey in this area started more than a year ago when I interviewed Neil MacGregor, the director of the British Museum, for an article in *The House Magazine*. I discovered through that conversation that under his leadership the British Museum, which was established by Parliament in 1753, has made great strides; among other things, there have been moves for it to become increasingly multilingual and to increase its collaboration overseas. The British Museum has been significantly involved in the opening of the new capital museum in Beijing and has provided the national museum of Kenya in Nairobi with materials illustrating that country's culture in the context of surrounding nations. The British Museum took no lead in that project, allowing the Kenyan curators to make their decisions entirely independently.

Some have suggested that in taking a passive role in international collaborations the British Museum has missed the opportunity to let people around the world know about Britain and its history. Mr. MacGregor's reply was particularly instructive:

> "What they will come to know is that this country has, uniquely, a vision of its place in the world which is not about controlling, promoting or dominating with its own culture…We are an enlightenment institution, not an imperial institution."

The British Museum's commitment to internationalism has placed it in the spotlight in recent years: it played a leading role in cataloguing both the looting of the national museum in Baghdad and the destruction of the archaeological sites following the allied invasion. Perhaps there can be no better example of the crucial role of culture in international relations than the fact that the British Museum maintained close curatorial connections even in the worst days of relations with Iraq—it also did

so in the case of Iran—which meant that when the museum in Baghdad was looted, the natural place for colleagues there to turn was to the British Museum. That did not help with re-establishing order in Iraq, nor did it prevent the insurgency, but it will have brought much-needed prestige to Britain among Iraqi academics and others who appreciate how highly we value their culture.

We could be doing many more things along the lines of the examples that I have given. We could use cultural talent to build up our international influence and prestige. As I have said, the British Museum is not the only successful example; the British Council and the BBC World Service are two of the jewels in the crown. The BBC's global brand is one of objectivity and independence from Government—exactly the sort of structure for cultural diplomacy for which I argue. We want to reflect Britain, rather than the British Government.

The British Council carries out excellent work in 109 countries. We should be undertaking far more activities such as its "Turning Points" exhibition, which was held in Tehran in 2004. It was the first western arts exhibition in that city for more than 30 years. Such arts events have no specific foreign policy objectives, but that exhibition was opened by the then Foreign Secretary and Iran's culture Minister, bringing those two people together at what might be termed a relatively low-profile event. Had it not been for that platform, they might not have met and there might not have been the opportunity for the diplomatic dialogue that ensued to take place.

What more should we be doing? A few weeks ago, Demos produced the excellent report, "Cultural Diplomacy". Its authors argue that

"today, more than ever before, culture has a vital role to play in international relations."

The report's subtitle makes the challenge clear:

"Culture is a central component of international relations. It's time to unlock its full potential...".

That is right.

In our world of increasing globalisation, where communications are instant and international boundaries are less and less meaningful, we can develop, through culture, a shared identity that will show commonality above national identity. That is exactly what the British Museum, the BBC World Service, the British Council and many others are doing, and we need to do more of it on an international scale.

I want to suggest a series of relatively small changes that could be made; these are extensions or additions to what we are doing. We should start by including, as a matter of course, leading cultural representatives on all foreign delegations. When such inclusion has happened it has been incredibly successful, but no invitation is systematically sent to the heads of our cultural institutions. Some might say that such a move would mean a relatively frivolous addition to already large foreign delegations, but that perception would be wrong.

I have mentioned the link between the British Museum and the national museum of China. It came about because the Prime Minister was accompanied on his trip to China in 2005 by the head of the British Museum. The attendance of the Museum's head allowed the first ever cultural agreement between a British institution and China to occur, the signing of which was overseen by the Prime Minister and the Chinese Premier. As well as providing a useful platform for diplomatic dialogue, the agreement had the additional benefit of paving the way for us to have the terracotta warriors in London this autumn. Leaving aside the importance of relationship building and of improving our international image, surely we would all agree that giving ourselves the opportunity to view those fantastic Chinese artefacts means that that trip was well worth it.

Bringing our cultural representatives along on foreign trips does more than just facilitate agreements; it demonstrates the commitment of the UK Government to cultural heritage. Valuing the cultural heritage of another nation is a straightforward way of acquiring influence and prestige. That is why I was delighted to see a further recommendation in the Demos report, that

"the FCO should ensure that all diplomats being sent to priority countries...are properly schooled in the culture of their new environments; this should be done on a programmatic rather than an ad hoc basis."

If we believe that valuing other countries' cultures is important, we should demonstrate that by asking more foreign dignitaries who visit our country to see our sites of cultural importance—places such as the Victoria and Albert museum, Stonehenge or even my world heritage city of Bath—and to attend cultural events from the Notting Hill carnival to those in the Royal Opera House. That would make cultural links easier to build because it would be clear that our Government are proud of our cultural institutions and events, and that we are aware of our cultural strength. When that has happened, it has been incredibly successful. For example, when the Iranian Vice-President opened the Jameel gallery in London he met the then Foreign Secretary, the right hon. Member for Blackburn (Mr. Straw). That was an informal meeting, but the museum event provided the platform for diplomacy at a time of high international tension when an official meeting between those two men would probably not have taken place.

Our commitment to culture could be well demonstrated during the forthcoming London Olympic and Paralympic games with the planned cultural Olympiad. That is a huge opportunity for our cultural sector and one that we cannot afford to miss. The eyes of the world will be on Britain in 2012 and the time either side. We must ensure that we do all we can to facilitate cultural exchange.

Mr. Edward Vaizey (Wantage) (Con): Will the hon. Gentleman expand his comments, because I, for one, am worried that the cultural Olympiad will be a massive missed opportunity? As I understand it—perhaps the hon. Gentleman will confirm this—most of the budget will go on the opening and closing ceremonies. There seems to be no programme for widening the cultural opportunities of the Olympics.

Mr. Foster: The hon. Gentleman is right to express concern, but I am not sure that his view is entirely correct. We have spent a lot of time discussing issues relating to the sporting activities of the Olympics, and

[Mr. Don Foster]

to date there has been relatively little public debate or planning for the cultural Olympiad. However, I am assured that work is now going on.

The hon. Gentleman is absolutely right to say that if we think of the Olympic and Paralympic games as merely a sporting event for a brief few weeks, mainly in London, it will be a huge, wasted opportunity. I want a cultural Olympiad that starts now, continues to 2012 and beyond, and involves people in all parts of the country and from the huge range of cultures in this country, as well as the additional cultures that will visit us during the games. The hon. Gentleman is absolutely right to say that we must do everything in our power to ensure that we do not miss that opportunity.

I was delighted that one example of where progress is beginning to be made is the first signed agreement for a training camp facility in the United Kingdom in advance of the 2012 games. That agreement is between Bristol and—

Derek Wyatt (Sittingbourne and Sheppey) (Lab): Bath.

Mr. Foster: Not Bath, but the Kenyan Olympic team. That deal includes a training camp, but also involves developing educational, economic and cultural links between Bristol and its surroundings, and Kenya. Progress is being made.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I am sorry to interrupt the hon. Gentleman's thoughtful speech. Does he agree that the ultimate irony of the Olympics is that on one hand the sporting events could have a huge effect on cultural diplomacy, but on the other hand the lottery is being drained and many of the cultural organisations that could do what he suggested will be drained of funds between now and 2012?

Mr. Foster: I am grateful to the hon. Gentleman for raising that issue. We hope that in a couple of days the Government will announce their revised budget for the Olympics and explain how they will pay for some of the undoubted cost overruns. I have no doubt that there will have to be a serious debate on whether there will be yet more raiding from the lottery good causes. I want to put it on the record that, for the reasons that the hon. Gentleman gave, it would be a disaster if we took a further top slice from the lottery good causes to pay for any Olympic overspend. It would seriously damage the opportunities for that cultural development, and many other opportunities that are critical to the legacy that we all want from the 2012 games.

If we are to have the real benefit that other hon. Members also want, the Foreign and Commonwealth Office must co-operate with the Olympic organising bodies and the Department for Culture, Media and Sport and must include cultural representatives in any plans for a British diplomatic effort in 2012 and the years around it. There will be Olympic handover events in Beijing and London following the 2008 games and, as the Demos report suggests, they could be used as a vehicle for improving UK-China relations, with staff from UK cultural institutions being seconded to work alongside our embassy staff in Beijing on the UK's public diplomacy strategy for the games, and returning after the games to advise us on preparations for the London games in 2012.

There is still more that we could do. For example, more British exhibitions could tour the world, not least in countries that we need most of all—for example, Brazil, India and China—and where we must do more to cultivate long-lasting cultural relationships. Those countries will be among the superpowers of this century and, if their citizens hold a high opinion of us because of the cultural groundwork that has been done, that will have huge diplomatic and economic benefits with increased tourism, foreign investment and sales for our cultural exports.

However, the current infrastructure in those countries means that touring there is often prohibitively expensive. Organisations such as the Royal Ballet can afford to tour to international destinations only when they receive a good financial deal from the promoter. If we want our ballets to be seen in countries such as Brazil, China and India, we must find ways of ensuring that they can afford to go there. Negotiating trade agreements and encouraging investment from those soon-to-be-superpowers will be much easier if we have laid that important cultural groundwork.

The Minister for the Middle East (Dr. Kim Howells): I am enjoying the hon. Gentleman's thoughtful and constructive speech. He knows that a problem with exhibitions travelling in this country, let alone abroad, is insurance and what to do to ensure that they are properly protected. He also knows that we have made advances during the past 10 years in ensuring that the environment is right for exhibitions in Britain and that they are insured. Has he thought about how that might be extended to travelling exhibitions abroad, which he suggests might be increased?

Mr. Foster: I am rather looking to the Minister to come up with some suggestions, which is why he is here to respond to the debate. He is right to say that insurance is a key issue, but it is not the only one. There are all sorts of challenges for owners of artistic artefacts on display, and I know that he has been involved in discussions about that. Many of us were amazed to hear about the painting that is being moved from the Uffizi gallery in Florence to Japan, and the huge structures that have had to be designed to ensure that it is transported safely. The cost of that project is astronomical, so there are key issues to consider. I do not profess to have hundreds of solutions to the problem, but I am delighted that the Minister at least acknowledges that we must examine the issue.

Mr. Clifton-Brown *rose—*

Mr. Foster: I note that the hon. Member for Cotswold (Mr. Clifton-Brown) is going to provide a solution, and I look forward to hearing it.

Mr. Clifton-Brown: Indeed, I am. Does not the hon. Gentleman agree that one good way of enabling cultural institutions to tour abroad is for commercial companies in this country with an interest in another

country to sponsor an organisation? For example, the English National Ballet could be sponsored by a bank that is doing well in south America, and if we could persuade insurance companies to undertake some sponsoring, perhaps they would cover the insurance, too.

Mr. Foster: All Members will be grateful to the hon. Gentleman for his suggestion. They will know about examples of such activity taking place already, and, of course, encouraging others to follow those examples is a sensible way forward.

Above almost anything else, there should be far more co-ordination within the Government and more collaboration between the Government and our various cultural institutions. The FCO, the Department for International Development and the DCMS all carry out cultural diplomacy, but their attempts are not well co-ordinated. They must work together and provide cultural institutions with information about local partners or the best way of carrying out international activities, so that we can participate in as many cultural exchanges as possible. The Minister may say that the public diplomacy board, which was set up in light of the Carter review of public diplomacy, already provides that service. I agree that it is a step in the right direction, but it does not go far enough. Its panel members come from the FCO, the British Council and the BBC World Service, but there is no one from DFID or DCMS—two key Departments that disseminate and sometimes directly fund cultural diplomacy—and that is why something broader is needed.

We should not do any more than work with cultural institutions, because cultural diplomacy should not be a propaganda tool. Our cultural institutions, such as the Victoria and Albert museum and the BBC, are so well respected because they are independent and their foreign partners know that they are dealing with an institution that will not automatically prioritise the needs of the British Government. We do not want to send our institutions off to carry out the Government's policy aims; instead, we must let the institutions decide the exchanges in which they wish to take part and the partners with whom they want to liaise. By all means, we should advise the institutions of the countries that they should prioritise, help establish contacts and help them with funding and insurance problems, but we should manage neither their relationships nor the messages that they send out. As I said earlier with reference to the BBC, such work should reflect Britain, not the British Government. If we provide our cultural institutions with the opportunities, they will get on with the job.

If we carry out my suggestions—no doubt colleagues will suggest others—what will we get out of it? We should not expect instant results, and they will not be easy to measure. We do not have any way of knowing how important our cultural strength is to securing a deal, nor the amount of extra money foreign investors invest because of what we do, but we cannot ignore the issues. There is no benefit in ignoring the strength of cultural international relations, because to conduct affairs without a policy of cultural diplomacy would simply allow misconceptions to continue without challenge.

The Demos report says:

"At the start of the 21st century, and as new players and technologies come to dominate, there is a significant risk of the UK sitting on its cultural laurels and being overtaken by other countries, such as China and India, that understand the value of culture in public diplomacy and are committing significant resources to it."

I have suggested some of the possible ways forward, and I am sure that other Members will add more, but without further action, we are in real danger of failing to exploit fully our fantastic position as one of the very best cultural nations.

Several hon. Members *rose—*

Miss Anne Begg (in the Chair): Order. I should like to call the Front-Bench spokespeople at midday, so if the Back-Benchers who are standing would bear that in mind, we will get everybody in.

11.25 am

Derek Wyatt (Sittingbourne and Sheppey) (Lab): I congratulate the hon. Member for Bath (Mr. Foster) on securing the debate. I have sent four letters to Mr. Speaker in the past four weeks requesting a debate on soft power, because it is a very important part of cultural diplomacy.

I have been most influenced by Joseph Nye's book on soft power. I was lucky enough to meet him at Harvard university just before Christmas, and we have not fully understood the way in which cultural diplomacy and soft power can work together. In the forthcoming spending review, I bet that the one activity to be cut will be all the cultural diplomacy and soft power touches, because we cannot see them. I should like to see the cultural diplomacy budgets across Government, and I should like to see them itemised. Do they amount to 1 per cent., 5 per cent., or 10 per cent.? It is easy to do that for tanks, weapons and missiles, but it is less easy for cultural diplomacy, but if we are to realise what soft power can do in the world, we must see those budgets.

Although I agreed with most of the hon. Gentleman's speech, the British Museum has let us down badly in two ways. First, it does not fully understand the globalisation of cultural diplomacy. One can hardly move but for the Gulbenkian museums and other museums that have spread worldwide, and I look at the Getty museums and the way in which they have developed not only in their own country, but overseas. We must take the British Museum out of its current location. Why cannot we settle the Elgin marbles dispute by locating the British Museum in Athens, so that it is jointly owned and the marbles are permanently on loan? There must be a satisfactory resolution to the Elgin marbles dispute, and there must be a similar resolution to the dispute about the Maqdala treasures from Ethiopia. They are the oldest Christian relics in the world, and they sit in a cupboard in the British Museum. That is not reasonable; they belong to Ethiopia.

Mr. Vaizey: I do not want to induce a heckle from the Minister about a spending commitment, but it may not be the British Museum that has let us down. The Louvre's work in Dubai has been undertaken in

[Mr. Vaizey]

partnership with the French Government, and although I wholly support the proposals being made by the hon. Member for Sittingbourne and Sheppey (Derek Wyatt), they cost money and they need Government support.

Derek Wyatt: The French have a very different view of soft power. The British Council's budget is embarrassingly small compared with what the French give, but we should examine what we do with it, because we do 10 or 15 times more than the French do through their equivalent.

The British Museum's board must think about the globalisation of the space that we call cultural diplomacy, and the Tate must do so, too. It is fine having the Tate in Liverpool and in Cornwall, but we need it in India or in Kenya, and in the next 10 years, we must galvanise the idea of a shared culture and a shared diplomacy. We need a different viewpoint from the one that currently emanates from the Government.

I always struggle to find the location of cultural diplomacy in any embassy or anywhere that I travel, which is a shame. That is partly because we disaggregated the British Council from the museums under Mrs. Thatcher, and although the British Council quite welcomes it now, at the time it was a mistake. I chair the all-party British Council group, so I am probably president of its fan club. What it does is extraordinary, but I shall come to that later. My main worry is that, in the spending review, the one activity to go will be cultural diplomacy.

How could a more sophisticated cultural diplomacy policy work? Let us start with the English language. Almost 90 per cent. of the internet is in English, so we must make the British Library the global space for learning, knowledge and understanding on the net. However, we cannot do so without much more investment in the library's digitisation. Although Microsoft has been unbelievably generous in providing £100 million, it is not enough. We need £100 million every year if we are going to realise that aim. If we do not do it, the Smithsonian Institution will, and that would be a great loss, because the British Library is the oldest, deepest library in the world. We must galvanise it and create an online version.

Mr. Michael Wills (North Swindon) (Lab): I am sorry to interrupt such a fascinating speech, but will my hon. Friend say how he would get round the problems of copyright in digitisation?

Derek Wyatt: There are several ways round that. One is the creative commons approach that Lawrence Lessig of Stanford has proposed. A second way is for authors to give back their copyright, so that the British Library could hold it. There are a couple of different ways, although it is tough for the first 70 years after death. The issue is complex. Although this is for a different debate, we need the equivalent of an Ofcom for intellectual property.

Mr. Wills: I rise briefly to say that in my intervention I should have declared an interest in that I am published author.

Derek Wyatt: Well, I have written six books too, so there.

The teaching of English in the British Council has been stopped in Russia, but what on earth would be wrong with setting up an online English language laboratory, which we have never done? The same applies to immigrants trying to learn our language here. The easiest thing for us to do would be to put Dorling Kindersley together with Berlitz, the BBC and the British Council and to create a body that could carry out online English language teaching. That would be so simple and so much cheaper than all the things that we currently do throughout the world. Every year, 2 million people come to learn English, yet we still do not have an online language centre. That is a great mistake.

People have referred to the British Museum, the British Library, the Tate and the National Gallery, but they are not yet world-class institutions and they do not serve us as well as they should overseas. We need to find the budgets, but we also need to ensure that one person on their boards of trustees is responsible for cultural diplomacy. We would then know who to target when we needed to.

Dr. Howells: I am sorry to interrupt my hon. Friend, but I am not sure about his statement that the Tate, the Victoria and Albert Museum and our other great institutions are not world class. Is he trying to say that they would become world class if they put the pictures hanging on their walls on the internet? Frankly, I cannot think of anything more crass than the notion that putting pictures on the internet somehow increases the value of an institution in the eyes of the world.

Derek Wyatt: I rise nervously to answer the former Minister for the arts who said one or two things about the Turner prize.

Dr. Howells: I never was—they kept me well away from culture.

Derek Wyatt: Perhaps it was the Turner prize that I remember, then. I think that the Minister misunderstands, because I do not mean that. I mean that the Tate should be overseas as a physical entity. That is what the Gulbenkians and the Gettys are doing, and that is why they are successful.

We do have three stunning world-class institutions, one of which is the British Council. We are asking it to open more offices with less money, but cultural diplomacy simply does not work that way. We cannot expect the British Council to do more on schools in Brazil and China and to open more offices but then say, "Bad luck, you've got less money." I hope that the British Council will not face cuts in the spending review.

I should also like to mention the Open university, which is probably the most unsung hero overseas. For example, it has educated 5 million Africans, including MBAs for 21 of the 23 Ministers in Ethiopia. The Open university was the result of Jennie Lee and Harold Wilson's work. It is an astonishing organisation and I am proud to be a graduate. What we are trying to do with the Open university, the British Council, the BBC and others is to create an online primary school for

Africa in five languages. That project is simple and cheap, costing probably less than £300 million, so would it not be wonderful if the Department for International Development, the Treasury and the Department for Education and Skills could get behind it and see what a difference it would make to cultural diplomacy? What more can we say about the BBC's brilliant World Service, which is stunning? Nevertheless, it faces cuts, too.

In the past we have granted scholarships. They started at Oxford with the Rhodes scholars, and we now have the Gates scholars at Cambridge and the Chevening programme, all of which bring people here. However, there are none going the other way. That is nuts. If we are going to get our younger people to connect to what is happening in the world, we have to give scholarships the other way. Internally, we have taken Arabic centres from the middle east to Exeter, Durham and Edinburgh. That is fine, but studying the middle east in Exeter is not quite the same as Frank Gardner being in Cairo, Qatar or wherever else. We need to give joint honours between educational institutions if we are to develop cultural diplomacy at a profound level. We cannot keep bringing people to this country; we have to go abroad.

I say that because I shall be leading a group of academics to India at Whitsun to look at the computer science system there. Our computer science graduate numbers are declining, but in India and China they are increasing. We need to twin Imperial college, Oxford, Durham and so on with the great computer science centres in India and China. We need joint honours. We do not need people to board a plane, do two weeks on a campus in Singapore, Beijing or Shanghai and then say, "Hey, I've got a British university degree." We need a real change in how we see cultural diplomacy. We need joint institutions, joint honours and so on. Indeed, when the Secretary of State for Education and Skills said yesterday that children are going to do French and German in primary schools, I had to have a hollow laugh. What about Chinese and Spanish, perhaps? We have got to tune into the global space and get the present generation of primary school children to learn world-class languages.

Finally, I have a few quick points to make. Please look at sport. Please look at carbon trading. Please look at Web 2.0, especially in connection with intellectual property rights. Look at what Gilberto Gil has done for Brazil by freeing up all rights out of Brazil and Portugal for all music and all literature. That has been an absolutely stunning success. Why can we not do things like that?

The only thing to say about the Olympic games is that we should not think about what they can do here. We should think about what we give back to the Olympic movement through the cultural Olympiad and to the rest of the world after 2012, which includes bringing back the medals, which until 1924 we used to give in music, philosophy, art and poetry. I shall stop there, as I know others are desperate to speak.

11.37 am

Mr. Nicholas Soames (Mid-Sussex) (Con): I am grateful to be called and I shall be brief. I congratulate the hon. Member for Bath (Mr. Foster) on his choice of such an important topic and on giving such a good speech. I agreed with almost everything that he said, but I should like to make a few comments.

First, the cuddly element of the hon. Gentleman's speech—that cultural diplomacy enables warring factions to come together and that substantial work therefore needs to be done by Foreign Ministers of those parties—is not really the best argument for cultural diplomacy. The same can be said for funerals. I remember well that when General de Gaulle died my father was the ambassador in Paris. The event was regarded as a working funeral. My father's timetable over those three days was blocked from end to end with meetings with important people with whom the British Government wished to do business, but in Paris not in London. Let us therefore move away a little bit from the cuddly element of cultural diplomacy. Cultural diplomacy should be what it is: a brilliantly successful form of diplomacy with a hard edge attached, and that hard edge is the British national interest.

I agree with the hon. Member for Sittingbourne and Sheppey (Derek Wyatt) that we have remarkable and brilliant institutions in this country, including the BBC World Service, the British Council, the Royal Shakespeare Company, the arts, the theatre, music and, above all, the English language. Indeed, we have such an astonishing portfolio to use in cultural diplomacy that it is almost embarrassing. My point to the Minister is that as power shifts inexorably from the west to the east, which it is doing, perhaps faster than any of us recognise, and as the Foreign Office rebalances its dispositions to reflect that—which I hope it is doing and, from reading its annual reports I believe it is doing—so we need to shift our balance of cultural diplomacy to reflect those interests.

I agree very much with what the hon. Member for Sittingbourne and Sheppey said about teaming up our great academic institutions with institutions abroad. However, his list of scholarships left out Churchill scholarships, which send hundreds of people abroad and are one of the most remarkable and brilliant memorials to my grandfather. They have achieved so much for people in this country and their interests. The scholarships have enabled people to discover things for themselves overseas and overseas people have learned things from them.

I so admire the work of the British Council. When I was a Defence Minister, I always tried to call on British Council offices when I was abroad. One cannot be other than awestruck by what it does and the value for money that it gives. Incidentally, I know that the Minister will understand that the same applies to defence diplomacy, which is also an extraordinarily important part of our portfolio of diplomatic effort. Every time we go abroad, we find people who want places at the staff college at Sandhurst and other great British military institutions, which are able to offer very limited numbers of places to foreigners. However, what they are able to offer is greatly appreciated and the service is in great stead overseas.

Finally, I too am a great fan of Joe Nye. All my political life since I read his book about soft power and listened to him talking about it, I have been deeply influenced by what he said about the use of soft power. What has happened in Iraq and military adventurism generally means that the rise and use of soft power will be even more important than it ever was. Of course it

[Mr. Nicholas Soames]

has to be backed by the ability to deliver a good punch if we need to do so, but it is to soft power that the modern world is best suited—something fully networked and integrated. For example, we could do far more things with our cultural diplomacy through the Commonwealth, which is surely one of the greatest unexploited institutions.

I entirely support the speech made by the hon. Member for Bath. It is extremely timely and I agree wholeheartedly with it. I urge the Government to make the diplomatic, cultural and defence diplomacy effort much more co-ordinated, as the balance of power shifts inexorably from the west to the east.

11.42 am

Mr. Michael Wills (North Swindon) (Lab): I am grateful for being allowed to speak, particularly as I arrived late; my apologies for that. I should like to make a few remarks to follow the excellent contributions that I came here to hear.

I agree with everything that has been said about the importance of soft power, which will become more and more important; I agree with the hon. Member for Mid-Sussex (Mr. Soames) very much on that. I pay tribute to all the institutions to which the hon. Gentleman and my hon. Friend the Member for Sittingbourne and Sheppey (Derek Wyatt) also paid tribute, such as the BBC and the British Council. They are wonderful and precious British institutions that we need to cherish and continue to fund adequately.

I have not heard so far about how we project soft power. The traditional view is that we exercise it through institutions, such as the British Council and the BBC World Service, that are focused specifically on projecting overseas. However, in the modern world we also have to consider what we do here. It would be a mistake if we thought that our great universities and cultural institutions—our theatres, museums and so on—had to project their presences overseas to be able to project soft power. What is important is that people will focus on what happens in this country much more than they ever used to. We do not necessarily only need the British Council, with its offices overseas, to make people see what we can contribute as a nation and to enhance our status in the world, which, as many much more distinguished contributors than I have said, is increasingly important in the whole business of diplomacy.

It is important that in this country we fund our great universities adequately and bring students here. We do not have to work that hard to enshrine English as a global language; it is already that. We need to enshrine excellence in this country. That must be the foundation. I am sure that shortly my hon. Friend the Minister will talk about funding; I hope that he will bear it in mind that there is a seamless web between what we do with our great cultural institutions in this country—they are world class and we need to keep them so—and what we do in projecting soft power overseas.

11.45 am

Mr. Edward Vaizey (Wantage) (Con): I am grateful for the opportunity to take part in this debate and I congratulate the hon. Member for Bath (Mr. Foster) on securing it. As he pointed out, the reason why cultural diplomacy is high on the agenda is the publication of the Demos pamphlet on the issue. I should like to take a few seconds to praise the work of John Holden and Demos. In the world of the policy wonk, it is probably the leading think-tank contributing to debates on culture.

An important conference on the Demos pamphlet was held in the Victoria and Albert museum; delegates were surrounded by Raphael cartoons. The Secretary of State for Culture, Media and Sport made a keynote speech on the importance of cultural diplomacy. It is interesting to note that her speech does not appear on her Department's website. Will the Minister jot a note to her to tell her to put it there so that a much wider audience is made aware of the importance that the Government put on cultural diplomacy?

I echo the comments made by my hon. Friend the Member for Mid-Sussex (Mr. Soames), which were to an extent echoed by Sir Richard Dalton, our former ambassador to Iran. He was at the conference that I mentioned, and made the point that one must not load too much of a burden on cultural diplomacy or expect culture to have an enormous impact on foreign relations. At the end of the day, our Foreign Secretary can still always pick up the phone and speak to another Foreign Secretary, regardless of whether they have met at an exhibition. However, that is the only note of caution that I inject.

I join the hon. Member for Sittingbourne and Sheppey (Derek Wyatt) in praising the work of the British Council, which does a remarkable job. I was lucky enough to visit Iran last year and to see the work—cross-cultural work, if you like—done there on a very limited budget by the British Council. I talked to a number of Iranian students who had had the chance to study in England. It is important to recognise that the council is not simply a cultural, but an educational institution. Its work spreads far and wide. The diplomatic work of getting young people to experience our culture and vice versa is of immense value.

I should like to make a few suggestions. I hasten to add that they are neither spending commitments nor policies, but the thoughts of a young man new to Parliament and to his brief as the shadow arts spokesman for the Conservatives. First, I entirely echo the hon. Member for Sittingbourne and Sheppey. I have a dream: I would love to see the Tate, the British Museum or the Victoria and Albert museum have buildings—physical presences—in some of the major capitals of the world, be they Delhi, Beijing or even, in future, Tehran.

We think nothing of having an embassy as a venue in which we can carry out our diplomatic work, although I add a huge note of sadness: some of the great buildings that the British own in capitals around the world are being sold off simply because our Government understand the price of everything and the value of nothing. They take an extremely short-term view.

I share the hon. Gentleman's dream. I praise the work of the British Museum, which has an increasingly valuable programme with China, highlighted by the hon. Member for Bath. I hope that that will increase.

I shall reveal again my obsession with websites in saying that I had a scoot around the websites of the Tate, the V&A and the British Museum. Perhaps the disappointment of the hon. Member for Sittingbourne and Sheppey comes from the fact that those websites simply do not talk about the work that the institutions are doing. The Tate is doing remarkable work in Syria, but, as far as I am aware, a person looking at its website would be completely unaware of that. Our institutions need to shout about the things that they do.

I also recommend that the Minister follow the example of the two main Opposition parties—here am I and my hon. Friend the Member for Cotswold (Mr. Clifton-Brown), shadow culture spokesman and shadow foreign affairs spokesman respectively, while across the Chamber are the hon. Member for Bath, the Liberal Democrat shadow Secretary of State for Culture, Media and Sport, and the hon. Member for Cheadle (Mark Hunter), the Liberal Democrat foreign affairs spokesman. We—and they—work in harmony together as an example of joined-up government. Sadly, no Government culture Minister is present at this debate. I believe that the Department of Trade and Industry, the Foreign and Commonwealth Office, the Department for Culture, Media and Sport and even the Department for International Development need to work together to co-ordinate.

It is interesting that tonight in New York Malcolm McLaren will promote the British music industry under the DTI's auspices. Our cultural institutions need a one-stop shop, as recommended by the Demos pamphlet, whereby if they have a proposal and want to do something abroad they can walk through one door and have the expertise of all four Departments available.

Another important factor is the signing of cultural memorandums of understanding with other countries. I was told by a director of one of our museums two months ago—I wrote about it on my blog—that we do not have a cultural memorandum of understanding with India and that was one of the reasons why an important exhibition of Indian art sourced in the UK was unable to go to India. I confess that I do not understand the technicalities, but I offered the Chancellor of the Exchequer, who I know reads my blog, the advice that when he went to India he should sign a cultural memorandum of understanding with India. It would be interesting to know what the position is. It is telling that the Indian high commissioner in this country has sent hon. Members catalogues of the Chola bronzes that are on show at the Royal Academy of Arts. That is an example of a diplomat who recognises that his role is to promote Indian culture as well as the hard strategic interests of India.

It would be interesting to hear the Minister's thoughts and reflections on our work with UNESCO. Many of the museum directors who I talked to and who are involved in the international museums organisations say that Britain does not pull its weight in UNESCO. That organisation offers a huge opportunity for us to shape the international cultural climate. Perhaps we do not take it seriously enough; I would be interested to hear the Minister's views.

In some of my interventions, I have said how I feel about the importance of the cultural Olympiad. It is an enormous scandal that the Big Lottery Fund turned down proposals to revamp Exhibition road. There are huge opportunities to build or create cultural icons and institutions in the run-up to the Olympics and that would leave a huge legacy across the country and provide an enormous welcome mat for the millions of people who will come to this country.

Parliament will debate cultural diplomacy more frequently. The Tribunals, Courts and Enforcement Bill is being considered, and it provides an important snapshot showing the importance of getting the balance right between allowing exhibitions to come to this country and protecting the rights of those who feel that the cultural icons on show have been stolen from them. Later this year, I hope—perhaps the Minister can enlighten us on its progress—we will debate a cultural property Bill, allowing Parliament to show that in all our diplomatic efforts we will respect the cultural property rights of other countries. I shall be brief, because my hon. Friend the Member for Cotswold, as shadow spokesman for foreign affairs, will wind up for the Conservatives, which gives an example of our close working relationship as we take forward our thoughts and proposals on cultural diplomacy.

11.53 am

Mark Hunter (Cheadle) (LD): I compliment my hon. Friend the Member for Bath (Mr. Foster) on securing the debate. As other hon. Members have said, he has raised a number of important issues and concerns that are worthy of serious debate and a proper response.

Britain has a varied and impressive culture in so many areas—in history, art, music, literature, film, theatre, dance, science and sport, to name just a few of the more obvious. I contend that promoting that culture can and should be done internationally as an integral part of foreign policy in the form of cultural diplomacy. Cultural diplomacy should always show the rest of the world who we are and our ideals, beliefs and values. As the recent incisive Demos paper on cultural diplomacy said:

> "Cultural exchange gives us the chance to appreciate points of commonality and, where there are differences, to understand the motivations and humanity that underlie them."

The value of cultural diplomacy seems especially relevant in the light of today's global developments and challenges.

The image of the United Kingdom as an aggressor held by so many countries across the world, especially in the middle east, needs to be combated. If it is not, it will prove to be detrimental to the long-term diplomatic position of the UK and will compromise many of our international objectives. That belief can be shaken only through cultural dialogue, and only through cultural exchange can we hope to understand the countries with which we wish to have long and stable relationships.

I believe that in liberal foreign policy, in its true meaning, cultural exchange can deliver three important things. First, it can encourage communication. Secondly, it can help to build positive relationships. Thirdly, it can allow the cultural norms of peace and diplomacy to flourish. As it creates good communication and positive relationships, cultural diplomacy is essential in creating a new thinking on the growing number of issues that

[Mark Hunter]

can be tackled only through international co-operation—the environment, terrorism and global citizenship, to name but three. In the light of the growing acceptance of the importance of cultural diplomacy, will the Minister confirm that efforts to promote it will remain integral to foreign policy strategy?

Of course, cultural diplomacy is not a new idea. The British Council, the British Museum, the Victoria and Albert Museum and many other institutions have successfully initiated cultural exchanges for many years. They are adapting and responding to conditions worldwide. The British Council recently created a £20 million programme in the middle east, and the British Museum's Africa programme reaches 20 African countries.

It is true that other countries threaten to outpace the UK. For example, France recently created a new agency—Cultures France—with an annual budget of some £20 million. China is loaning the largest collection of terracotta warriors ever seen to the British Museum for an exhibition this summer, but as other countries realise the importance of cultural exchange and the long-term influence that soft power can achieve, this is not the time to rest on our laurels. We need to support the institutions in their work and to ensure that enough funding is available and continues to be available for museums such as the British Museum. That funding is needed to allow them to continue to loan exhibitions and expand their programmes, and to allow other museums to become involved internationally. Will the Minister confirm that funding for cultural institutions, and in particular for the international exchange of culture conducted by such institutions, is recognised as hugely important? Will he assure us that he is doing everything possible to protect the budget and, where possible, to increase it?

An important aspect of cultural diplomacy is the promotion of the huge variety of British culture. We need to break down national stereotypes and, as the Demos paper stated, to challenge

"the perception that a country's political leaders and their policies are identical with the views of their citizens."

That is all the more important because of the damage done to Britain's reputation by our invasion of Iraq. Although money needs to be invested in institutions that engage in cultural diplomacy, the Government cannot be prescriptive about how that money is spent or about the message that the institutions are supporting. They need to be seen to be independent, or we risk cultural exchange being mistaken for cultural imperialism and propaganda. Will the Minister confirm that any extra funding that might be given to such institutions in future will not be tied to specific targets that might limit their flexibility and status as institutions independent of Government objectives?

Mr. John Grogan (Selby) (Lab): As we recognise the concentration on improving British Council services and the BBC World Service in the middle east, is there not a danger that if we concentrate too much on the middle east that could suck away resources from other areas of the world? That can be seen in the recent cuts to the British Council in Latin America, which could be an important region in 15 or 20 years' time.

Mark Hunter: I thank the hon. Gentleman for his intervention. He makes a valid point about priorities, which of course is what the art of government is all about. However, the debate that my hon. Friend the Member for Bath has introduced today is intended to place cultural policy firmly on the agenda and make it an integral part of what the foreign policy of this country ought to be. If the debate succeeds in doing nothing more than raising the profile of these issues, it will have succeeded.

The Government need to facilitate, not to direct, cultural diplomacy. They need to involve leading cultural professionals in the foreign policy-making process and include cultural professionals in diplomatic visits. They also need to create a framework that allows the organisations that are involved to collaborate and to co-ordinate their activities.

Cultural diplomacy is relevant not only to high culture but to popular culture, including music, films, dance, sport, fashion, comics and websites. It is by appealing to the population at large, including youth, that Britain has a chance to change the way that it is viewed by other cultures. As other hon. Members have said, we should use technology to do that. The internet and podcasts are just two ways of disseminating modern and traditional culture to the next generation. India, as hon. Members will know, is particularly successful in that respect, with Bollywood cross-over movies and bhangra dance hits getting young people all over the globe interested in Indian culture. I ask the Minister to confirm that funding will continue to be available to cultural institutions to commission, buy or manage examples of modern culture that are needed to reach the younger international community.

In conclusion, an effective foreign policy strategy is one that can adapt to new levels of complexity and the challenges of the current climate. To meet those challenges, it must include cultural diplomacy. With the upcoming 2012 Olympic and Paralympic games in particular, there has never been a better time to foster understanding of and good will towards Britain, and to encourage communication and build positive relationships with other countries. Let us be sure that we are doing everything that we can to seize those opportunities.

12.2 pm

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): There have been some excellent, thoughtful speeches in this debate. I congratulate the hon. Member for Bath (Mr. Foster) on initiating a debate on a subject that, as my hon. Friend the Member for Wantage (Mr. Vaizey) said, the House will be debating much more in the future. The hon. Gentleman's speech was timely and thoughtful, and there were several other thoughtful speeches to which I hope to have time to refer.

It is perhaps not a commonly known fact that the grandfather of my hon. Friend the Member for Mid-Sussex (Mr. Soames), when in opposition in the immediate aftermath of the war, was one of the people who persuaded the then American President that the present United Nations regime should be set up. It is worth remembering that the universal declaration of human rights stated in article 27:

"Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits."

That right, which was enshrined in the declaration, is fundamentally important, and it is for all nations of the world.

Throughout history, all the great empires have had great cultural diversity, which they used to further their diplomatic efforts. Britain, of course, was one of the great industrial powers of the 19th century. Its industrial might has declined, but I venture to suggest that its cultural diversity, through all the institutions that we have heard about today, is still as great as it ever was. The great thing about cultural diversity is that it involves people-to-people contact. It should not be Government to Government. It was, I believe, the hon. Member for Sittingbourne and Sheppey (Derek Wyatt) who said that the BBC prides itself on being, not an organ of the British Government, but an organ of the British people. It is superbly successful throughout the world.

Some things will change cultural diplomacy and the world faster than anything else. I entirely agree with my hon. Friend the Member for Mid-Sussex that the world is changing from west to east at a huge pace. Unless one visits China, India and Russia, it is very hard to imagine how quickly the world is changing. It is changing in terms of trade, tourism and educational exchanges. Above all, the thing that will change the world the quickest is quicker communication through the internet, which has already been referred to by my hon. Friend the Member for Wantage. The Chinese, who currently block the BBC World Service internet site, will find it difficult to carry on doing so after the Olympics in 2008. The expectations of more than 1 billion people in China, and more than 1 billion people in India, will get greater as time goes on, but the Olympics in Beijing will do more to change China than anything else in its recent post-war history.

India, likewise, is changing at a huge rate. It has a young, vibrant population, as do several other large nations such as India, Turkey, Mexico and Brazil. Those people will drive those economies, which will become the world's next tiger economies.

I entirely agree about the need for universal education. Education is changing the world hugely. I have a daughter who has just graduated from Oxford with a degree in Latin and Spanish and is now teaching Spanish in a rough school in south London on the Government's teach first programme. I entirely agree with the comments of the hon. Member for Sittingbourne and Sheppey that we should focus on the languages of the world that are spoken the most: Mandarin, Spanish, Urdu and Arabic. We should be concentrating on those languages, not on German and French, the languages of our next-door neighbours, because they simply are not spoken enough. I accept that great literary works have been written in them, but if we want our youngsters to have influence in the world, they should be speaking those other great languages.

Mr. Vaizey: May I take this opportunity to assure my hon. Friend that Didcot is leading the way in my constituency, with St. Birinus and Didcot girls' school both now teaching Mandarin?

Mr. Clifton-Brown: I am delighted to hear that. I, too, can cite an example in my constituency. There is a Chinese academy within Katharine Lady Berkeley college, which is a state comprehensive school. Indeed, I took the Chinese ambassador to visit the students at the academy. He spoke to them in Chinese, and they were absolutely delighted. I also took him to the Royal Agricultural college in Cirencester, which has a huge number of Chinese students. Again, they could not believe that the Chinese ambassador had taken the trouble to visit them.

We should be participating apace in cultural and educational exchanges, and I agree with others who have said that we should encourage our educational institutions to form satellites in other countries. I saw some world-beating scientific research facilities in Qatar. American universities—Texas and others—were involved, but at that time no British universities were participating. We could do a huge amount in that respect.

On the Olympics, I would like to return to my intervention on the hon. Member for Bath about lottery funding. Lottery funding for the Olympics is all very well, and we totally support the games and are delighted that they are coming to London in 2012. However, I would say through the Minister, who said in an unworthy sotto voce intervention that this is a spending pledge, to other Ministers that they should get a grip on the Olympic budget. There would then not be a need to raid the lottery.

I am concerned—others have mentioned this—that several smaller cultural institutions and performing bodies will be starved of funds because of the diversion of funds to the Olympics. We need to concentrate on a tightly run Olympics with a proper budget and a legacy that will endure. I understand that some of the Olympic buildings will literally be pulled down after the Olympics. That is a great shame. We should be able to devise and design better infrastructure than that.

I totally agree with my hon. Friend the Member for Wantage that cultural diplomacy requires joined-up government, including not only the Foreign Office and the Department for Culture, Media and Sport but the Department of Trade and Industry and several other Government Departments. After all, it was the present Government who invented the term "joined-up government". They do not seem to be practising what they preach. I am delighted to be joined by my hon. Friend, the Member for Wantage who is the newly created DCMS spokesman for our party. I believe that we can all see from the quality of his speech this morning that he will go far in our party, and I welcome him here today.

I totally agree with those who say that we should encourage more scholarships worldwide. My hon. Friend the Member for Mid-Sussex mentioned the tremendous tribute to his grandfather of the Churchill scholarships, which send youngsters throughout the world to gain experience that they would not be able to get otherwise.

I shall now sum up, as I want the Minister to have plenty of time to reply to the debate. We all recognise the value of cultural diplomacy. We know from history what happened when the iron curtain started to come down. It was the efforts of the BBC World Service and the British Council, slowly making contacts in Russia, people to people—i cannot emphasise too strongly how important that is—that started to change hearts and minds. I worry a little that Russia is starting to go

[Mr. Clifton-Brown]

back on that: the British Council recently tried to open an office somewhere in the Russian interior and it faced huge obstacles in the form of health and safety regulations. Russian officials hardly know what health and safety regulations are. I do not know the status of that office today, but I hope that it has managed to overcome the Russian bureaucracy.

Derek Wyatt: It has closed.

Mr. Clifton-Brown: The hon. Gentleman says that it has closed. That is a huge pity, and I hope that the Foreign Office has made strong representations about that.

One can travel around the world and see so much good being done by the British Council. The hon. Member for Glasgow, North-West (John Robertson) and I recently went to Nigeria, where we saw the excellent work being done in Kano, a very remote part of the country. The British Council was bringing young people together so that they could begin to talk about the problems in their lives.

The importance of cultural diplomacy is a growing theme, and the Government must take hold of it. The Foreign Office is beginning to alter its approach, as more or less every embassy and consulate has a cultural officer. However, as I said in a speech the other day, everything depends on how the Foreign Office applies its resources. It has 30 consulates in the United States of America and only seven in China. Given that China's influence in the world is changing, the Foreign Office too will need to change. The BBC World Service and the British Council recognise that; they have closed stations in Europe and opened some in the middle east. However, I entirely agree with the hon. Member for Sittingbourne and Sheppey: it is worrying that we are not devoting resources to south America, because some of those countries are the real powerhouses of the world to come.

Cultural diplomacy is an activity whose time is coming. The Government and the British people can use it to great advantage if it is considered intelligently and in a joined-up way. The Government can do much more.

12.12 pm

The Minister for the Middle East (Dr. Kim Howells): I congratulate the hon. Member for Bath (Mr. Foster) on securing this debate. I have known him for a long time, and I enjoyed today's debate as much as I have enjoyed any in this Chamber. We heard visionary suggestions from the hon. Gentleman and from my hon. Friend the Member for Sittingbourne and Sheppey (Derek Wyatt) about how we should take the matter forward. I am glad to have the privilege to try to answer some of the questions that have been raised.

Cultural diplomacy is a significant subject, as we heard from almost everyone who has taken part in the debate. Cultural or public diplomacy is hugely important, and we need to work hard to continue to get it right. I assure the House that cultural diplomacy is a key component of our public effort. As we heard, we have outstanding assets in our cultural institutions, our higher education sector and our scientific community. All those offer channels through which we can conduct our public diplomacy.

I shall try to deal with some of the issues that have been raised. The hon. Member for Bath gave the good example of Neil MacGregor's attitude and his belief that the British Museum ought to reach out to other countries and cultures. The hon. Gentleman summed it up by saying that we have to use our cultural talents to build up our international prestige. That is true.

Before I turn to the more visionary suggestions made by my hon. Friend the Member for Sittingbourne and Sheppey, I should say this. I do not know exactly how many embassies and missions I visited last year—I think it was 35 or 36—but I have always been passionate about art and I always have a mooch around to see what paintings they have on the walls. They are often huge walls, and the pictures are seen by thousands of people every year. The number of 17th and 18th century naval battles that are depicted on those walls is depressing. The number of gloomy portraits from worthy but not very inspiring British artists of the 17th, 18th and 19th centuries, too, is pretty depressing.

It has always struck me, and I know that the hon. Member for Bath would agree, that one simple way to start—as he said, it would not cost a great deal—would be to use our cultural talents to build international prestige by hanging some contemporary British art. We have some of the finest contemporary artists. I am not talking about the assemblage rubbish that we so often see in the Turner prize shortlist. I am talking about a lot of tremendous art that comes from our art colleges. We should be trying to reflect contemporary British art.

If I do not see naval battles on the walls, I see pictures by Patrick Lichfield. They are lovely pictures, but it is a portrait of Britain like that shown in "Midsomer Murders", as if we all live in thatched cottages or dreamy country houses. It has nothing of the dynamicism about which my hon. Friend the Member for Sittingbourne and Sheppey spoke.

I remember being in Beijing and asking which countries China considered to be the most creative. I noted that we were not mentioned. They spoke of the United States—a military power—and of Japan and Germany. I realised after a while that, as far as they were concerned, cultural strength came from car production. I pointed out that most major car companies have British designers, and that the brilliance of the design of components, and often the manufacture of the most scientific pieces of engineering are British. The hon. Member for Bath was right that we do not emphasise that. We are hopeless at it. We do not sell ourselves as we should. My hon. Friend the Member for Sittingbourne and Sheppey made some brilliant suggestions about how we should be projecting ourselves. We should celebrate the fact that our great institutions are producing great designers, great artists and great musicians.

The hon. Member for Mid-Sussex (Mr. Soames) was being a very good parliamentarian and giving everyone else a chance to speak; I was surprised that he did not talk about the enormous impact of British music around the world. I know that he is passionate about it and particularly about those of our orchestras that go

abroad. When people in Beijing told me that Germany was a great creative power, and far more creative than us, I asked, "When did you last listen to a German pop group?"

Mr. Vaizey: What about Kraftwerk?

Dr. Howells: The hon. Gentleman told us that he is young, but even I am acquainted with that group. It is not a contemporary group; it is almost as old as my favourite group—Steely Dan. However, we must wake up to the fact that we do not celebrate our talents sufficiently.

I shall deal, if I can, with a number of the suggestions that have been made. My hon. Friend the Member for North Swindon (Mr. Wills) raised an important point in his short contribution when he said—I summarise—that he was not that concerned about British universities opening campuses abroad. I tend to agree with him as that is a big financial risk. Nottingham university is the only university with a real campus abroad, which, if I remember correctly, is near Shanghai. Many British universities have a presence abroad, but the route that they have taken, as the hon. Gentleman rightly emphasises, is to try to attract people here so that they can maintain a reputation for excellence. That means that the world's top 50 universities are still dominated by American and British universities. I am sure that he will agree with my hon. Friend the Member for Sittingbourne and Sheppey that the last thing we should do is rest on our laurels regarding that issue.

We talk—this country does so constantly—about the days of mass manufacturing that we will never go back to, about not having a steel industry that compares with that of China or Brazil and about not having a coal mining industry like that of the past. We must now live off our brains and our wits. We should ensure that although we promote excellence in UK educational institutions, as my hon. Friend said, we might be missing out on opportunities by not thinking about our presence overseas. We do so at our peril and we must be awake to that issue. That is the real value of what my hon. Friend has said and we must be careful that we do not miss a trick in dealing with that.

On the important point made by a number of hon. Members about joined-up Government, as hon. Members will know, the Public Diplomacy Board chaired by Lord Triesman now meets frequently. Lord Triesman is passionate about a number of aspects of culture in this country and is a good chair for the board. The British Council and the BBC World Service are involved with the board, and I take the point made by hon. Members that other interests should also be included. The only drawback is where to limit the number of organisations that are represented on such boards. The Public Diplomacy Partners Group—a dreadful title—is chaired by VisitBritain and is comprised of the BBC World Service, the British Council, the Department for Culture, Media and Sport, the Department for Education and Skills, the Department for International Development, the Foreign and Commonwealth Office, the Ministry of Defence, the Northern Ireland civil service, the Office of Science and Innovation, the Scottish Executive, UK Sport, UK Trade and Investment, UK Visas, VisitBritain, Visit London, the Welsh Assembly and an independent member. I am sure that organisations are missing from that list, but it is enough to demonstrate that the board is very big. Having sat on the original creative industries task force—one of the worst titles ever invented—I remember how difficult it was to start to drill down to issues that might make a difference to how we portray and sell ourselves abroad and hon. Members are right to emphasise that we must get joined-up Government right in relation to that issue.

Mr. Clifton-Brown: Joined-up Government is important and I have a great deal of respect for the Minister's colleague, Lord Triesman. It is good news that he is chair of the Public Diplomacy Board. However, I gently suggest to the Minister that we need to hear more about the board's decisions, deliberations and, particularly, what it has managed to achieve. If the board will be the gateway for the Government's efforts on joined-up Government in relation to diplomacy, we would like to hear more about it.

Dr. Howells: That is a very constructive suggestion and I will certainly pass it on to Lord Triesman. The hon. Member for Wantage (Mr. Vaizey) mentioned the need generally to make information available on our websites. He also usefully suggested that if the Secretary of State for Culture, Media and Sport makes a significant speech about our cultural relations with other countries, it should be on the Foreign and Commonwealth Office's website as well as on that of the DCMS website.

Mr. Vaizey: It is not even on the DCMS website.

Dr. Howells: That is an important point and I am sure that my right hon. Friend, the Secretary of State for Culture, Media and Sport will be interested in that.

The debate was initiated by the hon. Member for Bath and therefore I will return to some of the suggestions that he made. He said that Foreign and Commonwealth Office diplomats should be educated in the cultural heritage of the country to which they will be posted. That is a good suggestion. We try to do so already, but I will admit that the system is a bit ad hoc. Generally speaking, if our ambassadors and high commissioners are not passionately interested in the culture of the country in which they represent the UK, they are by the end of their tours of duty. If that is not the case, they become bad ambassadors and high commissioners. The hon. Gentleman was right to emphasise that issue. We try to train ambassadors and high commissioners in that area and run extensive pre-posting courses at the Department, which is an important part of the work that we do.

Mr. Wills: I think that most diplomats who are posted overseas are educated in the language of that country. The language of a country forms a passport to its cultural heritage.

Dr. Howells: That is an important feature of the work that has been done and I pay tribute to the way in which languages are taught in the Foreign and Commonwealth Office. I would love those courses to be expanded to outside the Department. I remember telling the Foreign and Commonwealth Office that I

[Dr. Howells]

would like to perk up my German. When I was at Mountain Ash grammar school my German teacher used to bribe me to stay away from classes because I was so useless at German and was a disruptive influence—my teacher was very beautiful, actually. The Foreign and Commonwealth Office said that I could have German lessons for £3,500 to which I said, "Hang on. I'm the Minister who is supposed to be able to communicate with countries abroad". It is extraordinarily that even that small request could not be met. Perhaps the problem is that we do not value foreign languages highly enough. Maybe that is the case; I am not sure. Important suggestions were made by several hon. Members to rethink the kinds of languages that we place emphasis on and we are doing so. I have seen changes in my constituency where there is a shift towards learning Spanish as opposed to some of the other European languages. Of course, all the schools in my constituency also teach Welsh.

Although we can squabble about how we control the budget and on what it should be spent, I completely agree that the Olympics will provide a great opportunity for us to emphasise the importance of cultural diplomacy. The hon. Member for Cotswold (Mr. Clifton-Brown) said that he hoped that some of the buildings will remain in place. The Olympics will be a great opportunity for British architecture. We have some of the greatest architects in the world and I certainly always rue that such great events produce wonderful buildings which are then taken away. I hope that that concern will be heard outside of this room and I very much agree with the hon. Gentleman's point.

I was intrigued by a suggestion of my hon. Friend the Member for Sittingbourne and Sheppey. As everyone will remember, he was a fine rugby winger who played for England. He did not play for one of the great sides—we used to smash them every time we played them—but he was a tremendous winger—*[Interruption]*. I thought that he was wonderful. The hon. Gentleman suggested that we ought to give out gold medals as we did in the 1920s for more cerebral pursuits at the Olympics. That is a great idea and I see no reason why we should not do so. Coming from him, the world will sit up and listen to that idea—particularly as he had terrible knees.

I am suspicious of the idea of a cultural Olympiad and have never been a great supporter of cultural competitions. I always fear the increasing and creeping influence of the charcoal-shirted brigade that decides what constitutes good and bad culture. We are returning to the days of debating—

Mr. Martin Caton (in the Chair): Order. We must move on to the next debate.

United States (Climate Change Policy)

12.30 pm

Mr. Peter Kilfoyle (Liverpool, Walton) (Lab): I am very happy to have secured this short debate, Mr. Caton—not just on my own behalf but on behalf of the right hon. and learned Member for Devizes (Mr. Ancram) and the hon. Members for Nuneaton (Mr. Olner) and for Wealden (Charles Hendry). With them I recently travelled through several of the United States under the auspices of the British-American parliamentary group, and a very instructive visit it was.

Before I come to the main part of my speech, let me put on record my appreciation of the consular staff who made the visit possible. Not only did they ensure that the arrangements went smoothly, they provided excellent briefings to inform our discussions. I mention in particular Judith Slater, the consul general in Houston, and her aide for the purposes of our visit, Lindsey Bartlett. When we travelled on to North Carolina, the consul general from Atlanta, Martin Rickerd, was responsible. One member of his staff deserves particular mention—Cindy Groff-Vindman, who is the scientific officer. It was essential that we had the kind of informed briefing that she and others were able to give us.

The visit covered Santa Fe and Albuquerque in New Mexico. We then went on to meet "big oil" in Houston, and continued to Raleigh and Durham in North Carolina, where we met a variety of people from academia, the private sector and the US Environmental Protection Agency. I want to recount the experiences of the visit, because in its entirety it was very instructive as to the positive influence that Britain does indeed have on United States policy on this subject.

There is a great black hole in Washington. We often have the impression that the Administration's game is the only one in town—and in that particular town, it is. However, it is certainly not the only game that we ought to be playing—there is already a much broader one to be played across the United States, and we are a part of it.

New Mexico is led by a dynamic governor—Bill Richardson. Unlike the President, he is well up to speed on global warming. New Mexico is in a western consortium that includes California, Oregon, Washington and Arizona and is intended to address what those states recognise as a major global challenge. Many of us would say that it is perhaps the foremost global challenge.

We had a host of meetings in New Mexico, including with the public regulatory commission, with members of the state's climate change advisory group, with the very forward-looking mayor of Albuquerque, Martin Chavez, and with an excellent cross-section of locally based research and development institutions. As well as the three local universities, those institutions included the Sandia national laboratory and the famous Los Alamos national laboratory. The private sector was also well represented. The focus in all the meetings was on how to cater for climate change and for the changes that are taking place all around us every day, on how to mitigate somehow the worst effects of those changes, and on how to effect the switch to new technologies that are appropriate for the future. The meetings were

very informative. All the bodies represented were working on climate change and global warming, or on energy policy, or on a combination of them.

We were left in no doubt of how seriously the bodies that were represented all took the problems that face the planet, and of their determination to overcome those problems in a considered and consensual way. All were appreciative of the lead that has been offered to the United States by the British commitment in the field. That was a constant refrain that was repeated time and time again both at a governmental and at an academic level. When I say "governmental", I am talking about state and municipal government; unfortunately, the jury is out on what the present national US Administration might or might not do in its remaining term of office.

None of our party had any doubt about the sincerity of the people who were involved—either in their focus on the real issues behind global warming or in their determination to steer a new path for the United States, whether Washington is on board or not.

Mr. Michael Wills (North Swindon) (Lab): I congratulate my hon. Friend on securing a timely and enormously important debate. I wonder if he might say more to reassure my constituents, and those of other hon. Members, who are deeply concerned about climate change and who are very depressed when they look to Washington and to the attitudes of the current Administration. How does my hon. Friend think that our Government can work more closely with the positive and forward-looking state administrations to try to find more constructive ways to engage the United States as a whole in tackling climate change?

Mr. Kilfoyle: The short answer is that we already are, but we do not talk about it. People of my political perspective are often accused of being anti-American, but that is just not true. Because we take issue with the Administration on what we see as its sins of omission—as well as those of commission—we are portrayed as anti-American. That is absolutely not the case. I was deeply appreciative of what was happening outside of the beltway, in the rest of the United States. I shall come to that shortly, and I shall make some remarks about our effect on it.

Our meetings in Houston were different—they were meetings with the big oil companies. We met with Exxon, Marathon and BP. It was, I think, only a few days before our meeting with Exxon that it had at last accepted as a company that climate change is a major issue and a fact of life. It had been in total denial till then, but it remained remarkably laissez-faire about its own role in turning that danger round. It struck me as extremely complacent even about where its own interests lie, never mind those of the planet.

On the other hand, Marathon struck me as far more dynamic in its assessment of how to respond to the challenges. I was taken by the realism of the executives, although they still had a reflex obeisance, as it were, to the judgment of the boardroom—they still seemed a little in awe of whatever the board had decided. I understood why that was, but it seemed to be slowing down the genuine dynamism of their response. Nevertheless, they are doing a lot of good stuff.

Happily, I can also report that BP has taken a lead in the oil industry in looking for alternatives to oil and coal for power generation. Under the aegis of its alternative energy section, BP now has alternative power generation options that are operative on five continents, and I was genuinely and pleasantly surprised by how well it is doing. Its practical lead includes an investment of $8 billion over 10 years that aims to reduce its own carbon emissions by some 24 million tonnes per year. That will not be the end of the problem, but it is a hell of a start, and it certainly points in the right direction. Hopefully, BP will tow the rest of the oil industry behind it. BP operates in Texas, California, Colorado and North Dakota, and it is setting the agenda on carbon-neutral power generation in each of those states.

At that stage of the visit we were in Texas, which is a remarkable place, as anyone who has ever been there will know. I have been there several times, and it is a state apart from the rest—literally and metaphorically. On its own, it is the sixth-largest emitter of carbon in the world, and it has a reputation for not giving a damn what the rest of the world thinks. The current governor has fast-tracked the process for the building of 19 new coal-fired power stations. Happily, however, if somewhat unbelievably, a venture capital company has now put in a bid to take over the plans for the power stations and turn them into green installations. I have to say that, if venture capital is going in that direction, that is where the future lies, and it is a good sign for all of us.

Nevertheless, there is a battle going on with the climate troglodytes in Texas, as elsewhere in the States. The major cities are all on board and are taking their lead from here. The mayors of Houston and Dallas are among the mayors of 17 Texan cities—including the beacon city of Austin, the state capital, which is very green—who are challenging the carbon-producing utilities. Indeed, Houston has modelled its climate change partnership on that of London. That is a practical example of how what is happening in Britain is having a very benign effect on thinking in the States.

Mr. Nick Hurd (Ruislip-Northwood) (Con): I congratulate the hon. Gentleman on securing the debate, because there is nothing more important to the evolution of an international solution to climate change than the evolution of policy at superpower level, in the United States. The defining feature of his narrative so far is the freedom to manoeuvre that local states have within the US system. Did he come home with any strong feeling about what changes we need to implement in this country to give local authorities more responsibility and more power to seize the agenda and innovate?

Mr. Kilfoyle: The short answer is no, because we are comparing chalk and cheese, to be honest. Even when we talk about Texas, we are talking about a very light-handed governorship. They are very good at executing people, but not at executing positive changes in respect of policy on, for example, climate change. I should mention that representatives of both Houston and Austin were at the US-UK climate change and urban areas conference, which was held in London, so I can say to the hon. Gentleman that there is an

[Mr. Kilfoyle]

interchange. There is obviously a community of interest, but whether we can pick up positively from a completely different system is another question.

Finally, we went to North Carolina, where we met politicians, academics and, interestingly, representatives of the Environmental Protection Agency. That was only a couple of days after President Bush had made his totemic visit when he finally seemed to recognise, in his very particular way, that there was a problem that had to be faced. It remains to be seen what he does about it, but the evidence of state and municipal level eagerness to seize the moment was stark. The inertia of Washington was not seen as an excuse for doing nothing. Time after time, in North Carolina as in Texas as in New Mexico, appreciation was expressed for British influence and groundbreaking British initiatives on carbon emissions.

There is a natural historical affinity between North Carolina and the UK which is reinforced by regular interchange between academics in the field of climate change and environmental issues generally—and probably in many other fields—at institutions such as Duke university and Cambridge university. That reinforces a very powerful and positive message from the UK. In fact, we constantly heard people at that level, including the civil servants in the EPA, saying how embarrassed they were by the failure of the federal Administration to act. That is the key. They see us as willing to act and to tackle the problems, while their own Administration appear to be in denial.

That is changing, however. Names such as Kerry, Lieberman and McCain are appended to one or other of the five pieces of legislation before the US Senate to deal with the issue. We also know that every declared candidate for the forthcoming presidential election states that they will prioritise climate change in their Administration if they are successful, so it is only a matter of time—although we do not have much time on our side—before the world's hyperpower gets on board, and I have every confidence that once it does, things will shift.

Companies are also engaged. BP is in a consortium with DuPont, Duke Energy and others in the US climate action partnership. Such engagement is not entirely disinterested on their part. They can see the business opportunities, and we should emphasise more that there are great business opportunities for companies in changing their own policies.

We should forget our mythical special relationship with the US regarding foreign policy and military strategy. It just does not work, but on the issue that we are discussing today, the special relationship is special and does work, and we could have a very beneficial effect, greater than we are currently having, if we focused on this area. That would be good for progressive Americans—believe me, there are many of them—it would obviously be good for the planet, and it would be rather good for British businesses if they got behind the changes that are taking place at the grass roots.

The other thing that the Government can do is to appreciate the work being done by our consuls general, who are taking our message to the American heartlands. That work should not simply be supported; it should be boosted. Washington and New York are not the only games in town. States such as California and Texas are global players in their own right and may well lead the United States down one path or another. It is rather odd when somebody such as Arnie Schwarzenegger is way in advance of much of the thinking that seems to take place, even in official circles in the UK. Nevertheless, he has been driven on by a state that is somewhat enlightened on these issues. I remember that back in the 1970s I got a shock when I had to take my New York-registered car for a test on its emissions. Even then, California set the trend for the whole of the United States. I suspect that that is what will happen: the states will lead the federal Government by the nose down the righteous path, if you like.

This is not a party issue in the United States. In our own small way, our delegation could easily present a unified view on the issues to our American hosts. What was most important was to convey to them the reality of the situation from a British perspective. For their part, the Americans were equally bipartisan on the salience of the issue. Of course, there are backwoodsmen there at all levels, as there are here, but our emphasis and the diplomatic efforts should be reinforced. Those efforts would be seen as more relevant and would certainly be far more productive if the pretence that everything can be done inside the beltway were dropped—it cannot. At times, inside the beltway is in a state of atrophy, and certainly on this issue it has been for quite some years, but that has not stopped what is going on elsewhere.

Anybody who has read Sir Christopher Meyer's account, "DC Confidential", would come away with the belief that our ambassador in Washington spends half his time looking after his personal interest rather than looking after the interests of Britain and pushing British policies. That charge cannot be levelled at the people we met out in the field, who were working incredibly hard and doing a tremendous job, making the linkages, bringing people together and selling a very positive message on this issue. When I spoke to colleagues about our visit, that was the impetus behind our attempts to secure this debate: to ensure that the Government recognise not only what is happening on the ground in the United States, but the work being done on their behalf out in the sticks—out in the heartlands. We want the Government to reinforce those efforts.

12.48 pm

The Minister for Climate Change and the Environment (Ian Pearson): I congratulate my hon. Friend the Member for Liverpool, Walton (Mr. Kilfoyle) on securing the debate and thank him for sharing the experiences and insights gained from his recent British-American parliamentary group trip to the United States. He is surely right to point out that the complex web of contacts that we have at state and local level in the United States is a key feature of the special relationship that we have with that country and it is, I think, not always as widely appreciated as it should be.

Climate change is an international issue, with a truly global impact. The United States is responsible for approximately 20 per cent. of global greenhouse gas emissions. Its domestic emissions are forecast to rise by up to 30 per cent. over 1990 levels by 2012. Although it decided not to ratify the Kyoto protocol, it participates in the United Nations framework convention on

climate change, and many countries, both developed and developing, pay close attention to its position on climate change. As such, it is a key country in negotiations on a future framework to follow on from the end of the first commitment period under the Kyoto protocol.

In the UK, we passionately believe that the scientific and economic case for action to avoid dangerous climate change is clear. Continuing with business as usual will mean that emissions continue to grow and that the stock of greenhouse gases in the atmosphere could reach 550 parts per million as early as 2035. That concentration is likely to lead to a temperature increase of between 2 and 4 deg C, which would have profound implications, although I do not have time to go into them today.

For the first time, last year's Stern review demonstrated conclusively that we must meet the challenge of taking action in both economic and environmental terms.

Mr. Hurd: On that point, part of the great value of the Stern review was that it gave us an opportunity to export the message that the Minister has just outlined to the United States, where concerns about the economic cost of dealing with climate change appeared to be holding people back from engaging with the Kyoto process. Sir Nicholas has been to the United States since his report was published to preach that message, but is there any evidence from his trips to suggest that the message, particularly as regards economic action, is hitting home?

Ian Pearson: The economic message is hitting home in the United States and, indeed, elsewhere across the world. The Stern report has been hugely influential and has proved quite conclusively that the costs of inaction, which it put at between 5 and 20 per cent. of global GDP, are far more than the costs of taking action to reduce greenhouse gas emissions in a timely and efficient manner, which would be in the region of 1 per cent. of global GDP. That is a really powerful message.

The UK's strong action domestically has enabled us to be at the forefront of the international debate on tackling climate change. Since 1990, the UK economy has grown by 40 per cent., while greenhouse gas emissions have fallen by 15 per cent. We are therefore on course to achieve double our Kyoto commitment of a 12.5 per cent. reduction in greenhouse gas emissions.

The draft Climate Change Bill, which I am delighted to say was launched this morning, proposes that we put into statute the UK's target to reduce CO_2 emissions by 60 per cent. by 2050 and by 26 to 32 per cent. by 2020. That will be the first time that any Government have legislated to put into statute a legal framework for managing CO_2 emissions. The Bill provides a clear, long-term, credible framework and gives businesses and individuals greater clarity about their planning and investment so that we can deliver changes and achieve a low-carbon economy.

In the United States, climate change has risen significantly up the political agenda over the past two years, and, as my hon. Friend clearly outlined, the UK has participated in the debate that has been going on there. The significant focus that we placed on climate change during our G8 presidency led us to host the "Avoiding Dangerous Climate Change" conference in February 2005. The Gleneagles dialogue process that we set up following our G8 presidency has created a helpful space in which to have informal discussions about how to tackle climate change and the United States has been a key participant in that process. The US has also continued to participate in discussions on climate change as part of the G8 process and it took part in discussions during the 2006 Russian presidency and the preparatory process for this year's summit at Heiligendamm under the German presidency.

The past year has seen the debate on climate change intensify in the US. That is true not only of the science of climate change, but, as I have outlined, the economics of action on climate change. Stern has played a pivotal role not only in the US, but worldwide in stimulating the debate that we need about the costs of delaying action as against the costs of acting now.

The ambition that the UK has demonstrated in its plans for phase 2 of the EU emissions trading scheme, and the European Commission's work in enforcing tighter caps on other member states, have shown that action can be taken now. It is important to remember that although there is no coherent federal problem to reduce greenhouse gas emissions, individual US states are leading the way in addressing climate change.

The UK is pleased to be involved with and to support the development of initiatives such as the regional greenhouse gas initiative, a collaboration involving nine north-eastern states in a cap-and-trade scheme. The RGGI is intended to be expandable and flexible, and it is open to other US states and Canadian provinces.

Mr. Hurd: Will the Minister give way?

Ian Pearson: I will not, because I need to answer some of my hon. Friend's points.

We are collaborating effectively with California on climate change and energy following the Prime Minister's visit there in July 2006 and his joint announcement with Governor Schwarzenegger. In particular, we are offering practical help and experience on emissions trading.

We very much support the western regional climate action initiative that California, Washington, Oregon, New Mexico and Arizona announced in February. We and the European Commission are also exploring the potential for linkages with the EU emissions trading scheme. We want to see the emergence of a genuinely global carbon market, but if that is to happen, it is important to ensure that trading systems have the capacity to be linked. The UK will receive a delegation from California in early April to continue our close work on the development of emissions trading and other climate change policy instruments.

The UK's perceived global leadership on climate change means that we have also been asked to respond to interest at city level in the United States. In 2005, the UK played a role in promoting action at city level in the US and internationally, when London hosted the first large cities climate change summit, with participation from five major US cities. The initiative has now grown to include 40 cities globally, and 12 US cities will participate in this year's summit.

[Ian Pearson]

I should also mention the Clinton climate initiative, under which former President Clinton and the mayors of San Francisco and Los Angeles are taking forward work on climate change.

The changing political environment internationally and domestically—particularly at state and sub-state level, as my hon. Friend highlighted—is leading to a shift in business opinion in the US. American industries are beginning to take steps in the clean energy and green technology marketplace, and my hon. Friend mentioned several examples. The US business community is developing its position on climate change, and business leaders such as Jeff Immelt of General Electric and Jim Rodgers of Cinergy have called for long-term regulatory certainty and market-led mandatory policies. Although the majority of US industry still favours nothing beyond voluntary action, a number of blue-chip businesses, such as Caterpillar, Johnson and Johnson and Intel, argue that it is not enough. Therefore, it is not only the general political climate in the US, but the business climate that is changing, and the business community rightly sees increasing opportunities not only in developing new technologies, but in the carbon market.

I should also mention the work of major UK business groups and our contacts through international business, because organisations such as the CBI and the corporate leaders group reinforce the positive and progressive stances that US industry is increasingly taking. Our religious and faith leaders have also taken up contacts and discussed responsible stewardship of the planet's natural resources with their US counterparts.

British legislators have also engaged in the debate on climate change. Last month, the president of GLOBE International from the UK chaired the third G8-plus-five legislators forum, which was hosted in the Senate in Washington. The forum brought together legislators from around the world, plus business leaders and civil society organisations. The discussions were positive, and I hope that they will help to prepare the political space for action on climate change by the G8-plus-five Governments. UK ministerial and official visits have also reinforced the UK's message in the US on the wider implications of climate change.

Across a range of issues, therefore—at the legislative level, the state and local levels and the business level—we have a web of contacts. We are working with, and giving appropriate support to, those who want to take action on climate change, and we shall continue to do that.

In addition, we have a UK-US energy research and development memorandum of understanding, and my hon. Friend mentioned the importance of energy. There are currently three active projects under the memorandum of understanding and they are jointly funded by the US and UK. The US is also interested in collaborating with the UK to harmonise standards on renewable fuels and particularly biodiesel, and we continue to work closely with the US on those issues.

It is clear that there is a lot more work to be done if we are to secure international agreement on a post-2012 framework.

Policing (Northamptonshire)

1 pm

Mr. Philip Hollobone (Kettering) (Con): I rise on behalf of my constituents in Kettering to discuss policing in Northamptonshire, and I thank Mr. Speaker for allowing me to do so, and the Minister for listening to my constituents' concerns. Law and order and the fight against crime are the No. 1 priority for Kettering residents. There is huge concern about criminal activity and antisocial behaviour, at every level, and I am sad to report that many residents now do not report more minor crimes because they believe that nothing appropriate will be done about them. That is true in the towns in the Kettering constituency, and across Northamptonshire, but also in rural areas. Ahead of the debate I received a letter from Mr. Paul Tame, the east midlands regional environment and land use adviser to the NFU. He made the good point:

> "Many farmers in the county have lost confidence in the police to detect and deal with the high levels of rural crime, much of which goes unreported because land managers feel, rightly or wrongly, there is no longer any point in reporting incidents. I know the police are under pressure from all sides but we do not feel that enough resources are expended on solving and combating rural crime in the county."

That, I am afraid, is a widespread feeling in the rural community. However, it would be remiss of me not to praise officers in Northamptonshire for their hard work. I spent 22 days last year on the police parliamentary scheme, with the Northamptonshire force, and I know first hand how hard police officers work and the effort that they put into their role. I thank them for their endeavours. Nevertheless, things are serious for policing in Northamptonshire. As always, I suppose, it comes down to finance. Yes, record amounts of money are spent on police there, but there are problems with the way the funding is allocated.

This year, with the roll-out of the safer community teams and the expansion of the Government's police community support officer programme, there are an additional 25 PCSOs in the county, bringing the total to 163. That is 50 short of the Government's original target of 213. However, although we have 25 more PCSOs we have a net loss of 11 police officers, as well as 28 support staff, to pay for them. I have raised that situation in the House many times and the Policing Minister is on record as saying that it is not Government policy to replace police officers with PCSOs. Nevertheless the effect of Government policy in Northamptonshire is precisely that.

Mr. Peter Bone (Wellingborough) (Con): I congratulate my hon. Friend on obtaining this debate and standing up for the people of Northamptonshire, as he always does. Is not the crux of the issue—so it appears to my constituents—the fact that we are losing police officers and getting more police community support officers, and the Government are trying to get policing on the cheap?

Mr. Hollobone: I am grateful to my hon. Friend and congratulate him on all the hard work that he does in this place to represent his constituents' concerns. Our constituencies are both covered by the north Northamptonshire basic command unit area and,

going by our experience, we will have more PCSOs on the beat, but we will also have fewer police officers. Recruiting and paying a PCSO is less expensive than recruiting and paying a full-time police officer. I know from first-hand experience that PCSOs do a wonderful job and are dedicated to their task, but they are unable in law to arrest suspects. They can only detain them while they await the arrival of a police officer with full powers. Residents are rightly concerned that they see fewer such officers on the streets of Wellingborough and Kettering.

The police authority is bending over backwards to fund the roll-out of the safer community teams. The early signs are that the community teams are working extremely well, but the police authority has had to dip into its reserves to the tune of some £600,000 this year. An extra £500,000 has been made available from the county council and the police authority has also identified efficiency targets of £3 million for 2007-08. However, it simply is not enough, and next year will be worse than this year, with, currently, the likelihood of a £5 million gap. The police authority has done extensive research on how it will fund policing in Northamptonshire, and has made projections to 2011 on the basis of the following assumptions: an annual increase of 2 per cent. in the central grant support; an annual precept increase of 5 per cent.; general inflation at 2 per cent.; pay inflation at 3 per cent.; and the continuation of the Government's PCSO grant at 75 per cent. When it has crunched all its numbers, which it has made available to the Home Office, the shortfall by 2011 is some £20 million. That is the potential crisis facing us in Northamptonshire.

Of course, the force is already overstretched. There are about 490 people per police officer, whereas the England and Wales average is about 370, so already in Northamptonshire each police officer must do far more than the national average. That is before taking into account the huge increase in the county population that is projected by 2031. As a result of the Government's housing expansion programme, Northamptonshire has been included in the Milton Keynes and south midlands sub-regional spatial strategy growth area. The population of Northamptonshire is due to rise from 660,000 people today to just short of 1 million by 2031. Today Northamptonshire has 1,347 police officers. To keep the police officer to population ratio the same, it will need just short of 2,000 police officers by 2031. There is very little evidence at the moment that the Government have the plans and strategy in place to fund that expansion in police numbers.

When the population rises, council tax and precepting will bring in additional revenues, but those are historic revenue streams, after the event. The Government need to identify some funding ahead of the increase in population, so that police numbers in relation to population do not get worse. It is alarming to think that with that increase in the population there will, unfortunately, be an increase in the number of crimes committed in the county. At the moment just short of 70,000 crimes are committed a year. On present trends that will be just short of 100,000 by 2031. Antisocial behaviour will increase likewise. People are very worried; we do not have enough police officers now, and the number is already starting to fall. Things are likely to get worse before they get better.

I want to focus today on the matter of prolific and persistent offenders. They are particularly nasty individuals, who commit the bulk of crime throughout the country. That is especially relevant in Northamptonshire. In the north Northamptonshire basic command unit area, probably about 50 individuals commit the bulk of the crime. At every opportunity, when I was taking part in the police scheme, I asked officers what could be done for policing in north Northamptonshire if those people were somehow taken out of the equation. Every officer, at every level, said, "There would be no problem at all, Philip, because those people commit the bulk of the crime. If they were locked up or taken out of the equation we could concentrate on the zero tolerance measures that everyone wants."

I bring to the House's attention the case of a persistent and prolific offender, whom I shall call William. The police had to jump through hoops to bring him to justice. He is a real person, but I have disguised his identity. He is a 26-year-old male with 20 convictions for 62 offences. He was released from prison in early October after serving just under four years in prison for burglary and possession of controlled drugs. In October, after his release, the Kettering area suffered a significant increase in dwelling burglaries—double the number of the previous month. Police intelligence indicated that William was responsible for those burglaries. At the end of October, William and an associate were arrested on suspicion of burglary after, bizarrely, voluntarily handing themselves in at their local police station. They were released on bail pending further inquiries.

Six days later, William was arrested again on suspicion of carrying out another burglary in Kettering. That home owner was able to name him as the offender. In custody, he was searched and found to have a knife concealed in his underpants. He was then further arrested for being in possession of an offensive weapon and charged with that offence. He was bailed to appear in court and released. Within two days, he was arrested again and charged with witness intimidation because he had visited the burglary victim's home and made numerous threats, including that he would burn the victim's house down.

On another occasion, William was arrested for breaching his bail after being stopped in Kettering within his curfew time. In his possession was a bladed article. When he appeared before the court, the remand application was turned down, despite his long record of bad behaviour, and he was bailed to his brother's address in nearby Corby. However, that was in direct breach of his brother's tenancy agreement. His bail conditions also included a curfew and the conditions that he should not visit Kettering except to attend court and should not communicate with the victim.

In early November, police officers acting on received information attended an address in Kettering and found William asleep in the rear of a vehicle, in direct contravention of his bail conditions. He was searched and found to be in possession of a small quantity of jewellery and some white tablets. He was arrested on suspicion of the handling and possession of controlled drugs. In a further search, in custody, a piece of foil with what appeared to be heroin stains was found in a cigarette packet hidden in his trousers. In his cell, he

[Mr. Hollobone]

tore apart his mattress and was charged with criminal damage. He also refused to move his arm from the hatch on his door and assaulted a police officer when police attempted to move his hand. He was charged with assaulting a police officer and held until his court appearance in early November, when he was at long last remanded in custody by magistrates.

Regrettably, four days after initially being remanded in custody, William was released on conditional bail by magistrates at his next hearing. Again, his bail conditions specified that he should not enter Kettering. The bail address was that of a relative in Northampton who confirmed to the police that William did not have permission to live at his address. A statement was taken, and William was again sought for breach of bail. Two weeks later, he was found hiding at an address in Kettering and arrested for breach of bail. In addition, a warrant was issued when he failed to appear at court on 15 November, and he was wanted for questioning about further burglary offences. When he was brought before the courts, he was finally remanded in custody. Eventually, at the end of February 2007, Northampton Crown court sentenced him to a total of 27 months in prison for burglary and other offences.

Throughout the period that William was at large, not only was he was arrested six times, but police intelligence and crime patterns suggest that he was criminally active. Substantial police resources were used to try to curtail that activity, but that would not have been necessary had he been remanded in custody earlier. That example was very detailed, but it shows how a known persistent and prolific offender alone accounted for a doubling in the burglary rate in Kettering when he was released from prison. The police had to jump through hoops to bring him to justice, including by arresting him six times.

Having drawn that case to the Minister's attention, I ask two things of him. First, will he please find the time to meet the commander of the northern Northamptonshire basic command unit to discuss how the police and criminal justice systems can get to grips with known persistent and prolific offenders in a more time-efficient manner? Secondly, given the huge scheduled increase in population in Northamptonshire by 2031, will he meet the Milton Keynes and south midlands inter-regional police board to discuss how on earth we are to overcome the under-funding of the police in Northamptonshire? They should also discuss sensible funding increases for the next 25 years.

1.16 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker): I congratulate the hon. Member for Kettering (Mr. Hollobone) on securing the debate and on opening it so eloquently, and I thank him for the way in which he put his points. I shall address his last points first. I am sorry to hear about the problems with the prolific and persistent offender he mentioned. I can imagine the frustration that his constituents and others must have felt about that case. Such matters are a concern, but they are for the courts to deal with—not me.

Of course, I am happy to meet the BCU commander whom the hon. Gentleman mentioned. I am also happy to meet the police board, but I need to check that that is appropriate in terms of ministerial responsibility. As I say to my office, I will always meet people to discuss matters, even if the outcome is not what they want. Sometimes, the least that MPs want is to put to Ministers the case of their constituents or area, which is perfectly fair and proper. I am happy to meet them for that reason if I can.

The hon. Gentleman has properly spoken out for his police force, and I am grateful for this opportunity to put on record the Government's perspective on the funding of Northamptonshire police. I shall give a few statistics to set the debate in context, and I apologise to the hon. Gentleman if he has heard these figures before, but it is important to go through them.

The grant settlement that the House approved earlier this year, without a Division, provided all forces and police authorities, including Northamptonshire, with an increase in general grant for next year of 3.6 per cent., which is above the rate of inflation. Since 1997-98, Government funding for Northamptonshire police has increased by more than 55 per cent., which equates to 22 per cent. in real terms. That is an unprecedented investment in the police service of which we can all be proud. The results of that investment are clear to see. Northamptonshire now has 1,325 police officers, 148 more than in March 1997. In the same period, the number of support staff increased from 554 to 989—an increase of more than 78 per cent. Those support staff enable officers to be released for front-line duties, where the hon. Gentleman's constituents and hon. Friends want them to be. Northamptonshire also has 62 police community support officers. As hon. Members know, they have been an innovation under this Government, and I shall say a bit more about that later.

We should consider outputs as well as inputs, because these results are also impressive. In the past year, overall recorded crime in Northamptonshire fell by 7.9 per cent. That is a big and impressive drop, notwithstanding the point made by the hon. Member for Kettering about people not recording crime. There was a particularly welcome fall in violent crime. I, like him, pay tribute to all in Northamptonshire who have contributed to achieving that impressive result—not only the police but others who have been involved in the various partnerships. I am sure that he is aware that crime fell by 11.5 per cent in the northern basic command unit area, which includes Kettering. We are talking about big reductions in crime as well as the issues that he has raised.

I shall say something about the distribution of Government funding to the police. Some police forces have suggested that they are relatively under-funded when compared with others, so it is worth setting out the principles. As the hon. Gentleman will know, funding for police forces is based on a formula that was drawn up in conjunction with the Association of Chief Police Officers and the Association of Police Authorities. It takes account of the demographic composition of the population, including wealth and employment status, together with factors such as population density. All those elements are factored into the relative needs formula, which forms the basis of the distribution of the available funds between the police authorities in England and Wales.

Funding has never been based purely on population; indeed, a moment's thought would demonstrate why that would be a very inaccurate way to determine the relative needs of different police authorities. The operation of the formula is subject to a damping mechanism to ensure that no forces suffer a dramatic change in funding from one year to the next.

The hon. Gentleman comes from the same region as I do, so he will know that some in the east midlands complain because, as a result of the damping mechanism, their forces receive less than they are strictly entitled to under the funding formula. That point was made by several hon. Members in a recent Westminster Hall debate on funding in the east midlands. I know that the hon. Gentleman attended that debate. Northamptonshire, in fact, gains from the operation of the damping system. In 2007-08, it will receive £600,000 more than it would if the funding formula were to be fully applied.

My hon. Friend the Minister for Policing, Security and Community Safety has made it clear on a number of occasions, including during the debate to which I have just referred, that we are very willing to engage on a cross-party basis to see whether we can come up with a system of police funding that is equitable and ensures that we get the best possible services across England and Wales. That is notwithstanding the fact that there will always be a debate about the amount.

We are clearly prepared to have an ongoing discussion about this. We have held several very informative meetings with hon. Members, chief constables and representatives of police authorities. I am happy to reiterate the point that I made at the beginning of my remarks: Ministers' doors remain open. There is a need for dialogue on these issues to accompany the party political point scoring in which we sometimes indulge.

I shall say something about the future. We have made it clear that following the successful introduction of a two-year settlement, we intend to move to a three-year settlement covering the years of the next comprehensive spending review—2008-09 to 2010-11. As the hon. Gentleman said, the Home Office will receive a flat-rate increase over the CSR years. No decision have been taken on how the overall pot of Home Office money will be distributed between the various services that the Home Office supports, and I am not making any announcements about that today.

What I can say is that there are real pressures across all areas of Home Office business, and the days of the police receiving above-inflation funding increases are probably over. The funding that we have provided in recent years, to which I have referred, has put police finances on a very sound footing, on which they can build. We will also be looking to the police to make substantial efficiency savings. They have made very impressive productivity gains and efficiency savings in recent years. That work must continue to ensure that the maximum possible resources are devoted to front-line policing.

The hon. Gentleman suggested that the recruitment of PCSOs has had the effect of reducing the number of police officers. May I again clarify that PCSOs are not a replacement for police constables? They are an additional resource for the police service in support of the implementation of neighbourhood policing. May I say to the hon. Member for Wellingborough (Mr. Bone) that they are certainly not policing on the cheap? They play a distinct and complementary role. To be fair to the hon. Member for Kettering, he paid tribute to the work that they do.

PCSOs are most effective when deployed as members of teams led by police officers, providing a highly visible and responsive presence. They are generally concerned with community engagement rather than enforcement, as that area of work remains, for the most part, the preserve of sworn police officers. This is the nub of the debate about how we use police officers and PCSOs.

I am sure that a debate will take place in Northamptonshire, as it will in the rest of the country, about the appropriate balance between police officers and PCSOs. The police service is actively recruiting PCSOs. That is rightly a matter for local decision making, which is why we have changed the funding arrangements for next year. Determining the best mix is far better done by the local chief constable, his local commanders, community representatives and the police authority. I am sure that that is what is happening in the hon. Gentleman's area, as it is in areas across the country.

Mr. Hollobone: I appreciate the good intentions on PCSOs. Does the Minister recognise that although it is not the intention, the effect of the Government's funding rules is that Northamptonshire has ended up with more PCSOs but fewer police officers? It was never the Government's intention that that should happen.

Mr. Coaker: Again, this is the nub of the debate. We have had this debate before, but I should say something that is worth repeating. If there is local decision making, money is not ring-fenced and people are allowed to have greater flexibility over how they spend it, different decisions will inevitably be made about how it is spent and about the distribution between different areas of work. Across the country, some areas of work would be fully funded by the police and huge activity would be undertaken, but other specific areas of crime would not be as fully investigated or would not be as fully dealt with as possible. This is a matter for local decision making, because such things are best done at local level.

Mr. Bone: I am confused because my local police told me that PCSO money was ring-fenced and they did not have local decision making as to how they spent it.

Mr. Coaker: The commitment in respect of 24,000 PCSOs was going to be ring-fenced, but we moved away from that. Instead of telling forces next year that they would get an additional sum but would have to spend it to move towards the target of having 24,000 PCSOs across the country, we changed our approach so as to put the money into the general policing pot. That will give forces the flexibility next year to determine how to use it, and I hope that that answers the hon. Gentleman's question. We could have kept that money ring-fenced, and the numbers of PCSOs

[Mr. Coaker]

would have continued to rise, but we decided not to, because we felt it more appropriate to allow local decision making to apply.

The result of that decision is that the Northamptonshire police have been allocated £2.8 million towards the cost of neighbourhood policing in 2007-08. That is an increase of 33 per cent. over funding in 2006-07. The force will have 138 PCSOs in 2007, which is an increase from 40 in 2006 and will contribute to the roll-out of neighbourhood policing across Northamptonshire. I cannot remember the exact number but we are not talking about the figure that the hon. Member for Kettering would have added on to the 138 to be Northamptonshire's part of the 24,000.

There will not be an expectation to increase PCSO numbers further, although the force is free to do so if it wishes, depending on local needs and circumstances. We have therefore extended much more flexibility for local decisions to be taken, both to Northamptonshire police and across the service generally. That is important because community safety is a shared responsibility and local decision making, with the involvement of the community and local partners, is crucial to the success of neighbourhood policing.

I congratulate the hon. Member for Kettering on securing this debate, the hon. Member for Wellingborough on his contribution and Northamptonshire police on the work that they have done. I look forward to having the meetings that the hon. Member for Kettering requested, so that we can continue the dialogue about how best to take things forward. May I also ask his constituents, as well as others in Northamptonshire and across the country, to report any and every crime to the police, because that way we can get a true picture of what is happening, and the police can divert the necessary resources accordingly?

Maritime Sector (Liverpool)

1.30 pm

Mrs. Louise Ellman (Liverpool, Riverside) (Lab/Co-op): The maritime sector in Liverpool is recognised as being an important economic driver for the country, region and locality. That is acknowledged by the Department for Transport, the Northwest Development Agency, the North West regional assembly, "The Northern Way" and the Merseyside local authorities. In this short debate, I want to draw attention to some important issues, the recognition of which is essential if the sector is to develop its potential.

Mersey ports processed more than 42 million tonnes of cargo in 2005, making it the fourth largest port operation in the United Kingdom. A 350 per cent. increase over the past 20 years is part of the growing success story, and more than 87 per cent. of all north-west port cargo tonnage is handled on the River Mersey or the Manchester ship canal. The regional implications are clearly significant.

With more than 100 global destinations, the port is the key gateway for UK trade with north America and a global gateway for UK industry. It leads the way in deep-sea carrier-operated feeder services hubbing to Liverpool from European ports. In 2005, it handled containers from more than 100 non-EU countries, which led to three new deep-sea-direct container services calling at the port.

More than 5 million tonnes of cargo passes annually between Liverpool and Ireland, as well as an increasing number of passengers. Welcome investment by Norfolkline has increased Liverpool-Belfast and Liverpool-Dublin business. The port's hinterland has the highest concentration of cargo-generating activity outside London, and more than 60 per cent. of the UK's manufacturing capacity lies within a 200 km radius. The average distance covered by road vehicles operating from Liverpool is substantially less than from the south-east ports, which is important environmentally as well as economically.

The port of Liverpool is a strong economic driver, creating a maritime sector that is the largest outside London according to the recent economic impact survey carried out by Mersey Maritime. In 2004-05, the sector generated 20,500 full-time jobs in Merseyside, rising to more than 26,500 when indirect impact is taken into account. The sector's output reached £2.5 billion, adding £698 million to household incomes and creating the highest gross value-added of any port in the UK. It is likely that the maritime sector accounts for at least 5 per cent. of gross value-added in Merseyside. Employment in the maritime sector is diverse, and includes ship repairs, logistics, engineering, transport, warehousing, professional services and training. Three major companies' head offices and Maersk's main regional office are in the city centre. The port of Liverpool currently shows increasing activity, increasing business and increasing numbers of diverse jobs with local and regional impact.

I want to draw attention to two important new developments that are bringing additional opportunities to Liverpool, and I want to ask whether current

developments and decisions will allow those new opportunities to be grasped fully for the benefit of local people, for the region and for the country. First, the acquisition of the port by Peel Holdings creates a unique situation. It means that Liverpool port, the very successful John Lennon airport—the fastest-growing airport in the country—and the Manchester ship canal are under common ownership. That creates a unique, integrated port complex that has led to the concept of a super-port, and the possibility of transferring a substantial amount of container trade from road to water via the canal to port Salford with significant environmental benefits. The super-port concept has arisen from the new ownership, and includes the possibility of a new port complex.

Secondly, I want to draw attention to the setting up of Mersey Maritime in 2003 with Jim Teasdale as chief executive. That private sector-led initiative is working with the public sector and has brought new vigour and focus to the maritime cluster. It works with local businesses, companies, the maritime sector, shipping companies and transport. It is about showing the importance of a cluster of maritime excellence, and about developing the possibilities of that cluster for the economy, as well as promoting shipping. The initiative is innovative, full of enthusiasm and doing excellent work.

I have some key questions about whether the greatest possible opportunities presented by that situation are being taken up. Will the Department for Transport recognise the port of Liverpool's importance in its national ports review, or will it, as many fear, concentrate on further development of south-east ports? That is not just a regional question; it is a national question about developing the potential of all regions in the United Kingdom. The issue is highlighted in the Transport Committee's recent report on the ports review, which draws attention to the importance of supporting ports outside the greater south-east to enable both national and regional development to be maximised.

Recognising the port of Liverpool's importance means investing in infrastructure to facilitate freight and passenger access by road, rail, and water. When will the Olive Mount Chord rail project be delivered? When will the issue of inadequate rail loading gauge be addressed? When will road access be improved?

I have raised those issues in written questions, and a reply on 15 January confirmed that the Highways Agency believes that the existing road network is inadequate to cater for the port's expected growth. When will that inadequacy be dealt with, and when will changes be made?

The £10 million cruise liner facility currently under construction is vital and welcome, but further major investment is required. Will the Government back Mersey Maritime's ports growth strategy?

Will the Government approve the post-Panamax terminal application, which is essential if we are to attract trade with the far east? The terminal would enable shipping services to call at Liverpool to service the north west and the northern regions, thus increasing regional competitiveness, so it is an issue not only for Liverpool, but for the wider region. I raised the issue in a written parliamentary question, and I received a reply today, stating:

"A decision on the application for the Seaforth River Terminal Harbour Revision Order will be announced as soon as all the necessary statutory procedures have been completed."—[*Official Report*, 13 March 2007; Vol. 458, c. 20W.]

I should be pleased if my hon. Friend could indicate when that completion might be.

Will the Government, the regional development agency and local authorities back the super-port concept in order to maximise the benefits of the airport, port and ship canals being under single ownership, while working with regional distribution centres near Warrington? The super-port would require the post-Panamax facility, and in the long term, a world cargo centre at John Lennon airport.

Will there be continued support for the innovative and successful Mersey Maritime initiative, which focuses on developing maritime clusters as centres of excellence? That energetic body has achieved significant success, working with 820 local companies and 19,000 employees. It has succeeded in a great deal of its work, which included the initiation of much-needed skills training and the commencement of apprenticeships. It has promoted innovative ICT projects to make businesses more efficient, of which Liverpool university's advanced internet methods and emergent systems—AIMES—project to improve the tracking of goods is just one example. I recognise that the Government are not solely responsible for the sector, and I recognise the support that they have already given to the port of Liverpool and the maritime sector. Locally, Mersey Docks and Harbour Company has to provide a replacement landing platform for Merseytravel's successful cross-river ferries, because it has been absent for more than a year following an accident on the previous landing stage.

Other players include the Learning and Skills Council and the Department of Trade and Industry, and I hope that they will continue to work with Mersey Maritime and with others. The Northwest Development Agency has already played an important role, recognising the maritime sector in its regional economic strategy, and the North West regional assembly continues to work very hard on transport policy development.

At this time of change, I ask my hon. Friend to assure me that regional policy will not only continue, but strengthen. It means developing policies that reach beyond the city regions, and backing the Northwest Development Agency, the North West regional assembly and "The Northern Way", which is inter-regional. Transport decisions must follow regional strategies; Network Rail and the Highways Agency should be required—as part of their remits—to invest in regional policies, and Government investment decisions must back regional policy.

Liverpool's maritime sector has a proud history. Indeed, efforts are under way to restore HMS Whimbrel, the only surviving escort ship from Captain Walker's second world war north Atlantic hunting group, transport it from its location in Egypt to Liverpool and use it as a tourist and educational facility. Similarly, plans are being assessed to bring SS Manxman, the last steamship operating between the

[Mrs. Louise Ellman]

Isle of Man and Liverpool, from its berth in Sunderland to Liverpool. I hope that the Government-backed agencies will support both projects.

Today's debate focuses on the potential of the port of Liverpool as an increasingly important economic driver for the locality, region and country. The report by the Transport Committee, "The Ports Industry in England and Wales", concluded:

> "A national framework for port development will stand or fail on the strength of its ability to bring port development and traffic to the regions. Within the national policy, each individual area should be allowed to develop those aspects of the industry that are best fitting to their unique geographical advantages and access to markets."

I hope that my hon. Friend can assure me that the Government will continue to assist Liverpool in achieving that ambition.

1.45 pm

The Minister of State, Department for Transport (Dr. Stephen Ladyman): I congratulate my hon. Friend the Member for Liverpool, Riverside (Mrs. Ellman) on securing this debate. I know that we always congratulate Members on securing these Adjournment debates, but on this occasion, I genuinely mean it, because although I have the pleasure of representing a Kent, channel port with its own maritime tradition, I am of course from Liverpool, and I am well aware of the maritime tradition on the Mersey. Indeed, I spent six months working for the Ministry of Agriculture inspecting the ships that called into the Mersey back in the early '70s, and I suspect that I serviced one of the very last ships to enter the Albert dock in its guise as a working berth before it became a tourist attraction.

I am delighted that my hon. Friend has raised such issues, that she has brought the Mersey's proud maritime tradition to the attention of the House, and that she continues to make such a strong case for our support. Given my background, I hope she accepts that in the Government, she has a willing ally who is only too keen to see the Mersey prosper.

The maritime sector faces exciting and busy times, and the Government are working hard to deliver a new wide-ranging UK ports policy, to which my hon. Friend has referred, and to which I shall return to it in a moment. At a European level, the European Commission is simultaneously working on a new wide-ranging European ports policy, and I am delighted that Liverpool is playing its part in that work, too. The port of Liverpool gave a presentation on port financing at one of the Commission's consultation workshops in February, and in the European Union's maritime green paper, which is now out to consultation, the Commission rightly recognised the importance of maritime clusters such as Liverpool in developing a modern, dynamic and sustainable maritime economy. The Government and the Commission recognise the lead that Mersey Maritime has taken in promoting that vision.

As my hon. Friend said, the expansion of trade—particularly containerised trade—has been very strong. She also pointed out that from 2000 to 2005, the port of Liverpool grew by 10 per cent. overall, and by 17 per cent. in containers. There are many difficult issues associated with distributing increased volumes of goods on our small island, so against that background and through the new ports policy, we are seeking to provide a better framework for sustainable port development until 2030. Consultation took place last year, and since then we have had the benefit of a report by the Select Committee on Transport, as my hon. Friend pointed out. I am grateful to the Committee on which she sits for expediting its inquiry in order to allow the findings to be considered in the context of our ports policy review.

My hon. Friend asked several times during her contribution whether I would take into account the Committee's findings, and all I can say is that, if I had not wanted to take them seriously, I should not have asked the Committee to expedite its report so that I received them before I made the decision. Although the report will not be completed until the summer, I hope that she accepts that I genuinely intend to consider all its findings closely.

My hon. Friend mentioned the extremely interesting and exciting concept of the Merseyside super port, and I can envisage the way in which it will attempt to exploit the synergies of the different transport modalities; the airport, the sea port and the canal. The Government and Europe will watch its development with interest, and I wish it well. The Merseyside super port gives the opportunity not only for economic development and the successful growth of business on Merseyside, but to expand considerably the sustainable transport of goods by allowing different modalities for transporting goods to genuinely interact, so that people can take the most sustainable route. I certainly wish the super port concept well.

I also wish Mersey Maritime well, which my hon. Friend mentioned. My understanding is that it has been formed by the commitment of private and public sector partners throughout Merseyside and has the shared vision to create a world-class cluster of maritime businesses. Mersey Maritime represents a cluster of more than 500 businesses employing 6,000 people in Merseyside, with an annual turnover of £1.3 billion. It aims to promote and develop excellence in all maritime-related activities in Merseyside and to represent the interests of existing and new cluster members. In the European Union maritime green paper, the Commission rightly recognised the importance of maritime clusters such as Liverpool in delivering a modern, dynamic and sustainable maritime economy.

I applaud the way in which Liverpool has responded to that challenge, integrating its rich maritime past with a modern, forward-looking maritime sector. I wish it well and hope that it succeeds, from the point of view of both the maritime sector in this country and Merseyside. The fact that Mersey Maritime represents 6,000 people and 500 businesses in just one maritime city shows just how important the maritime sector is to the UK economy in general. I fear that the maritime sector is a part of the economy that is often overlooked by the media. In fact, it has become the third biggest export earner in the UK, having overtaken aviation. The significant growth in the maritime sector—in terms of the UK-owned fleet, the number of ships registered to the red ensign, the amount of money that

the sector earns for the UK and the number of people it employs—is one of the Government's unsung success stories. Anything that Mersey Maritime can do to continue to contribute to that will certainly have my full support.

Another aspect of what Mersey Maritime is trying to achieve concerns training, as my hon. Friend said. It is vital that we make big investments in the skills of people who work in the maritime sector. That does not mean just the skills of people who go to sea, but the skills of people who work in our ports and the other industries that support our seagoing and portside activities. I am aware that £1.75 million of funding was secured last month for an initiative to promote and enhance maritime training on Merseyside, through a Mersey maritime institute. I congratulate Mersey Maritime on pulling that together with the support of Wirral council. The funding has come from a range of sources, including £656,000 from the single regeneration budget, which is funded by the Northwest Development Agency and administered by Wirral Waterfront, and £656,000 of European funding. I also understand that the private sector has committed nearly £450,000 in support of the project, so well done to all concerned.

So far as the timing and the subject matter of the ports policy review are concerned, I hope to have the review available in the summer. I would not have asked the Transport Committee to expedite its findings were I not to take them into account. Peel Ports has also made a significant contribution to the consultation document, which will be taken into account. I assure my hon. Friend that I intend the port policy review to set a framework for the successful growth of the ports industry throughout the United Kingdom. The review will not focus simply on the south-east or southern ports. Rather, it will genuinely consider all the ports, what is needed to make them all successful and what support each of them needs. The review will also take into account the findings of the Eddington report, which made significant comments about how we link our ports and airports into the strategic network, as well as other decisions that the Government are committed to making on the planning regime and how we respond to the Stern report on climate change.

John McDonnell (Hayes and Harlington) (Lab): I refer to my entry in the Register of Members' Interests. As the Minister knows, the National Union of Rail, Maritime and Transport Workers holds its maritime seminar this afternoon, at which he will be speaking. Everybody welcomes the investment in training in the maritime industry in Liverpool, but will he address the continuing decline in the number of British seafarers being employed on ships based in Liverpool? Will he also address the low pay among foreign nationals on those ships, because of the non-application of the Race Relations Act 1976, minimum wage regulations and so on, and say what action the Government are taking on those matters?

Dr. Ladyman: I am indeed speaking at that seminar this afternoon. One of the things that I was going to say was there for the first time—but which I will now tell the Chamber instead—is that we are today launching the consultation on how we should reform the Race Relations Act to deal with that issue.

Broadly speaking, there are three options. First, we can stay as we are now, although that is not much of an option, since it would lead to us infracting European Union rules. Secondly, we can change the Act so that everybody from the European Union or at least the European Economic Community will have to be paid the same rates. Thirdly, we can change the Act so that everybody who serves on a British ship will have to be paid the same rates. One likely consequence of the latter option would be that a lot of ships currently under the red ensign might flag out of the country. That must be factored into our considerations. At the request of the maritime unions and the Chamber of Shipping, I am allowing a six-month consultation. They believe that if they are given six months to work together, they can come up with a solution that is acceptable to everybody. I have acceded to that request for that very reason.

John McDonnell: I should like to put on record that I also intervene as a fellow scouser.

Dr. Ladyman: We get everywhere, I am delighted to say.

My hon. Friend the Member for Liverpool, Riverside talked about rail and road access. She made a plea for the Olive Mount Chord, which is one of the schemes that was identified in December's announcement on the productivity transport innovation fund. We are working with Network Rail to take forward work on the detailed case for TIF funding, although it will not surprise my hon. Friend that I am will not make an announcement today. We will continue to place heavy weight on the recommendations of the region about how much ought to be spent on road access through the regional funding allocation. It is important to us that we take a strong lead from the regions.

My hon. Friend also asked about the Seaforth river container terminal, which concerns the decision about the post-Panamax berth, and asked some questions about other harbour revision orders. Again, I am afraid that I am not in a position to give her any information about that. It is important that harbour revision orders are made after the proper due process. For that reason, as the policy Minister in respect of shipping, I am not allowed to be involved with the harbour revision orders. One of the other Ministers takes responsibility for that. Such matters are kept completely secret from me, so that I am free to comment on policy matters without being seen to have influenced planning decisions. However, my hon. Friend will hear those decisions just as soon as they have been through due process and can be made properly.

These are exciting times for the Mersey, I am delighted to say, and I very much wish it luck. So long as Liverpool goes on to win the European champions league and such developments continue apace, there will nobody happier than I—or, I suspect, most other scousers as well.

Question put and agreed to.

Adjourned accordingly at one minute to Two o'clock.

Westminster Hall

Wednesday 14 March 2007

[MR. JOE BENTON *in the Chair*]

On-course Betting

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Roy.]*

9.30 am

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): I and others requested this debate because of our concerns about the state of on-course betting. As the Minister will know—his officials will certainly have briefed him, and we have had a conversation about it—I have concerns related to a constituent and, beyond that, to wider issues about others who are involved in on-course betting. First, I draw attention to my entry in the Register of Members' Interests.

The Minister and other colleagues will know, if they have looked back at it, that I held a similar debate two years ago in which I spoke about the problems emanating from the setting up of the National Joint Pitch Council back in 1998. My concerns were that the setting up of that body, which oversees and regulates the ring on race courses, was inefficient and chaotic. Many things were done without good reason and were unacceptable. Many bookmakers lost significant elements of their livelihood, and some lost their livelihoods altogether as a result, particularly in the southern area, which contains some of the most important race tracks in the world, such as Ascot, Newmarket and others that have become household names. At that time, I made the point that an agreement had been made to establish a formula whereby bookmakers would be integrated. It was essentially based on seniority, with any ties that would have been settled going back to starting dates.

I have since looked at the list from that time, and I have had two people do that integration, which was done without any great problem. One of them, Mr. Boden, made it clear that it could have been done in accordance with that formula, which was agreed at the time by the National Association of Bookmakers and the Horseracing Betting Levy Board as the correct way to do it. I showed in the last debate that, in the southern area, that was somehow not done as a result of key figures in the NJPC. That has led to incredibly weak and chaotic management of the NJPC, and bookmakers and on-course race-goers have suffered. That chaos has allowed other forms of betting to come on, and has disguised the fact that such things are often to the detriment of race-goers. I know that others will want to raise issues concerning Betfair online betting and so on, I am concerned that the bending and changing of the rules, and their arbitrary and chaotic nature, has led to the possibility of fraud in the system. It needs to be rectified immediately.

The issues have moved on since I last spoke to the House about them in July 2005. Almost everything that I have discussed since has confirmed my major concern about the behaviour of the NJPC and about its creation. More particularly, I have become much clearer about the extent to which the NJPC, the levy board and others have been prepared to disguise the events that took place and to block any call for a full inquiry.

Let me deal with some of the points that I raised in that debate; I hope that colleagues have had the opportunity to read the speech. In particular, I want to deal with the chaos and the failure to register some of the issues surrounding VAT and sales. In the last debate, I raised concerns about possible VAT fraud as a result of the chaotic management. Since then, I have spoken to a number of bookmakers. One in particular—I am prepared to give his name to the Minister afterwards—maintained that the sale of his pitch was not registered correctly, and others have said the same. He believes that VAT was not paid correctly as a result.

I have also spoken to a rails bookmaker, who told me that when he sold his position in 1998 he paid a full fee of some 26 per cent., in accordance with the rules, on a sale totalling some £210,000. That amounted at the time to some £56,000. It was at that level because it was not done in the auctions. He went on to say that there is one rule for the smaller bookmakers, but that when it came to the larger ones the NJPC failed to stick by their own rules. In 1998, Morgan Grenfell bought Coral from Ladbrokes for approximately £390 million. It appears that, strangely, it did not incur transfer fees as the individual bookmaker had done. Coral had an official position on the rails at the time and, like Mr. Wallis—the individual to whom I spoke—would surely have been due under the rules to pay such transfer fees.

NJPC rule 17.4 states that on the registration of any change in the shareholding of any authorised bookmaker, when the authorised bookmaker holds a senior position or positions, the appropriate registration fee and transfer fee shall be paid for each seniority position held by the authorised bookmaker. Rule 5.6 makes it absolutely clear that if a case involves

"the legal or beneficial interest in more than 50 per cent. of the shares"

of an authorised bookmaker

"details of such…control or interest must be disclosed in writing to the NJPC…within fourteen days of the commencement".

That is clear, but Mr. Wallis said that a spokesman for Coral told him that when such a suggestion of a fee was raised by the NJPC, Coral threatened to take the NJPC to court and the NJPC quietly let it slip.

Interestingly, a year later, when Cinven and CVC bought William Hill, they received no request from the NJPC for a transfer fee. It appears that there is one rule for the big groups and one for the small. I raise that point because it illustrates the chaotic and incredible management of the NJPC, which has led to most of the problems.

Mr. Richard Benyon (Newbury) (Con): Does my right hon. Friend agree that smaller on-course bookmakers have been hit by the closure of silver rings, for example, in places such as Kempton, and the threatened closure of silver rings at other race courses in the south of England? They lose a major capital asset, and the NJPC seems unable to co-ordinate any coherent compensation claim.

Mr. Duncan Smith: My hon. Friend is right. He makes an important point, which is illustrated by what I am saying, and I will develop it for the sake of the Minister. The organisation has been from the outset a complete chaotic mess. The result is damage to bookmakers

[Mr. Duncan Smith]

and race-goers. The case that my hon. Friend raises is right; a number of people have said that to me, too.

Another example is the case of an individual trading under the name of Jack West, who told me that he discovered in the first auction in December 1998 that an unlicensed bookmaker—a pitch could not be bought by someone who was not a licensed bookmaker—had been allowed to purchase pitches against the NJPC's rules. In fact, even worse, the NJPC had used the name of West, without his knowledge, to cover the transaction so that it would not appear that the sites were sold to unlicensed bookmakers. There were all sorts of similar things going on, involving Irish bookmakers and others who were not registered in the UK.

Mr. Brian Binley (Northampton, South) (Con): I had hoped to take part in the debate but sadly I have to leave to chair the Committee considering the Crossrail Bill. It is one of the great joys of my life, but I apologise for that.

My right hon. Friend has already raised two worrying issues. Does he think that the whole matter is a question of incompetence or is there slightly more to it? I have read the speech that he made on 6 July 2005, and it appears that he raised some important issues at that time. Those issues have not been taken note of and I fear that it is more than just incompetence. Something is going on that should be made known to the betting public of this nation who put considerable trust in the regulatory affairs of bookmakers. The issue is vital.

Mr. Duncan Smith: I am sorry that my hon. Friend has to go to chair the Committee on the Crossrail Bill—ever since I have been in the House people have gone to Crossrail and, as far as I can make out, some of them have never returned, which some people may say is a good thing.

The reality is that I do not know the answer to my hon. Friend's question, but I know what bookmakers tell me and if any organisation in Britain with such an amount of money going through it was charged with running an operation in the way that the NJPC is run, there would have been inquiries from day one. If the stock market was in that position, there would be a hue and cry about it. However, with racing everything is swept under the carpet and nothing is done, which leaves the industry open to fraud. I am concerned that some of the people responsible and who benefited at the time are still around in the NJPC and are elsewhere involved in the decisions to be taken about racing in the future. Again, that would never have been allowed in any other organisation, yet in racing such issues go by the board.

Mr. Kevan Jones (North Durham) (Lab): Does the right hon. Gentleman agree that a key concern should be to protect the consumer—the person who puts the money on at the race course? Will he comment on the practice of laying bets off not on-course, but on the internet, which takes money out of the industry and is completely unregulated?

Mr. Duncan Smith: The hon. Gentleman has raised yet another vital point. I will not go into detail about that issue today because I know that other hon. Members wish to speak about it, but the chaos of the current situation has opened the door to exactly such a proposition. I have heard that some organisations offer the opportunity to regular or big punters to get the best price—deals that simply beggar belief, have damaged on-course racing and opened the door to those who are taking the money out, as he mentioned. I know that another hon. Member will make a speech about that issue, but I will say that if the NJPC had been set up and run properly, we would not be in such a position. The Minister needs to take account of that.

On the specifics of my last speech, I believe that the Department has been casual about this issue for too long. For years, the NJPC denied that when it was set up, it was meant to integrate the list for the southern area for reasons that I will come to in a moment. It denied that the full list of relevant seniority was passed by the southern area to the then general manager and chief executive, Mr. Clive Reams, in 1998. Although the denials of the levy board and the NJPC were emphatic at that time and at the time of my last debate in 2005, they have now had to do a complete volte-face and accept that those lists were provided exactly as they should have been and in sufficient detail to enable the integration in accordance with what was then the correct formula—the Stevenson formula. The levy board and the NJPC maintained in sworn statements in two court cases that those lists were not provided—that is a form of perjury. No one has raised that issue at all although it materially changed the cases in which they were involved. It is outrageous that for a period of time those officials continued those falsehoods and knew that their statements were not true.

We have also discovered that a bookmaker, Sam Harris, was at the same time threatening the NJCP with court action. The reason I have raised that important point is to ask why the NJCP and the levy board were maintaining that the changes made to the Stevenson formula—and we can prove that those changes happened—were done because the lists were not provided, which we now know not to be true. The answer is because the only rationale and reason for changing the formula was that the lists were not provided. Once that reason is eliminated, a pattern of events unfolds in which an individual has arbitrarily changed the rules. That individual, Mr. Reams, spoke to a journalist, and I have a note of the conversation in which Mr. Reams made it quite clear that he had changed the lists. He said that the change was put to the levy board yet it was clear that the board was told that it was necessary because the list was not provided correctly. He went on to say that many bookmakers lost out during the course of the change, which was not approved by the National Association of Bookmakers. I will show that not only was it not approved, but the association did not even know about it.

If the changes were not made because the lists were not given to the NJPC correctly, why were they made? I believe that that is linked to the case of Mr. Harris. In September-October 1998, Mr. Harris made the calculation that his pitch position at Ascot would not be correct as it was not good enough. He has clearly told me that he threatened Mr. Reams and the NJPC with legal action and, in the midst of that process, Mr. Reams arbitrarily changed the way in which disputes would be settled from starting dates to pitch positions. That had never been the agreed formula and no other areas had integrated

bookmakers in that way. That would have benefited Mr. Harris and others. It is clear that in advantaging one or two people, many others were disadvantaged, including my constituent, Mr. Morrill.

Since then the Department for Culture, Media and Sport has carried out a cursory examination of what it described at the time as the timelines because, following a request from us, the Department had to decide whether an inquiry was necessary. I was astonished that despite the evidence given to the Department, we received a whitewash statement saying that everything was all right because changes had already been agreed. When I read the DCMS's report I was astonished because I know that the views of those who were party to what happened did not bear it out. The key conclusion of the report is that the situation was okay because Mr. Reams had the power to make the changes and because the levy board was informed. However, we know that the levy board was not informed about the real reason why he made the changes and that there was no discussion with the National Association of Bookmakers, which was party to the original Stevenson agreement. It is an incredible supposition that those changes were ever agreed.

I remind the Minister that the NJPC had full responsibility for the integration of all bookmakers in accordance with the Stevenson report. Every other area did what it was requested to do by the NJPC and they all did so under the Stevenson formula. The one exception was the southern area, which did not because the NJPC acting under Mr. Reams, who decided arbitrarily to change the process, did so. Someone cannot change a formula applicable to the whole of racing in this country just for one area, without informing anyone they have done so or discussing whether others should also do so. What a chaotic mess. I cannot imagine any other national organisation acting in such a way.

Mr. Boden is a highly respected figure and was chairman of the National Association of Bookmakers when the Stevenson formula was set up. He subsequently became chairman of the Racecourse Association and SP Bookmakers Association—the midlands equivalent of the southern area Bookmakers Protection Association. He is absolutely clear that he and others who used the formula carefully applied it in their areas, as they had been requested to do. They did not make arbitrary changes as they knew that they were not allowed to do so. In the case of the southern area, for internal reasons relating to illness, the NJPC was requested to make the integrations. As we have established, it provided the list and the only reason for Mr. Reams seeking to change the formula would have been if he had received incomplete lists—we now know that he did not. Therefore, he must have had other reasons for changing the formula, which we are certain were linked with individual requests from bookmakers. However, worse than that, despite changing the formula he applied the Stevenson formula to some people and the new formula to others. Some people have benefited because they had pitch positions that are key and others have been left with seniority. In other words, not even the whole of the southern area was treated in the same way; some people were treated in accordance with Stevenson and, halfway through, Mr. Reams decided to do it differently for others.

A crucial letter was sent to the Department from Mr. Stevenson, in which he rebuts the series of statements made in the DCMS's report and completely dismasts it. The letter shows that approval was never granted by the National Association of Bookmakers. In its report, the Department said that the integration of the southern area was carried out by Mr. Stevenson of the NAB and Clive Reams, the chief executive. In January, Mr. Stevenson responded to the report, saying:

"I have never had access to nor ever seen the southern BPA lists."

He had nothing to do with the integration of those lists; it was left to Mr. Reams. It is amazing that that letter was not used to change the report.

Furthermore, the DCMS report maintained that Mr. Reams had faxed a letter to the southern area BPA referring to a revised formula that referred to the changes in the lists. In his letter responding to the report, Mr. Stevenson made it absolutely clear that he had

"no knowledge the Southern BPA replaced the Stevenson formula in preparing the new bookmaker lists by a revised formula".

He made it clear that he had no understanding of that, and he went on to deny the DCMS statement that he had any knowledge that the so-called revised formula had been structured.

Worse than that, the Department's report then made a significant number of sweeping statements saying that the number of appeals in the southern area was between 20 and 30, and that the appeal panel had judged them against the revised formula. Actually, there were some 300 appeals. Mr. Reams arbitrarily decided that only 20 or 30 should go forward to the appeals panel, at which he produced his summary statement—there was no other documentation—so that the panel could decide who should have been accepted and who should not. The panel accepted his statements. How remarkable.

Simon Hughes (North Southwark and Bermondsey) (LD): One of the problems seems to be that the appeals system is run by the original decision makers and that cases cannot be reviewed further by anyone independent of them. I referred a constituent's case to the ombudsman, who said that he could not deal with it. He said that although he could deal with levy board decisions, the case involved an NJPC decision; the NJPC was responsible for appeals and there was nowhere else to go.

Mr. Duncan Smith: The hon. Gentleman is absolutely right. The biggest problem was that the people hearing the appeals were all rooted in the original process and had no independence. Mr. Reams sat in front of them and gave them the summary documents. One member said later that he thought it was all over pretty quickly and that he did not know what the hell it was about. They certainly were never told that a new formula was in place. I have an interesting point to make about that later. The hon. Gentleman has hit the nail on the head.

The key is that there were more than 20 or 30 appeals, and Mr. Reams had arbitrarily ruled the others out. It is remarkable—one could not imagine it happening in any other organisation—that those hearing the appeal were unable to draw on any minutes because no minutes were taken during the appeals process. How lucky! It is staggering that an appeals tribunal took place with no minutes taken; certainly none were in the files—very convenient, say I.

[Mr. Duncan Smith]

Mr. Stevenson said in his letter—a letter that the DCMS refuses to pass on to my constituent—that to the best of his knowledge the national formula for the construction of the NJPC, unless it was the Stevenson formula, was not altered by anyone, and to suggest that the methodology was altered with his knowledge and agreement was "preposterous". Here we have it. One of the key figures on the appeals panel, who was stated by the Department to have been present when the original changes were made, knew nothing of the changes or of a new formula. He was making decisions about bookmakers' appeals on the basis of a formula that no longer existed; it had been changed but no one knew about the changes.

The DCMS is wrong. Mr. Reams did not give the correct reasons for the changes to the formula—and he did not inform the NAB that any changes had been made. As far back as September 2000, Mr. Marriott, the chairman of the NJPC, said that

"the principle of integrating away bookmakers had been established by the levy board before the NJPC came into existence and the precise method was agreed with the NAB in the summer of 1998."

Mr. Marriott, too, seems to have been completely in the dark. The whole basis of the DCMS report has therefore crumbled.

In a letter dated 4 May 2006, in response to the Department's statement, the southern area BPA maintained that it did not make contact. The Department's document said that the during the appeals process calls were made to the southern area BPA, but the latter says that it did not receive any such calls. The Department seems to have accepted everything that the NJPC said, despite the fact that a huge number of documents from the files have strangely gone missing and that no minutes were kept of the appeals process. The Department seems to be saying, "Well, that's all right then." It is like asking the Department what it has to say and the Department replying, "That is jolly good. We have settled the argument now." That appears to be what the Department has done.

The DCMS seems to believe that because Mr. Reams says that he informed the southern area BPA of alterations to the formula that it had indeed been informed. The Department seems to think that that was okay. In fact, the southern area had no power to change the formula. It made clear in a later press release that it did not agree with the system as reformed by Mr. Reams. Referring to the changes, it stated in September 1998:

"Sadly, that has not been the case and the system in use appears to have a number of flaws".

However, it was not entitled to appeal against the process. Mr. Reams had established early on that one could not appeal against the formula; so the southern area and the bookmakers could not have appealed against a formula that had been changed without their notice. Even if they had known about it they could not appeal against it, so they were dismasted from the beginning and unable to make any progress.

I ask this question of the Department. Can it say to me and my colleagues, honestly and genuinely, that we have a system under which bookmakers who disagree with what has happened to their pitch positions are not allowed to appeal against the process that made them go into those position, and that because they appealed on the basis that the process that had been agreed had been changed arbitrarily, their cases were dismissed?

In other words, the whole appeal was a waste of time. How can people appeal about something that is not the same as what they are appealing about? Imagine in a court of law saying to a judge, "I want to appeal your decision," and the judge saying, "Well, I'll tell you what the rules are after you have told me what you want." That is what we have here. It was made up as they went along. It is appalling. The rules were bent and changed, and appealing was a pointless exercise—as was discovered when most appeals were strangely dismissed out of hand.

Mr. Stevenson denies any involvement, contradicting the DCMS. Mr. Marriott denies knowing about the changes. I have even spoken to Mr. Fairbairn, who sat on the panel, but he had no recollection of any new formula being presented to the appeals tribunal. It is clear that at the heart lies Mr. Reams, who was—how shall I put it?—economical with the actualité.

It is absolutely clear that the chaotic state of affairs that existed when the NJPC was set up led to serious problems not only for my constituent and the hon. Member for Hove (Ms Barlow) but to those involved in the 300 other cases dismissed out of hand, not to mention those who did not bother to appeal because they had some sense of what was going on.

The levy board had a duty of care to oversee the changes and to ensure that the NJPC was set up openly, that it was in a strong position and that its affairs were conducted in an honest way. The board utterly failed in that duty, and the NJPC has since failed in its duty to clear up the mess. It is impossible to imagine any other organisation being allowed to continue like that without trying to resolve the problems.

Worse than that, the people who run those organisations are making statements in court that they know to be fundamentally untrue. The basis of the blocking was the refusal to accept and admit that such things could have happened. I am astonished that the Government have not decided to overhaul the system and to make reparation. I ask only for a full and proper independent inquiry into the setting up of the NJPC and its subsequent running.

We know that the Office of Fair Trading has been highly critical of the NJPC, including its present appeals process and its limiting access to the ring of a number of bookmakers. If we do not overhaul the system, we risk opening the door even wider to things that I know others will want to speak about, such as online betting and off-course betting, which are unregulated, are taking over and will frankly leave punters open to abuse. Far too many people involved in the process have subsequently benefited, and one has to ask to what degree fraud has taken place.

I ask the Department to take this opportunity and have the courage to say, "Enough is enough." Unless we clean the house and clean it properly so that those who were damaged can have reparation, the Department will not be fulfilling its own duty of care. I know the Minister. We have had conversations on a number of occasions and I have a high degree of

respect for him. I hope that in this case he will simply say to his officials, "This is not good enough. You do not accept the word of the NJPC or the levy board. We want a full and proper inquiry. Let's clear this up before we establish racing in a new format at the end of the year. Otherwise, that will risk going the same way as this did."

10 am

Mr. Jim Devine (Livingston) (Lab): I congratulate the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) on selecting this subject for debate in the week of the Cheltenham festival, where the public face of racing is at its best. We know that jockeys are trying and that horses are trying. The crowd, the atmosphere and the craic are a great advert for racing. I would love to be able to report that I managed to pick the 40-1, the 50-1 and the 16-1 winners from yesterday, but sadly I did not, although I do have a fancy for a horse called Finger On The Pulse in the 4 o'clock, which might be worth an each-way bet today. I recognise that that statement could come back to haunt me, as this debate is being recorded.

The horse racing and gambling industry is at a crossroads. Allegations of fixed races, jockeys being charged and horses being doped do not present a positive image of the racing and gambling industry. My comments will concentrate on Betfair. Gambling is big business in the UK, generating £50 billion every year. Betfair takes up to 5 million bets a day—an astonishing number—and it takes those bets on the premise that every punter has a fair and fighting chance of winning, but how many people realise that they might be placing bets after the result is known, the race has been won, or the goal has been scored? That, to be frank, is where Betfair comes into disrepute.

Punters can be in a bookmakers or at home watching a so-called live transmission, not realising that the pictures are subject to a delay of six or even seven seconds. That is a long time in a horse race and even longer in a dog race, where the dog from trap 1 can be past the winning post when the rest of the dogs are not even at the final bend. I pay tribute to the *News of the World* campaign, which has highlighted the problem in recent months. It recently showed two pictures: one from terrestrial television and one from SIS—Satellite Information Services. On both the televisions, the time was exactly the same. On one of the televisions, the favourite and its market rival were coming to the last jump; that was on the delayed screen. On the real screen, which was showing the actual time of the race, the favourite had fallen at the last. People were betting in running on the favourite losing. People who knew that the favourite had fallen were betting on that. Many punters who were betting on the favourite did not realise that it had fallen at the last hurdle.

Clearly, someone who is betting in running and watching the race on a delayed screen is at a major disadvantage to someone who is at the track or someone watching on a different monitor. As I said, the problem is more pronounced in dog racing, where we are talking about one length per second—people can imagine the consequence of a six or seven second delay.

Horse race betting is about studying form. It is about watching the horses in the paddock and being aware of the breeding. It is about the punter versus the bookie, not about a punter versus a punter, particularly when one individual has an in-built advantage. Horse race betting is about identifying the winner before the race. It is not about betting to lose. It is not about betting in running when an individual could, frankly, be cheated out of his money.

A constituent of mine, Henry Spurway, was a traditional bookmaker in Scotland who with his company, Easibet, entered into partnership with Betfair in October 2002. He was not aware of these issues. He got the first licensed betting exchange in the UK and initially the concept was very successful, but problems associated with in-running betting and betting to lose lost him a substantial amount of money in a relatively short time. He has initiated a campaign, which I support, to ban in-running betting and backing to lose. Henry can be contacted at henryspurway.co.uk.

The problems that I have described apply not only to horse racing and dog racing, but to all sports. Let us imagine Tiger Woods on the final green, looking to birdie to win a tournament. I am watching a screen that is showing in accurate time him making that putt. Someone else is watching a screen on which the pictures are delayed by five, six or seven seconds. If I know first whether Tiger Woods has birdied that hole or missed that putt, I have an advantage over other people who are betting on the outcome. That applies to football and the taking of a penalty kick; it applies to cricket and tennis—indeed, all sports are affected and it is totally unacceptable.

Betfair claims that 400,000 punters use its system. How can that number of individuals be policed? In *The Times* a few weeks ago, on 20 February, Alan Lee stated:

"I am equally uncomfortable about Betfair patting themselves on the back for wrong-doers being brought to task. For while it is true that the name-sharing agreement between Betfair and the Horse Race Authority has aided the detection of corruption, this inconveniently ignores the fact that such corruption has first been facilitated by the betting exchanges. Peter Savill, in his time as chairman of the British Horse Racing Board, likened the scenario to a shopkeeper leaving his doors unlocked every night whilst also installing security cameras."

Mark Tompkins, trainer and chair of the Newmarket Trainers Association, said on 25 February that

"if we had no betting exchanges a paper trail would not be necessary as people wouldn't be betting to lose. If someone got rid of exchanges tomorrow, he'd be doing racing a big favour."

He also said in the article:

"I'd prefer to see no betting exchanges. Hong Kong, for instance, won't have them."

Hong Kong is one of the leading betting arenas in the world.

My predecessor as MP for Livingston, Robin Cook, said that in life he enjoyed two thumps—the thump of ballot boxes going on to a table at the end of an election night, and the thump of hooves on a race track anywhere in the UK. I share Robin's love and passion for horse racing. In-race betting and betting to lose are damaging racing's image. Those practices have been described as a cheat's paradise and I do not disagree with that description. It is time that they were banned.

10.9 am

Simon Hughes (North Southwark and Bermondsey) (LD): I strongly support the initiative of the right hon. Member for Chingford and Woodford Green (Mr. Duncan

[Simon Hughes]

Smith). His constituents, a constituent of mine and others have been comparing notes, as it were, to make the case stronger.

I have three points to make. First, the history of the self-employed people whom we are discussing—people who are not employed by a great state enterprise and who are trying to conduct their business, to be productive in the economy and to use their initiative—has been marred since the arrangements were changed nearly 10 years ago by the real administrative incompetence of the National Joint Pitch Council. I have records of a litany of unanswered letters and of complaints not dealt with. They were compiled by someone who kept meticulous records in an effort to do business as a successful self-employed person should. It is not satisfactory that, when the arrangements changed nearly 10 years ago, an organisation was created that was incapable of dealing fairly with day-to-day administration. That was the first cause of consistent complaint.

The second was the subject of my intervention on the right hon. Gentleman. The location of someone's pitch is a personal matter and people feel strongly about it because it can give them an advantage on a particular course. It seems to me that, if one is dissatisfied, one is entitled to an independent adjudication that is properly conducted on the basis of rules that are known in advance and of which a record is taken, so that if anything goes wrong the matter can be considered somewhere else.

In my view the appeal process should be independent. Had I been aware of the proposed arrangements before the changes were made, I would always have so argued. I am the chair of the governors at a primary school. If we turn someone down for admission, the appeal goes to a group of independent people who can tell the school to accept the applicant. I think that all hon. Members would accept that that system is the right one. The lack of proper, independent systems is a fundamental flaw that the authorities in the racing world have never dealt with. It is not sufficient for the Horserace Betting Levy Board to say that it has oversight, but that appeals are none of its business.

The third point is that there is a legacy, certainly of incompetence and arguably also of corruption and preferential treatment based on personal motives, which causes disadvantage to individuals, many of whom have worked in and served the industry for a long time. None of us is arguing for a system in which, for example, being born in Chingford or Bermondsey or Devon would confer an automatic advantage over someone born in Ireland, for example. We are arguing that there should be rules that are agreed to be fair with the industry, and which are known and stuck with. People could then join a queue to make their application for a pitch.

Cash flow is not an easy matter for self-employed people. I have been to race meetings and I have put money on horses, and my parents were keen on racing and taught me to understand its importance. However, as the hon. Member for Livingston (Mr. Devine) said, based on his much greater experience, the reality is that finances in that type of business can be really tight in some cases. We are not talking about millionaires who have lots of money to invest and for whom the problems that we are discussing are unimportant. You can win a lot, but you can lose a lot too. Reparation is therefore an issue, and I want to add my plea for it to happen. My plea to the Minister is that, by whatever mechanism can be agreed—including on a cross-party basis in the House, and between those whom we represent—there should be an independent review of what has gone on, so that if people have clearly been disadvantaged there will be a way to give recompense.

The people whom we are talking about are alive and well and have not given up battling. They have merely failed to succeed in breaking through the existing mechanism, so we need another one. We look to Government to intervene, because it must be better to act politically and in the public arena than to go through the courts. There is huge interest in the success of the racing industry in this country; it is an important industry. If our race courses are to be places where people, including tourists and visitors, want to go, they need to know that the system is fair; and if we are to produce employment in the racing industry for people from this country, it is important that they, too, know that the system is fair. People will not enter the business if they think that they will be disadvantaged or that information will be withheld from them without recourse.

I hope that the Government response will be much more positive. Many people have been fighting this battle for a long time—years and years—but it is not too late to put things right. It is not too late to create a system that, when the arrangements change in the autumn, will be fair and will be seen to be so, with independent processes for dealing with complaints.

10.15 am

Mr. Mark Field (Cities of London and Westminster) (Con): I too shall speak briefly, because I know that the hon. Member for Hove (Ms Barlow) wishes to say a few words.

I congratulate my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith) on having procured the debate. I know from my own experience of initiating Westminster Hall debates that it is often on the second or third bite of the cherry that one sees action. He is absolutely right that the Department has a duty of care to ensure that the allegations of preferential treatment are put firmly to bed. He did not use the word "corruption", but the hon. Member for North Southwark and Bermondsey (Simon Hughes) did. There should certainly be a level playing field—that is essential. Many of the concerns that were brought to light in my right hon. Friend's speech would undoubtedly be open to judicial review.

I suspect that outsiders who are watching the debate might think that some of the discussion has been at cross-purposes. I say with the greatest respect to the hon. Member for Livingston (Mr. Devine) that he was talking about online betting. I shall do so, too. I believe that online betting is here to stay in this country. It should be encouraged and promoted to ensure that the best managed, most innovative and most ethical players can succeed, so that players who would tar the industry can be pushed away, rather than pushed underground. Remarkably, as the hon. Gentleman pointed out, some

5 million bets a day are made on Betfair, and I suspect that we ain't seen nothing yet. We shall see far more online betting. However, that is not to say that the antics of the National Joint Pitch Council can be relegated to the past, because the sector of betting with which the council is connected will remain an important part of betting.

I confess that I am not a great race-goer. I was offered the chance to go to Cheltenham today, but because I am not a race-goer and because of the important debates that are taking place in the House today, I turned the offer down—although, as it happens, I shall miss the vote tonight because I have to attend a state dinner with the President of Ghana at the Guildhall, which gives me an excuse on matters of conscience. None the less, I should like to say a few words about the in-running betting that is offered by the UK betting operators.

I am close to Mark Davis, who is one of the managing directors of Betfair, and he has alerted me to some of the issues. It is only fair that some of them are put on the record, because when all is said and done I think that Betfair does a tremendous job. It is at the cutting edge of online betting, which is the way of the future. We need to embrace online betting, because it could bring tremendous tax revenues into the country. More importantly, we need to ensure that there is an acceptable regulatory framework so that those tax revenues do not go offshore, as has happened in the past.

All betting operators—including all the traditional high street UK bookmakers—offer in-running betting on most sports. Punters who bet on those sports generally watch the relevant events by means of what might be described as live TV pictures. The hon. Member for Livingston alerted us to the high-profile campaign in the *News of the World* about some of the problems that can arise in that regard. Depending on which TV channel an individual is watching, they might see the action with a few seconds' delay. That applies also to normal television, if one compares satellite transmission with terrestrial channels. By definition, that means that other punters, or traditional bookmakers offering services to those markets on a race course, might have a slight advantage if they are watching the event on a different channel with a smaller time delay. However, it has always been the case that a host of variables can give an advantage to one gambler over another. The punter who has a copy of *Racing Post* might have an advantage over one who looks only at *The Daily Telegraph*. Likewise, an online punter with access to a broadband internet connection will have an advantage over another who relies on a slower connection, such as a dial-up service.

Mr. Devine: Is the hon. Gentleman able to give an example in which someone is betting on the outcome of an event that has already happened?

Mr. Field: If we look beyond sport, it might be argued that some of us would know a by-election or general election campaign result half an hour or so before it became public knowledge. I doubt that the result in Cities of London and Westminster or in Livingston would be so important that tens of thousands of people across the nation would want to bet on the outcome, but a small number of insiders would clearly be aware of the result before it was publicly announced, and it could be subject to ongoing betting.

I appreciate what the hon. Gentleman says, but it is only fair to put on record the fact that Betfair is the only operator that alerts its customers to the potential for picture delays. It includes a health warning when it advertises its spread betting and its various other options for betting on events, and that alert takes the form of a clear notice on the screen showing each of the horse racing markets in which Betfair offers the in-running option.

In September 2007, as has been pointed out, the Gambling Commission will become the regulator for all gambling in the UK. That is a positive step forward. One of the commission's regulatory objectives will be to ensure that gambling is fair and open. Logically, therefore, it falls within the commission's remit to consider whether the platform provided by a certain form of betting or UK betting operator undermines that objective. I hope that the Minister will ensure that the commission has the power to look at such issues and that it will have a vision of the way in which the gambling industry will develop over the next 20 to 30 years in terms of bookmaking, the issues raised by my right hon. Friend the Member for Chingford and Woodford Green and online betting, which is definitely the face of the future.

There is much more that I should like to say, and I hope that we shall have an opportunity to debate some of the broader issues—particularly online betting—but I appreciate that the hon. Member for Hove wants to make a contribution. I shall therefore bring my comments to a close and ask the Minister to give serious consideration to what has been said.

10.22 am

Ms Celia Barlow (Hove) (Lab): I congratulate the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) on securing this important debate and on all the years of investigation and hard work that he has put into the issue. The cases that he highlights are not only important to our constituents, but have ramifications for the bookmaking community and the industry as a whole. The principles at stake are those of justice, accountability and transparency.

The bookmaking industry forms an essential part of our leisure sector and provides jobs and security for thousands of people across the country. Many of our oldest bookmakers are family-run businesses established over successive generations. Spectacles such as Royal Ascot and the grand national form part of our national calendar and are watched and admired the world over.

The legitimate gambling sector is a well established part of our leisure economy, but the case to which I wish to draw attention highlights corruption and abuse at the very heart of the National Joint Pitch Council—the regulator that was established to prevent such things from occurring. The case of my constituents Don and Garry Morrill should be of concern to the millions of people throughout the United Kingdom who are associated with or support the bookmaking industry, be they customers, business people or the thousands of employees in the industry.

The Morrill family has been trading as Taffy Ltd Bookmakers for generations. Don Morrill's first experience of the industry was as a 14-year-old boy

[Ms Celia Barlow]

when he worked alongside his grandfather. He experienced at first hand the excitement of a race meet and wanted to walk in his family's footsteps by continuing the family business, which had been in operation since 1929. When his uncle passed away in 1974, Don Morrill took over the running of Taffy Ltd bookmakers.

The allocation of pitches on a race course is determined by the length of time that an individual has been trading as a bookmaker—a procedure known as seniority, as we have heard. The greater the bookmaker's seniority, the better their choice of pitch on the race course. The position of a pitch makes a huge difference to a bookmaker's business turnover. The system was designed to ensure that the longer a bookmaker had been trading, the higher up the list of seniority they would be. It was used throughout the last century until its replacement by the NJPC in 1998.

The bookmaking community has always worked hard to regulate itself to ensure the fairest system of allocating pitches on the race course. Pitches may be inherited only from father to son, but due to my constituents' exceptional circumstances, an agreement was reached in 1974 with the National Association of Bookmakers national pitch final appeals committee under the unforeseen contingences rule. As a result, Don Morrill was able to retain a pitch on the race course, although he had to build up his seniority over the next 24 years.

It takes years to build up seniority, and the close-knit nature of the bookmaking community means that everyone is aware of everyone else's position. That concept of seniority and the manner in which the regional NJPC has allocated pitch positions under the new system, which was introduced in regulations in 1998, are the crux of my constituents' case. If the NJPC is to be the basis for the new regulatory body that will be put in place from September, it is of the utmost importance that my right hon. Friend the Minister takes a closer look at the current procedures for the allocation of pitches at race tracks in the southern region. In particular, I ask him to pay close attention to those individuals who oversee the current system.

When large sums are involved, there is always a danger that people will try to find ways to use the system for their own financial ends. In the case of my constituents, the select group of individuals whom we have heard mentioned—Tom Clarke, John Stevenson and Robin Grossmith—have placed themselves in such a position that they have been able to oversee not only the allocation of pitches, but the appeals procedure, which is virtually without precedent in the sporting world.

The activities of the soon-to-be-defunct NJPC have resulted in serious breaches of trust, which specifically involve the NJPC's ex-general manager, Clive Reams. When my right hon. Friend looks at the evidence, he will also find a catalogue of mistruths and misleading statements from Tim Moore, the chief executive officer, and the NJPC's current management.

When one looks at the evidence in the case, the proof is overwhelming. As the current regional system stands, there is no national independent appeals body to which bookmakers can take a regional dispute. The NJPC's current set-up has enabled a select group to position itself so as to act as judge, jury and executioner—a far from satisfactory situation, as I am sure my right hon. Friend will agree. Such breaches of trust have been committed by the very people whose job it is to ensure that all transactions and pitch allocations are undertaken in a fair and just manner.

We are talking about earnings varying by thousands of pounds as a result of a bookmaker's pitch position on a race course. Bookmakers with lower seniority have been found to have been given the choice of a better pick position, despite the fact that their seniority is far less than that of my constituents. Other long-established bookmakers have also found that certain individuals have inexplicably gained better track-side positions. There is evidence that those individuals are known acquaintances of those whose job it is to oversee the fair allocation of pitches.

When my right hon. Friend looks more closely into the situation, he will see the same names time and time again. Indeed, the situation has been noticed and raised by people other than my constituents. As we have heard, of the more than 900 bookmakers nationally, 292—mostly in the southern area—have lodged complaints about the allocation and auctioning of pitches. Of those complaints, which come from almost one third of bookmaking businesses, only 8 per cent. have been addressed, with 92 per cent. pre-judged by the southern region NJCP, which is headed by Clive Reams.

Tony Fairbairn, a former independent member of the NJPC, as well as ex-NJPC manager Mark Wharton and ex-NJPC official Terry Lang, assert that despite Mr. Reams's claims to the contrary, they never attended any independent appeal panel to look into the 292 complaints that were brought to the NJPC. They further claim that any appeals were in fact "binned" by Mr. Reams. Indeed, in a letter to the right hon. Member for Chingford and Woodford Green, David Bowden, the former head of the National Association of Bookmakers, acknowledged that the application of the methodology to my constituents' seniority had been "manifestly unjust".

I believe that the unjust application of the pitch allocation system is not confined to my constituents. Ladbrokes, which is acknowledged to be the second oldest rails bookmaker trading in Brighton, is placed no higher than 10th on the pick list at Brighton race course. How can the second oldest rails bookmaker in Brighton achieve second place in one region, but a place no higher than 10th in another? William Hill, the oldest bookmaker in the country, was similarly placed in a lowly position in the southern lists; it chose to pay £18,000 to secure the No. 2 position at auction, with the commission going directly to the NJPC, rather than fighting for what rightfully belonged to it.

I believe that a full independent inquiry into the current circumstances of the southern region, and of the NJPC in particular, is essential, not only to establish the facts but to assure customers and bookmakers alike that the Government take fraud seriously in all its forms. If such an inquiry were to confirm that irregularities had occurred, recompense should be given to those who lost out under the system. During any investigation, it would wholly wrong for any members of the NJPC who are involved in the

current situation to be involved in any new regulatory body being set up within the industry.

Although the present system was welcomed by those working in the industry when it was introduced in 1998, it has enabled certain people to abuse the changes in regulations for their own financial benefit and to act as judge, jury and executioner in any case or complaint brought to them. We are looking to change the rules that govern how people are to gamble in this country. It is imperative that both the public and the Government are able to make the changes in the full knowledge that all potential avenues of corruption have been adequately dealt with. Full transparency should be an absolute requirement in any process that is implemented in the future.

My constituents fully acknowledge that in ever-changing times the gambling sector itself needs to adjust and adapt. They welcome the Government's efforts to devise a fair system in which people who wish to enter the profession can do so. It is wrong, however, on the implementation of a new system for a select few people to be able to act as judge, jury and executioner, with no recourse to appeal. Who—to employ a much used expression—watches the watcher?

An independent national body would be able to provide the necessary detachment needed when a regional grievance was raised. It would also ensure parity across the whole country and make sure that any rules and regulations were applied fairly to all, with no conflict of interest. As for the specific case of my constituents, they believe that time is running out to address their concerns about the operation of the soon-to-be-defunct NJPC. Don and Garry Morrill have been let down by a system that has allowed many people working in their industry to abuse their positions and remain in them without any significant checks or balances on their actions. It would be wrong of the Government to introduce NJPC mark 2 without adequately dealing with the serious shortcomings of the current system.

I applaud the Government's commitment in seeking ways for the betting system to remain fair and open. Greater transparency benefits us all. When the new system is introduced in September we should do everything we can to ensure that the new procedures are transparent. The vast majority of members of the bookmaking community conduct themselves in an honest and above-board manner. They pride themselves on their work and the service that they provide. With the future well-being of their industry in mind, they feel that confidence is essential to maintaining their professional reputation. The House needs to do everything possible to ensure that the practices of a few cannot tarnish the reputations of many.

10.34 am

Richard Younger-Ross (Teignbridge) (LD): I shall be very brief. We have had an excellent debate and are now really waiting for the Minister's response. I just want to congratulate the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) on raising the subject. He has done so before, and I am horrified that we are here debating it again and we are still in the same situation. There are allegations of incompetence, the word "corruption" has been used, the rules clearly are not fair and there is no fair or just appeals system for people who find that the rules work against them.

My hon. Friend the Member for North Southwark and Bermondsey (Simon Hughes) said that we need cross-party consensus, and I agree. I am quite prepared to meet the Minister to discuss how we can move on and resolve the problems in a way that is not party political but that will enable us to achieve consensus and progress. We need to bring justice to a system that, judging by what we have heard today, appears to be either corrupt or incompetent, depending on one's interpretation.

10.35 am

Anne Milton (Guildford) (Con): I too will be brief, because it is important for the Minister to have the maximum time in which to answer the points that have been raised today. The situation is serious. Confidence in gambling is crucial. With respect to the remarks of the hon. Member for Livingston (Mr. Devine), I shall say only this: the debate about online gambling has only just begun and it has many episodes yet to run.

The National Joint Pitch Council will cease to exist in September when the relevant section of the Gambling Act 2005 is implemented. However, the fact that that much-criticised organisation is in its final days does not mean that it should escape rigorous investigation of the many serious allegations that we have heard. It has been investigated by the Office of Fair Trading and, in a fairly half-hearted way, by the Department for Culture, Media and Sport. In one English region alone, 300 appeals have been made against its decisions. It is responsible for the administration of betting with bookmakers, and it is telling that, time and again, it has been in court defending itself against disgruntled bookmakers, the people whom it is meant to serve. It is incredible to hear that appeals are considered by those who were involved in the original decisions. That flies in the face of any sort of natural justice. Then, to cap it all, we hear that no minutes are kept.

The concerns continue. I, like other hon. Members, praise my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith), and others who have raised continuing issues about the NJPC. We, and the Minister, must deal with the fact that it is somehow always the small man who gets it. This is a story about the big boys against the little boys; it is a story about ad hoc rule making and flagrant rule breaking. Yet nothing has been done about it, and it has taken my right hon. Friend's hard work to bring it yet again to the Minister's attention. I look forward to hearing what the Minister will say.

In its nine years of existence, the NJPC has irreparably damaged many bookmakers' businesses. It is time that we had an independent inquiry into its workings, so that confidence can be restored to the regulation of the industry before the Gambling Act 2005 comes into force. There are huge concerns, not only in this House but among the general public, about the Act. I hope that the Minister will take the opportunity of the debate to restore the confidence of hon. Members and the public in what will happen after September. Irrespective of whether conspiracy or incompetence is responsible for the problem, nothing but a full independent inquiry will do.

10.39 am

The Minister for Sport (Mr. Richard Caborn): The right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) has usefully drawn attention to a

[Mr. Richard Caborn]

subject of considerable interest to his constituent, which he has tenaciously prosecuted for a long time. I acknowledge other hon. Members, too, with an interest in horse racing or bookmaking. As the right hon. Gentleman will appreciate, it would be inappropriate to comment on any particular allegation, but it is right that I should address the serious allegations that several right hon. and hon. Members have raised.

I agree with the right hon. Gentleman that on-course bookmaking must be properly regulated, and I hope that my contribution will show some ways of ensuring that that will happen. It is also essential that gambling remains crime-free and that it is carried out in a fair and open way. Those things are the basis for, and the key objectives of, the Gambling Act 2005, which now covers this area. It will bring bookmakers within the jurisdiction of a new national regulator, the Gambling Commission, for the first time.

I will come back to that point, but perhaps it would be useful if I were to start by outlining the history behind the establishment of the National Joint Pitch Council, the involvement of the Horserace Betting Levy Board and the Government's association with those bodies.

As the right hon. Gentleman will know, the levy board is a non-departmental public body, NDPB, that operates in accordance with the Betting, Gaming and Lotteries Act 1963, as amended. Its main functions are to collect payments from bookmakers and use them for the three statutory purposes set out in the 1963 Act: the improvement of breeds of horses; the advancement or encouragement of veterinary science or veterinary education; and the improvement of horse racing.

Since 1972, the board has also had responsibility for issuing certificates of approval to race courses, providing for the location of betting rings for on-course bookmakers. At that time, the National Association of Bookmakers had responsibility for the administration of betting rings, under an agreement with the Racecourse Association, the RCA. However, in 1997, after several years of disputes, that agreement was terminated by the RCA. To ensure that betting rings were properly administered after the termination of the agreement, the levy board instigated a review.

Following extensive consultation, the review recommended that a new administrative body should be established. It was to be known as the National Joint Pitch Council. It is a condition of the levy board's certificates of approval that race courses observe the national pitch rules that the board has endorsed. The NJPC is not a public body, but a company limited by guarantee. Its functions are essentially administrative and relate to the conduct of bookmakers on race courses. In particular, the NJPC has introduced much-needed modernisation into the betting ring.

The right hon. Gentleman has suggested that the introduction of the auction of on-course betting pitches has allowed crime to infiltrate that market. He has further implied that the NJPC has turned a blind eye to that infiltration. I should remind him that the auction of pitches was implemented by the NJPC, at the request of the levy board, to ensure greater freedom and transparency in the on-course market. I should further remind the right hon. Gentleman that the fact that pitches are auctioned demonstrates that the process is transparent, since auctions take place with scores, if not hundreds, of people present. Pitches may be bought and sold only by bookmakers who have permits issued by the magistrates court and who are then subject to further NJPC authorisation hurdles. The right hon. Gentleman suggested that he could supply evidence. If that is the case, will he please provide it? We would refer it to the right people, be that the police or the new Gambling Commission. The system was a marked improvement on the dead man's shoes arrangement that existed pre-1998, and the vast majority of people said that that was so. Furthermore, the Office of Fair Trading looked into the operation of the on-course market and found no problems with the auction arrangements.

The right hon. Gentlemen has also implied that organised crime groups might be forming cartels to influence the starting price used by off-course bookmakers across the country. Again, it might be helpful if I were to explain a little about how starting prices are set and used. In 2004, the method used for setting the starting price was revised by the starting price regulatory commission—an entirely independent body chaired by Lord Donoughue. At that time, he stated that his priorities for the new system were total transparency and integrity. Indeed, he insisted on opening up the new system to press scrutiny during its testing period and, to this day, the starting price for each race is overseen by an independent starting price validator employed by the Press Association.

The importance of the starting price is that it is used in licensed betting offices up and down the country. I should remind hon. Members that the off-course industry is under no obligation to use the starting prices from on-course bookmakers. It is widely considered that the starting price arrangements benefit the customer because the on-course market is highly competitive and highly efficient, and therefore drives down off-course margins. It is perhaps for that reason that some bookmakers are beginning to consider setting their own starting prices without reference to on-course prices. If the right hon. Gentleman has any evidence of criminal conduct concerning the setting of starting prices, I urge him to draw it to the attention of the police.

Simon Hughes: The Minister has heard from several contributors, including the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) and myself, about the failure to have an independent appeals system in respect of pitch allocation. Will the Minister address that? Will he tell me whether the Department has examined that and whether it accepts that the present system—I appreciate that there will be a new system from September—has a fundamental flaw?

Mr. Caborn: The answer to that is that we have examined the matter. I believe that the hon. Gentleman received a copy of a lengthy letter that was sent on 13 October 2006 to Mr. John Morrill. I shall put a copy of it in the Library, if I have permission to do so.

Reference has been made to the appeals system. The letter stated:

"You...have...claimed that you were treated unfairly during the NJCP Appeals process that followed the integration, on the basis that your appeals were not upheld. Those appeals were judged against the revised formula set out in the NJPC fax of

20 November 1998. I agree with you that it is regrettable the NJPC has not maintained better records of the appeals panel and I have taken this issue up...However, it is clear that the NJPC was explicit that the appeal panel would hear appeals on matter of mistaken fact only, and not on complaints regarding the methodology. I have not seen your appeal papers, but I understand that you did not seek to challenge the facts relating to your start date, to which the new methodology was applied. Again the Department has not seen any evidence to suggest that the NJPC acted improperly in not upholding your or"—

the other appellant's—

"appeal."

Mr. Duncan Smith: Will the Minister give way?

Mr. Caborn: I shall quickly finish this point. The problem is that we do not have time today to deal with the important questions that the right hon. Gentleman raised about why the southern area was different from the rest of the United Kingdom.

The letter put the matter succinctly, stating:

"On 18 August 1998 John Stevenson wrote to the NJPC Chairman suggesting that the 'Stevenson Formula' was over complicated. He also highlighted concerns that the commencement dates used in the formula only went back one generation thus disadvantaging longer standing bookmaker families. On 6 October 1998 the decision that the NJPC should integrate the lists on behalf of the BPAs was reversed, and it was agreed by the NJPC and NAB that local BPAs would integrate their own lists using the Stevenson Formula and forward these integrated lists to the NJPC. All but the Southern Area BPA, integrated their own lists. Many (but not all) went through a number of iterations of their integrated lists, consulting members and amending the lists several times before they were finalised and submitted to the NJPC. On 25 September 1998 the Southern Area BPA informed the NJPC that it was not in a position to integrate its own lists. Therefore, and with agreement between Southern Area BPA and NJPC, the Southern Area forwarded its home and away bookmaker lists to the NJPC to be integrated using the 'Stevenson Formula'. On 21 October the NJPC wrote to the Southern Area BPA confirming that the 'Stevenson Formula' would be used for integration and requesting that any amendments to the home and away lists submitted be forwarded to the NJPC no later than 23 October 1998, otherwise the previously submitted data would by used for the integration. The NJPC has confirmed that all data necessary for integration of the lists was, after some delay, received from the Southern Area. The integration of the Southern Area lists was carried by John Stevenson of the NAB and Clive Reams, the then Chief Executive of the NJPC."

Mr. Duncan Smith: Will the Minister give way on this crucial point?

Mr. Caborn: It is crucial, but I just want to put it into context. The right hon. Gentleman's first argument was that the Stevenson formula was departed from and that people were seen to be left in a mess. The move was agreed by Stevenson and others.

Mr. Duncan Smith: The Minister ought to get from his officials a copy of the letter that Stevenson wrote in response to the report. He has denied all that and made it absolutely clear that he had nothing to do with that and that he did not know of any change to the Stevenson formula. It is interesting that the Minister's officials have not put that on his desk, because they should have. The critical point is that Reams made those changes without any clear reason or the authority to do so, and that he lied about having to do so because he did not get the lists. All the way through, thereafter, the levy board said that it did not have the lists, but it did—the Minister just said so—so there was no reason to change the formula. There is a real discrepancy.

Mr. Caborn: We are not going to resolve this issue in the debate. I will look into this matter with my officials. At the end of my speech I shall say how we think matters should proceed.

I thank the right hon. Gentleman for referring to the important issue of money laundering. We must ensure that there is integrity in all sections of the gaming and gambling industry. If we do not, everyone will suffer. The Government take the prevention of money laundering extremely seriously in every industry, including on-course betting. In 2000, the NJPC engaged two former senior police officers to investigate possible money laundering in the betting ring, and they found no evidence of that. However, it would not be appropriate for us to leave matters there. The prevention of money laundering is the responsibility of the Government and law enforcement agencies, and we continue to monitor the gambling industry to identify risks as they arise. That is vital in a continually evolving industry that is subject to the technological changes that have been described this morning.

Bookmakers are not subject to the Money Laundering Regulations 2003, but they are subject to the principal money laundering offences established in the Proceeds of Crime Act 2002, which carry prison sentences of up to 14 years. Again, I say to the right hon. Gentleman that if he has any evidence of money laundering, which we take very seriously, he should present it to the police.

My Department is far from complacent on these issues. The right hon. Gentleman accuses us of not taking repeated allegations seriously, but nothing could be further from the truth. The British gambling sector has an excellent reputation worldwide and on-course bookmaking is no exception to that. I am determined that it will remain so. Ensuring that gambling is conducted fairly and remains crime-free is a high priority for the Gambling Commission. Indeed, the Gambling Act 2005 sets those considerations out as the commission's priorities.

From September 2007, all bookmakers will be licensed by the Gambling Commission instead of by local magistrates. The national gambling regulator now carries out joined-up checks on the suitability of all applicants for gambling licences, including bookmakers. Those checks will go well beyond those under the previous arrangements. The commission will maintain a national register of all on and off-course bookmakers and will have robust powers to investigate, seize evidence and prosecute, if necessary.

I am aware that constituents of the right hon. Gentleman and my hon. Friend the Member for Hove (Ms Barlow) have expressed concerns about the infiltration of crime into the on-course market. I am also aware that the right hon. Gentleman's constituent has long been pursuing the NJPC for breach of contract and that the parliamentary ombudsman and two separate courts have heard and dismissed his claims and awarded costs to both the NJPC and the levy board. I agree that we must be vigilant about the risks, but we must also take care not to impose unnecessary and disproportionate measures. The new licensing regime that is being introduced under the Gambling Act—

Mr. Duncan Smith *rose*—

Mr. Caborn: This is important; I hope that the right hon. Gentleman takes note. The new regime provides an appropriate regulatory structure for on-course betting in Britain. The regime addresses the three objectives of the Act, which are to keep gambling fair, to keep it crime-free and to protect the vulnerable, particularly children. However, I appreciate that some on-course bookmakers are still unhappy about some of the NJPC's past decisions, particularly when the on-course bookmakers picking lists were combined in 1998.

Mr. Duncan Smith: The Minister said that my constituent and the hon. Lady's constituent have been to the courts, but the key point that I have made today is that the levy board and the NJPC simply perjured themselves in those court cases. They said that the lists were not available and that was why the changes were made. We now know that that is not true; the Minister admitted that just now. In essence, we have had a whole game of subterfuge. Surely that alone is enough to ask why there has been no real inquiry into this case.

Mr. Caborn: It is very serious to say that people have perjured themselves. If one makes those serious allegations, one has to make them stand up. The courts are there to make sure that matters stand up. We make the laws and they carry them out. That case has to be a matter for the courts, not the Government.

I want bookmakers, the Gambling Commission and all those with a role to play in ensuring that the new licensing system is fit for purpose to be involved in the process, and I will look for a positive way forward. It is important to resolve these problems while we are modernising and bringing in the measures in the new Act. To that end, my Department hosted a round-table discussion last month between representatives of race courses, bookmakers, the levy board, the NJPC and the Gambling Commission to discuss the future administration of on-course betting. The hon. Member for Guildford (Anne Milton) was wrong to say that the NJPC will go out of operation. It will not, but it will change its role.

Following those discussions, a working group was set up to consider possible solutions and will report shortly. The points that have been made this morning by hon. Members on both sides of the House will be put to that group, and we will ask it to consider in particular the appeal process and whether it is fair and transparent. I shall ask the Gambling Commission to report, and will ensure that its report is placed in both Houses so that it can be further scrutinised. I shall reflect on this morning's debate and consider whether further representations should be made to the working group to ensure that it takes all concerns into account. It is not in my interests or those of the gambling industry to have this kind of cloud hanging over it. I am determined to clear matters up and ensure that there is transparency and integrity.

We live in a fast-moving world, and globalisation is affecting every sector of our lives, whether that involves the Tesco store that takes over the corner shop or technology moving at such a pace that matters have to be managed differently. Unfortunately, there are casualties as a result. We might not like that, but it is a fact of life. We are trying to manage this important sector of the industry, and we have a great record. I believe that we have kept this industry crime-free since 1968, and that it probably has the greatest integrity of any such industry anywhere in the world. We are determined to take that forward with the new Act, particularly by setting out in it for the first time measures to ensure that punters have a fair bet, that the industry is kept crime-free and that the vulnerable are protected. Those are the Gambling Commission's main aims in carrying out its duties.

Richard Younger-Ross: The Minister said that there is not enough time to go through all the detail of what has been said here today. When he reflects on the debate, will he consider having a cross-party meeting to discuss these matters in greater detail and to consider whether they need to be taken forward? It seems to me that they do.

Mr. Caborn: I assure the hon. Gentleman that there has been dialogue with my officials and with the right hon. Member for Chingford and Woodford Green.

Mr. Duncan Smith: No.

Mr. Caborn: The right hon. Gentleman has met my officials.

Mr. Duncan Smith: Not since the report.

Mr. Caborn: Well, the right hon. Gentleman has met my officials several times. If a dialogue is needed, hon. Members can meet my officials or me before we have the discussion with the working group. That might not be a bad idea, but I assure hon. Members that this matter is extremely well documented. We have gone through it in detail and the right hon. Gentleman has had two court cases and been to the Office of Fair Trading and the ombudsman.

Mr. Duncan Smith: The facts are fundamentally wrong.

Mr. Caborn: If the right hon. Gentleman has evidence of perjury in the courts—

Mr. Duncan Smith: I have given it.

Mr. Caborn: That must be taken back to the courts.

Mr. Joe Benton (in the Chair): Order. We cannot have this interchange across the Chamber.

Mr. Caborn: I am very sorry, Mr. Benton. All that I am saying, very clearly, is that if there is evidence of perjury in court, it must go back to the court. It is not my officials or the Government who should make a decision on that, but the courts.

Ms Barlow: What is the composition of the working group? I add my voice to that of the hon. Member for Teignbridge (Richard Younger-Ross), because many issues have not come up in the debate, such as the conduct of auctions, which the Minister brought up himself. Will they also fall within the remit of the working group?

Mr. Caborn: I shall write to my hon. Friend to give the working group's terms of reference and its composition, and I shall place a copy of that letter in the Libraries of both Houses.

Waterloo Station

11 am

Susan Kramer (Richmond Park) (LD): I appreciate the opportunity to raise this issue before the Minister, because it is a serious worry to those in my constituency and surrounding constituencies.

Later this year, in November, we will lose the Eurostar services—

Mr. Joe Benton (in the Chair): Order. I apologise for interrupting the hon. Lady, but would hon. Members who are leaving the Chamber do so quietly?

Susan Kramer: Thank you, Mr. Benton.

We will lose Eurostar services at Waterloo International when they move to St. Pancras. That will be a genuine loss for many of my constituents because it will add an hour to train travel to the continent, and unless they revert to the airlines it will be more burdensome. Because they supported Eurostar services, my constituents and others in the South West Trains area willingly gave up one of their tracks to make the Eurostar service possible. Now, with Eurostar moving and Waterloo International being vacated, we would like our track back and the associated platforms turned over to domestic use.

The Minister will be aware that in the past 10 years passenger numbers on South West Trains are up by close to 50 per cent. Network Rail's route utilisation strategy in 2005 forecast that that increase would continue at the rate of about 19 to 20 per cent. over the next 10 years. We questioned those figures at the time, and I understand from conversations with the industry that there is now general consensus that planning in the route utilisation strategy for a 20 per cent. increase in passengers over 10 years is now recognised as being fundamentally flawed. The Minister will also be aware that the Association of Train Operating Companies has today produced a new report that predicts that the number of passengers on routes served by South West Trains into Waterloo is set to rise by 50 per cent. over the next 10 years. Those are the sort of numbers that the rest of us were talking about. ATOC based its figures on growth acceleration since last spring.

Dr. Vincent Cable (Twickenham) (LD): Does my hon. Friend agree that in developing her excellent initiative her proposal for using Waterloo International is a much more cost-effective, immediate and practical way of dealing with overcrowding than the bigger and longer-term solutions, such as the proposal for double-decker trains, which is often advanced to solve the problem?

Susan Kramer: I thank my hon. Friend, who is right. The opportunity presented by the vacation of Waterloo International platforms is a quick hit for dealing with immediate overcrowding and lack of capacity.

The original route utilisation strategy anticipated only 20 per cent. growth on South West Trains and said:

"There is no practical scope to run additional trains into London Waterloo in the high peak, and the existing trains are at their maximum permitted length".

South West Trains recently said:

"As passenger numbers rise inexorably, overcrowding will get continuously worse unless more capacity can be provided".

However, conversations with the chairman and chief executive officer make it clear that the new South West Trains franchise does not allow for that additional capacity. A few additional services are being added to the lines and will come on stream in the early-morning hours over the next year. The existing programme of increasing the number of carriages from eight to 10 on a number of trains will be completed, but that seems to be the absolute limit of any capacity growth in the franchise arrangements.

The main wheeze for dealing with the additional number of passengers seems to be to remove seats from trains. The Minister will be aware that the plan for Desiro 450 trains is to remove five or six seats per carriage. However, I am glad that following local protests the plan to create further space by removing toilets seems to have been reversed. The toilets will remain, but five or six seats will be lost in each carriage. That seems to be the main mechanism for dealing with the growth in demand.

To understand whether more is required under the franchise, we have tried to obtain a copy of the invitation to tender from March 2006, which should no longer be a commercially sensitive document because the franchise has been tendered. We want to see the invitation, not the final negotiations, and we hope that the Minister will tell us today that we can have a copy of that document, because it will give us a sense of the framework in which South West Trains is supposed to operate and deliver.

I remind the Minister that when I last had a debate on this subject in October 2005, the then Minister, the hon. Member for Regent's Park and Kensington, North (Ms Buck), said:

"The Department for Transport is now beginning to examine the options, and the initial analysis should be completed by spring next year"—

that is, spring 2006.

"That will allow the conclusions to be fed into the franchise specification and tender documents for the South West Trains franchise, which is due to go out to competition next spring."—[*Official Report, Westminster Hall*, 21 October 2005; Vol. 437, c. 1168WH.]

We anticipated that new growth would be built into the franchise and our concern is that that does not seem to have happened.

As my hon. Friend the Member for Twickenham (Dr. Cable) said, Eurostar's move to St. Pancras and its vacation of the Waterloo International platforms provides one of the few quick hits for some relief for South West Trains' hard-pressed commuters and passengers. Given how unpleasant life is on the service, my constituents would be furious if those Waterloo International platforms were standing idle after October 2007 and not being redeveloped or used for domestic train services. As you will be aware, Mr. Benton, it is not uncommon for trains to sit outside Waterloo station because no platform is available. That damages reliability of service and adds to overcrowding. I understand from previous conversations that the cost of adapting the Eurostar platforms is about £10 million, which is peanuts in rail terms.

I spoke earlier about getting back our track, which was sacrificed to the Eurostar service. To get it back, the Nine Elms viaduct would have to be removed, and

[Susan Kramer]

that would cost around £30 million to £80 million, which is rather more, but not a supreme amount of money in rail terms. However, South West Trains has said in conversations that there are no plans whatever in place to use the platforms or to do anything about the Nine Elms viaduct. My local newspaper, the *Surrey Comet*, telephoned Network Rail and was told in no uncertain terms that no decisions had been made about the future of Waterloo International and that as the delays were so long and as decision making moves at a snail's pace, even if there were a decision the earliest those platforms could be made available for domestic services would be 2010. That snail's pace of decision making makes us want to tear our hair out.

In the longer term, we need greater solutions than simply getting hold of the Waterloo International platforms. We need longer trains. The Minister will be aware that because of the tight physical envelope that Waterloo represents, the flexibility that those international platforms could offer would allow other platforms to be lengthened. The picture begins to build up. We are anxious that there is a scheme and a timetable so that we know that every train will eventually have 12 cars. We realise that that means upgrading other platforms along the line and tackling the nightmare that is Clapham Junction, but we want some sort of commitment to such a programme and some sort of timetable.

I support the London orbital scheme because if every train stopped at Clapham Junction station as part of a London orbital arrangement, that would relieve the heavy traffic that comes to Waterloo and then disperses around London because Waterloo is not the ideal destination. The London orbital scheme is by far the cheapest way of taking pressure off rail, bus and Tube services in central London. I received a note from the City of London corporation, which is very supportive of the orbital project, saying that overcrowding on the platforms at Waterloo is now so bad that in the three-hour peak period, 85,000 passengers use them. The note continued:

"Passenger congestion on the main concourse and the links to and from the underground lines are becoming a significant problem at peak hours."

I shall move on quickly to allow my hon. Friend the Member for Kingston and Surbiton (Mr. Davey) to add some comments, because his constituents, like those of my hon. Friend the Member for Twickenham, are equally affected.

Other parts of London are receiving new rail capacity. The second section of the channel tunnel rail link is near completion, Crossrail is moving ahead—so we understand—and the East London line and the Thameslink 2000 project are progressing, so it is not surprising that commuters in south-west London feel forgotten.

Over the past two years, I have frequently pressed the Government for assurances that Eurostar's soon-to-be vacated platforms at Waterloo will be used to ease congestion for long-suffering commuters on South West Trains. Network Rail suggests that the earliest point at which we can envisage the platforms being in use for local people is 2010, simply because the necessary decisions have not been made. That is unacceptable, and the timetable is unacceptable. While the Government move at a snail's pace, commuters are crushed into crowded carriages every day, and they are utterly frustrated when trains stand outside Waterloo for lack of platform space. Those passengers pay inflation-busting fare increases year on year, only to be told that seats will be removed from their trains to squeeze on more people.

I want the Minister to acknowledge the overcrowding that my constituents and other commuters experience on South West Trains, and I want him to assure us that the Government's answer will be longer—eventually 12-car—trains, and not the further removal of seats, which is turning our rail network into a "standing mode", a technical term that is much in currency. I should like him to confirm that we can see a copy of the South West Trains franchise invitation to tender, so that we at least know what to expect from the current arrangements. I want him to provide both an absolute assurance that the work to adapt Waterloo's Eurostar platforms will begin as soon as they are vacated, and a timetable for the work's completion.

Will the Minister provide an assurance about funding and a timetable for implementing the long-term solution of 12-car trains, which includes timings for the removal of the Nine Elms viaduct, the lengthening of platforms along the line and the necessary investment in Clapham Junction? It would also be good to receive an update about the progress towards a London orbital line.

One of my constituents, having suffered an impossible journey, wrote to me and said that if we could get him a reliable service into Waterloo on South West Trains, he would

"skip down the steps of Waterloo, declaiming the enlightened beneficence of south west trains and the rail regulator."

and we would tell him to add the Department for Transport to that list.

My constituents are asking not for the impossible, but for a civilised rail service. They pay high fares, they do what they are supposed to do, leaving their cars behind to use rail services to commute into London, and they want a timely response from the Government.

11.14 am

Mr. Edward Davey (Kingston and Surbiton) (LD): I congratulate my hon. Friend the Member for Richmond Park (Susan Kramer) on securing the debate, and I endorse everything that she has said. I should declare an interest as someone who uses the train every day to travel from Surbiton to Waterloo in order to reach Westminster. From that daily experience, which I and my constituents endure, I know that there is a great deal of anger about the Government's failure quickly to provide a clear lead on the issue. My colleagues and I have been bringing it to the Department's attention for two years.

A peak return ticket from Surbiton to London went up by 36 per cent. this year, thanks to the Mayor of London's rezoning policy, which the Department did not challenge. My constituents face a 36 per cent. rise in fares, overcrowded trains and no sign of any relief, so the Minister will understand why they are so cross. The lack of capacity that produces such overcrowding has been brought to the Minister's attention for some considerable time, and given the pressing macro need—

climate change—for more public transport, it seems absurd that the Government have not grasped that major opportunity. As my hon. Friend the Member for Twickenham (Dr. Cable) said, it will provide the taxpayer and the Department with value for money, and the Government should grab it with both hands.

Following the questions that my hon. Friend the Member for Richmond Park asked, I have two specific queries. First, why has there been a delay in decision making? The decision ought to be a no-brainer. Secondly, why has there not been any planning for an interim solution, such as the small amount of investment that would be needed to enable at least some trains to access the Eurostar platforms and relieve congestion elsewhere on the station? We want answers to those questions and to the questions that my hon. Friend asked, so I hope that the Minister will answer them today or in writing, because we are beginning to lose patience.

11.16 am

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): I congratulate the hon. Member for Richmond Park (Susan Kramer) on securing the debate. Before I turn to my general comments, I shall respond to a few of her questions, many of which are answered in my prepared notes.

The debate is important to the hon. Lady and her constituents, so I make an appeal to her, because sometimes I am discouraged as these debates tend to be pejorative and partisan. First, she said that she and her constituents were disappointed at Eurostar's move from Waterloo to St. Pancras, but later she said that her constituents were going to get their track back—track that had been sacrificed to Eurostar. She might want to consider whether Eurostar's move from Waterloo to St. Pancras is good or bad, because she seems to be saying that it is both.

The hon. Lady wants me to acknowledge the overcrowding on the South West Trains franchise, which of course I do. I am well aware of the difficulties for many commuters using many commuter services into major conurbations in Britain. However, her comments implied that she wants the Government to intervene in South West Trains' decision in the past year to remove seats. I have said on several occasions that it is not the Government's role to intervene in the operational decisions of any train operating company. Perhaps it is Liberal Democrat policy to take control of such measures, but it is certainly not that of the Government.

Susan Kramer: I should like some clarification, because from conversations with South West Trains, I understand that in its response to the invitation to tender for the franchise, the plan to remove the seats was embedded as the cheapest mechanism for dealing with increased passenger demand. When the Government say that it is nothing to do with them, it is a rather disingenuous way of disclaiming their responsibility for setting the framework of the franchise so that it can cope with passenger numbers.

Mr. Harris: On this occasion, the hon. Lady is entirely wrong. The South West Trains franchise includes commitments to increase capacity on peak-time services, and I shall come on to that, but it does not specify the way in which the capacity should be achieved.

The hon. Lady and the hon. Member for Kingston and Surbiton (Mr. Davey) also talked about inflation-busting fares. First, in response to the hon. Gentleman, ticket rezoning was not the Mayor of London's initiative, but that of the Department for Transport. It was an excellent initiative, which was widely welcomed, and it will pave the way for the use of Oyster card pay-as-you-go fares throughout Greater London. *[Interruption.]* The hon. Gentleman is clearly unhappy about that.

Although some passengers, including some of the hon. Gentleman's constituents, will have to pay extra fares, overall the decision to rezone is revenue-neutral. There are winners and losers, but as a result of rezoning, overall the train operating companies will not take any more money than they did before. That probably will not be included in the hon. Gentleman's press release about today's debate. Since the Liberal Democrats make great play of the need for smart-card ticketing and other innovations that encourage people on to the rail network, I am surprised that he takes such a parochial view about something with major, positive implications for the rail network.

Mr. Davey: Will the Minister return to the Department and ask his officials to examine whether the rezoning was required for the smart card technology? I have been told by a specialist that it was not.

Mr. Harris: I can confirm to the hon. Gentleman that it was necessary. On the invitation to tender, my understanding is that it will be published. I am happy to write to the hon. Members for Richmond Park and for Kingston and Surbiton to confirm when that will happen.

I know that the hon. Member for Richmond Park asked a number of parliamentary questions on the future use of Waterloo International in February, and I hope that the debate will add to the information that I gave in my answers and provide a useful update to the House following the previous debate on the subject in October 2005.

Waterloo is a vital part of the national rail network and is especially important to the users of South West Trains services. About 150,000 passengers use the station during peak periods each day and up to 750 services a day are operated by South West Trains, making Waterloo one of the busiest stations in the country. I am pleased to report that operational performance is much improved since the introduction of the revised South West Trains timetable in December 2005. The industry standard public performance measure of trains arriving on time now stands at 89.7 per cent.

Passenger growth on the relevant part of the rail network is expected to continue in the coming years, as the hon. Lady said, although I doubt whether anybody in the industry could be found who would bet a large amount of money on whether that growth will be 20, 25, 30, 35 or 60 per cent.

Susan Kramer: I simply refer the Minister to today's report from ATOC, which uses the numbers that I gave as a direct quote.

Mr. Harris: I did pick up that reference, and I am sure that ATOC itself will not guarantee a particular rate of long-term patronage growth—nobody does. The predictions are useful, but they are all indicative.

[Mr. Tom Harris]

Passenger growth is expected to continue and the franchisee has planned a number of initiatives to address it, including extra rolling stock and the reconfiguration of the interiors of some trains to increase their capacity, as the hon. Lady mentioned. I shall have more to say on both points.

The hon. Lady said that she has been pressing the case for the former Eurostar platforms at Waterloo to be put to domestic use following Eurostar's departure for St. Pancras. I am sure that she noticed that in October 2005 my right hon. Friend the Member for Edinburgh, South-West (Mr. Darling), then the Secretary of State for Transport, announced that the platforms at Waterloo International would be retained for domestic passenger use. I am delighted to welcome the hon. Lady on board that campaign. I can confirm that the move to St. Pancras will take place on 14 November this year.

My right hon. Friend's announcement was widely welcomed for removing the uncertainty that had inevitably grown up about the future of the international platforms at Waterloo. In the period since the announcement was made, my officials have been working with others in the rail industry to determine how the platforms should best be used to maximise the benefits while ensuring value for money. A number of studies have been undertaken since 2005 to assess the scope and benefits of converting the international platforms for domestic use. A feasibility study was completed in March 2006 by Halcrow and concluded that, in the short term, running some existing South West Trains services into the international platforms could deliver worthwhile performance benefits. It also reported that the longer term prospects for making full use of the international platforms needed further development.

Meanwhile, in early 2006 the Department undertook a competition to find a new operator for the south-western franchise, and in September the franchise was awarded to Stagecoach. The new contract included a number of service improvements that Stagecoach is now required to deliver. Several are especially relevant to today's debate, including an increase in capacity, with 21 per cent. more mainline peak seats and a 20 per cent. increase in peak suburban capacity; the deployment of 17 additional class 450 units, and a rolling stock refurbishment programme to deliver extra capacity. Trains must be lengthened on almost all peak services to the maximum length that can be accommodated at station platforms; there will be an additional morning peak service from Basingstoke to Waterloo, and 10-car trains will be introduced on Windsor to Waterloo services in 2010, which I hope the hon. Member for Richmond Park will particularly welcome.

Also included in the specification for the franchise was a "priced option" requiring bidders to identify the costs and benefits of using the Waterloo International terminal for domestic train services, assuming that the physical work to convert the station had been completed. The priced option from Stagecoach for the south-western franchise provided more evidence that further development was needed to secure the longer term benefits of making full use of the international platforms.

Building on the findings of the Halcrow study, my officials are now focusing on two phases of further development work, both of which involve close co-operation with key stakeholders including Network Rail and South West Trains. That work will be in advance of any wider, longer term redevelopment by Network Rail, about which I shall say more later. In summary, there will be two phases of work. First, there will be a short-term solution to convert the international platforms as quickly as possible following Eurostar's move, providing the capability for some existing South West Trains Windsor line services to use the international platforms and so delivering performance benefits quickly. The intention is that that capability will be available not from 2010 but from December 2008. Secondly, in the medium term we will want to make use of the international platforms as part of a wider strategy to provide crowding relief to some of the busiest trains using Waterloo.

The objective of the work is provide the capacity, through the use of the international platforms, to operate longer mainline suburban trains into Waterloo. That will relieve overcrowding and provide capacity for growth in advance of wider Network Rail redevelopment proposals for the station. Looking beyond the short term, Network Rail is developing a comprehensive redevelopment plan for Waterloo aimed at relieving congestion on the station concourse and allowing longer suburban mainline trains to operate into the station.

We must be aware of the important links between any station redevelopment project and the wider regeneration of the north Lambeth area and the south bank. Network Rail's scheme is a major project and, if implemented, would require major reconstruction of the existing concourse. A significant amount of work has still to be done by Network Rail to develop a scheme that has a robust business case and is affordable. That means that full implementation is still some way off—we do not expect it before 2015, and it is highly likely that additional mainline suburban capacity will be required before then. That is why the current development study is being used to develop a range of options to address that requirement in the meantime.

Preliminary conclusions from the study suggest that making full use of the international platforms could address the significant crowding now experienced on mainline suburban train services using Waterloo. One option is to use the platforms for Windsor line services. Other trains could then "shuffle" across the remaining platforms at the station, which in turn would allow the current mainline suburban services that are restricted to the eight-carriage platforms—platforms 1 to 4—to move to platforms 5 to 8, which can accommodate 10 carriages. There might then be a case for platforms at stations along the mainline suburban routes from Waterloo to be lengthened. That would make it possible to run longer suburban mainline trains into Waterloo, providing significant crowding relief and capacity for growth.

Such a "shuffle across" would require some changes to the track layout on the approaches to Waterloo. The study is therefore assessing the scope of infrastructure modifications that would be required to improve capacity and operational flexibility. Track and signalling modifications would be required, and the

scope and cost of the potential modifications is currently being determined.

Mr. Davey *rose—*

Mr. Harris: I think that the hon. Gentleman will accept that I have been rather generous in allowing interventions so far.

There are other potential works that could provide further capacity on the approaches to Waterloo. An example is removing the flyover at Nine Elms, which the hon. Lady mentioned, providing eight running lines. The benefits of that and other options are still being determined, but we expect that more information will be available in the spring.

Mr. Davey *rose—*

Mr. Harris: I feel in a generous mood, so I shall give way to the hon. Gentleman one more time.

Mr. Davey: I am grateful to the Minister. He has given a full report, which shows the benefits of the debate having been secured by my hon. Friend the Member for Richmond Park. Will he undertake to meet myself and my hon. Friends, or allow us to meet some of his officials, so that we can understand in greater detail the plans that he has outlined? They are so important to our constituents.

Mr. Harris: As I said yesterday in another conversation, my door is always open although I may not always be in. Of course I am happy to meet any of my parliamentary colleagues to discuss issues of concern to their constituents. If the hon. Gentleman wants to write to my office, we will make an arrangement.

A recommended option for the short-term conversion of the international platforms to domestic use will be selected in the spring. Our aim is to implement the preferred option by December 2008. We hope by the spring also to have identified a range of options for the longer term. That is when we will focus on further capacity improvements to the approaches to Waterloo, including the "shuffle across" that I described earlier, and the ability to run longer trains. If a positive business case can be made and the necessary funds found, further development work will take place to identify a preferred option in close dialogue with Network Rail and Stagecoach South Western Trains. At this stage it is not possible to confirm implementation time scales, but the objective will be to develop a cost-effective and implementable scheme as quickly as possible.

11.30 am

Sitting suspended until half-past Two o'clock.

Drugs Policy (Prisons)

2.30 pm

Frank Cook (Stockton, North) (Lab): It is a great pleasure to be speaking from the Floor of the Chamber under your chairmanship, Mr. Benton. As you know, I frequently occupy the seat that you are currently occupying. May I ask you to convey to Mr. Speaker my gratitude for permitting me the opportunity to raise the issue of drugs policy in prisons?

When I first decided to pick up the baton and run with it, I knew very little about the subject. I had some feelings about drugs, but I had no idea of the problems that they cause in Her Majesty's prisons. I have learned a good deal more about drugs thanks to Lexington Communications, which sent me an executive summary and a full copy of the report by—let me get the title right—the Royal Society of Arts commission on illegal drugs, which was a two-year study by academics, drug workers and senior police officers on illegal drugs, communities and public policy. I have read some of the report and I shall probably try to read the rest of it, because it is engaging. I was also helped by the Library, which sent me its debate pack, which is also full of relevant material.

What I want to talk about is not really drugs, but the manner in which we try to regulate, manage and control the use of drugs in Her Majesty's prisons and the difficulties that that presents to the loyal service of prison officers, who are doing their best to cope with an increasingly difficult situation. I should like to touch on a number of the increasingly difficult problems.

The high availability of drugs in prisons has a corrosive effect. I am afraid that anxiety is growing about the inadequacy of current Government policy to combat the supply and distribution of drugs, which are reported to have reached epidemic proportions in the United Kingdom generally. Researchers estimate that the UK has 360,000 problematic drug users. Britain has a higher recorded rate of opiate use than anywhere else in the world, and our consumption rates of cocaine and amphetamines are arguably the highest in Europe. The Home Office has estimated that the social cost of drug abuse in Britain alone is between £10 billion and £17 billion a year. We should therefore be in no doubt about the scale of the problem.

Western attempts to destroy the opium poppy crop in Afghanistan have met with fierce opposition in Helmand province, where British armed forces are currently engaged. The harvest is now 30 times what it was in 2001. The industry is worth $3.1 billion, and the local population depends on it, of course. That cycle of dependency is mirrored in the British drugs trade, which is apparent in our local communities and even in our prisons.

According to the recently published report to which I have referred, the current system is "crude, ineffective" and "riddled with anomalies". The authors of the report urge a radical overhaul of drugs policy to take account of the criminal, social and health problems that drug misuse causes. Polling evidence indicates that the public are ready to consider an alternative approach to tackle the spiralling drugs culture—an approach that advocates pragmatic reform and addresses the harm inherent in the current system.

[Frank Cook]

The Prison Service is struggling to cope with the high availability in its prisons of illicit drugs, the prevalence of which is blighting local communities. Cell searches regularly turn up large quantities of drugs. Substantial investment in treatment programmes to wean offenders off addiction is futile without stringent measures and resources to fight the supply and distribution of illegal drugs in prisons.

Selling drugs in prison is a lucrative business because drugs command a large fee when smuggled in. Various methods are deployed to circumvent measures to detect and eradicate the supply, sale and distribution of drugs, the sources of which are numerous. Prisoners' friends and relatives are often found trying to smuggle drugs into prisons during visiting time. It has been known for prisoners to use children to shield themselves from the view of CCTV while they swallow the drugs or insert them in some quite intimate places. Drugs have been found hidden in clothing or nappies: as prisoners are permitted physical contact with their children, they can retrieve drugs from clothing with relative ease. Prisoners are highly aware that prison staff will not intervene to intercept the passage of drugs in order to safeguard the child from further risk of harm.

Mr. Henry Bellingham (North-West Norfolk) (Con): I congratulate the hon. Gentleman on securing this excellent debate. I tabled a question to the Home Office the other day about the number of prison staff investigated for trafficking drugs or prohibited articles. The reply from the then Minister, the hon. Member for Slough (Fiona Mactaggart), was that 64 members of staff were investigated last year, but she also stated that it was not possible to determine how many of them were found to have had such items in their possession. Surely the Home Office should know what is going on and be much more open in its replies to hon. Members.

Frank Cook: I am grateful to the hon. Gentleman. He is a very experienced Member and well versed in the legalities of this country. I shall be coming to that very point as I move further into my speech.

Smuggling practices can be difficult for prison staff to detect, owing to the different methods used by male and female smugglers. Female couriers secrete drugs in cling film or balloons, swallowing the items before they are arrested. Visitors are regularly found, or are caught on CCTV, removing illicit items from their person or attempting to pass drugs to the prisoner. Visitors smuggle drugs in their mouths and place them in food items that are available from the visiting hall.

Drugs command a large fee once they are in the prison system. Drugs smugglers are paid between £50 and £100 to bring in illegal substances, with little or no risk to the prisoner concerned. Both prisoners and their visitors flagrantly defy the controls put in place to stem the flow of drugs into prisons. Ex-prisoners who are still heavily involved in the drugs trade carry out visits, as do strangers. Prisoners often ask staff whether visitors have arrived, only to be informed that their visitors are sat at the table waiting for them; the prisoners, not knowing who their visitors are, cannot recognise them. There is a form of discipline involved that is pre-organised.

People are encouraged to breach their bail conditions by entering prisons packed with drugs. Vulnerable prisoners are bullied, usually by drug dealers, to persuade friends or members of their families to smuggle drugs into prisons. In many cases violence is used to intimidate and frighten prisoners. Assaults on prisoners and staff have dramatically increased as a result of greater vigilance to stop the influx of drugs on prison visits. At present, staff intervention offers the only means of halting the supply of drugs on prison visits, but that endangers both the staff and others.

Prisoners suffer assaults if they fail during a visit to acquire drugs intended for another prisoner. Slashings across the face and scalding with hot water or hot sugar to intensify the pain and scarring are common brutalities. Addicts in prison acquiring drugs on tick with no money to pay the dealer, are threatened and their immediate families are intimated to recover the debt owed.

To avoid the pressure to smuggle, visitors have pleaded with officers to be banned from prisons or have admitted that they have made attempts to introduce drugs. However, prisons do not act on such information or seek to establish the reasons why visitors smuggle drugs. When denied access to family visitors, prisoners may begin to self-harm and it is thought inadvisable to provoke that kind of reaction.

For every drug capture in the visitors' hall, it is thought that 20 successful passes go undetected by staff or CCTV. Staff can monitor only prisoners identified as a problem. Desperate to fight an escalating drugs trade, the Prison Service resorted to using sniffer dogs to detect drugs on prisoners and their visitors, which proved to be extremely effective. However, the regular training that the dogs require to maintain successful detection rates is not adequately resourced. When the dogs are retrained, no contingency measures are put in place. As a result, the drugs trade within regains its foothold on the system and starts again.

Prisons are seeing an increase in drug smuggling through prisoner correspondence. Letters in and out of prison are censored by correspondence departments, which find on average 10 to 12 items containing drugs a day. Another ruse used by prisoners and smugglers to evade detection is falsified legal correspondence. Letters from solicitors are privileged and officers are prohibited from opening them. Drugs are usually detected by a manual check of the mail, an X-ray or sniffer dogs, yet vast quantities still get through to the inmates.

Prisoners are permitted to receive items of clothing and although X-ray machines screen items sent into prison, drugs are found stitched into the labels of garments.

Mr. David Burrowes (Enfield, Southgate) (Con): I congratulate the hon. Gentleman on the subject of his debate. Does he agree that drugs can enter by less sophisticated routes? At Pentonville, my local prison, cannabis and other drugs are simply being thrown over the wall.

Frank Cook: The hon. Gentleman must have read my script; I am coming to just that issue.

CCTV cameras are not fit for purpose. People brazenly throw drugs or firearms components over prison walls.

safe in the knowledge that although they can be seen doing so, the cameras are not sharp enough to distinguish features. Criminals can therefore escape easily without fear of detection. The problem is compounded by a shortage of cameras and broken-down equipment that waits months for repair, the cost of which is prohibitive to the Prison Service. New CCTV operators require formal training, which, not unlike the cameras, is in short supply. When evidence of drug smuggling is gathered, prisons are unable to prosecute offenders because the evidence is not sufficiently robust to substantiate a charge and punitive action.

At present, the Prison Service carries out mandatory drug tests on only 10 per cent. of the prison population, yet figures show that more than half the prison population are using drugs. That means that drug testing is four and a half times below the level required to tackle substance misuse—and that does not take into account the many addicts on our streets and in our local communities. Unsurprisingly, prisoners on drugs go to great lengths to avoid giving samples for testing. They carry non-drug users' urine in phials about their persons to obtain clean test results if they are subjected to a random test.

Of course, non-drug users are quick to realise that there is money in selling samples of drug-free urine to addicted prisoners. Despite the best efforts of staff to search prisoners before they are required to provide a sample, prisoners still manage to cheat the system. Prison officers' powers are limited because they are forbidden to carry out intimate searches that would expose that illicit practice. However, even that deterrent would be unlikely to be of consequence to a determined user, who faces no retribution on failing to produce an unadulterated sample. If he is caught with drugs in his urine, nothing happens. Officers carrying out the tests are unable to conclude with any certainty which prisoners are on drugs.

The Prison Service is to be commended on its commitment to assist offenders to overcome addiction. It has invested heavily in drug treatment programmes. Prisoners who sign up to such schemes must consent to compulsory drugs testing, but that condition is proving to be no hardship, as prisoners can choose when to be tested and commonly falsify the results. If they have signed up to be tested occasionally, they can simply go to prison officers and say, "I'm ready to do my test now." That takes them out of the system until their next turn around. Treatment programmes evoke sympathy, but are all too often labelled as the definitive solution in the war on drugs. They are not a panacea, or why would prisoners who enter prison without a drug problem be discharged from prison with one? The problem is growing because of our inability and the ineffective system within prisons.

Drugs are common in all prisons in England and Wales, yet it seems that methadone substitutes are the currency of choice for dealers and distributors. To feed their habits, many addicts resort to crime such as violent robberies and the targeting of the most vulnerable in society, especially the elderly, as they seek money for drugs. When addicts request help, doctors prescribe methadone substitutes, which can be purchased illegally for between £1 and £5 a tablet, but command anything between £50 and £80 in prison. A booming trade ensues, creating an unscrupulous yet profitable business. Once an addict is in possession of a prescription, it is not uncommon for him to sell it or the medication separately so that the drug finds its way once more into the local community and distribution system within the prison.

Prison staff provide an essential and valuable service to the public. Working in an extremely challenging environment, prison officers risk their personal safety to confront—without appropriate back-up—volatile, abusive and illegal behaviour on the part of visitors and prisoners. Much greater, sustained public sector investment is needed in the Prison Service to address the steady increase in the availability of drugs in prisons, and particularly to combat drug smuggling. Extending treatment programmes to tackle the effects of drugs by preventing consumption is all very well, but that is of limited use without rigorous measures to stop their supply and distribution.

Drugs use in prison—the scourge of substance misuse in the community—is often framed in the context of crime figures, and the trade itself is portrayed as a problem confined to and orchestrated by a limited number of dangerous criminals. Focusing our attention exclusively on achieving unrealistic targets in the fight against crime fails to acknowledge and confront the scale of the problem, leaves prisons unable to cope and consigns our communities to decay. Urgent action is required. The Prison Service needs support, resources and an unequivocal commitment to tackle the supply of drugs in addition to any efforts to treat addiction. Eliminating the passage of drugs into prisons would enable communities inside and outside to recover from a culture of criminal violence that is intolerable, insupportable and unendurable.

The evidence clearly shows that the Prison Service is currently ill equipped to prevent the supply and distribution of illegal drugs in prison, which have reached epic proportions. At best, the Prison Service is merely holding back the tide of the drugs trade. At worst, it is being swallowed up by it. A problem of such magnitude and of concern to us all demands immediate action. It is recommended that the Government commission an investigation urgently and identify what resources can be made available to the Prison Service to fight the cause of the problem, and not just the symptoms.

That is the end of my formal brief, and I am happy to have put it on the record. I also engaged in interviews with officials from the TUC and the Prison Officers Association, who are all concerned about the matter. In my closing remarks, I shall mention some of the points from the minutes of our exchanges.

The more hardened criminals, I was told, coerce more vulnerable inmates into allowing their families to be used as mules, as they are called, to carry in drugs, and a compliant inmate and his family can earn as much as £200 to £300 a visit. The problem is not only the drugs, but the cycle of violence that they cause inside and outside the prison. I am told that it is easier to obtain illegal substances inside jails than in society. Cell searches regularly turn up large quantities of drugs, not just the odd wrap. Unofficial transactions inside are based not only on drugs but on mobile phones and, of course, the threat of violence—where would we be without the threat of violence? That leads me to point out that I would like to be part of the debate upstairs this afternoon, but there we are.

[Frank Cook]

The cameras employed are not fit for purpose. If we can take photographs from space with the Hubble telescope, and heaven knows what else, why cannot we improve the standard of the CCTV cameras to provide a more discernable image outside? I would have thought that deploying more and better cameras would be a fairly simple and, if we engage in bulk buying, cheap exercise.

I have mentioned the national uniform testing regime under Prison Service rules, where 100 randomly selected prisoners a month are, as they say, MOT'd. Of course, once those 100 have been MOT'd and been given their clearance, they can carry on, safe in the knowledge that they are hardly likely to be tested again for some time. According to the team that I interviewed, of the last sample of 100 who were tested, 44 tested positive. Some tested positive for Subutex, which is an increasing element of the problem.

Responsibility for health in prisons was passed across to primary care trusts last April. I am sure that it was done for the best of reasons, although some in the service say that there are doubts about whether it is any better now than it was before. One of the serious problems that it has led to is that inmates can now more easily obtain paracetamol. One might not think that is a problem, until a prisoner overdoses on paracetamol. That, too, might not seem to be a problem, but when that inmate has to be taken to the local hospital for attention, staff have to be taken out of the prison to engage in escort duties. The complement of staff in the prison is reduced, which places increased duties on those who remain behind.

I want the Minister to admit that the Prison Service has a problem, that it is getting worse and that it needs attention. It is not merely a question of throwing money at the problem: we have to examine critically and clinically the regimes that we have that disallow staff conducting searches and scrutinising prisoners' and visitors' activities in the prison. I am told that many claims are made for the Phoenix therapeutic course, which supposedly weans voluntary participants off drugs, but in many cases it has the opposite effect. Those who have signed up can go along for their test whenever they feel like it, get clearance, and then go back and continue to do what they were doing before. We must be careful about accepting statistics that are derived from such sources of information, and circumspect about the validity of the claims that are made.

I have some direct questions for the Minister. He is a straight man and I have known him well for quite a long time. Does he agree that there is a growing problem? Does he agree that it needs more attention? The most I can ask in such a debate, in this place and at this time, is whether he will agree to investigate the subject on our behalf.

2.56 pm

Tony Baldry (Banbury) (Con): The hon. Member for Stockton, North (Frank Cook) has done the House a service by introducing the debate this afternoon. What came through in his comments was the considerable frustration of prison officers who have to deal with the problem every day. Sometimes we josh about the Prison Officers Association, but prison officers do a difficult job with great patience and are much to be commended. I have a slightly different take on the subject; one of the great advantages of being a Back Bencher is that one can have a slightly different take on things. We have to accept that a culture or subculture of drug taking has become endemic in parts of society. The test for the Prison Service is the reoffending rates.

Prisons are bloody miserable places, and that is not because people are not being properly looked after. We tend to have an image of prison rather like the television series "Porridge", with jolly old lags having fun teasing the prison officers. Actually, they are mostly full of rather pathetic people who are addicted to substance abuse, drug abuse or alcohol abuse and who have practically no levels of literacy or numeracy.

We should start from the principle that the punishment is being deprived of freedom, that prison takes away a person's freedom, and that society takes away that freedom for a period based on a tariff. The objective should be to try to ensure that when that person is released from prison they do not reoffend. The reoffending rates in this country are pretty horrific. Generally, people go back to the communities from where they have come and offend again—they burgle or steal to feed a drugs habit. Perhaps we need to accept that certain prisons and certain wings of prisons will be places essentially to rehabilitate drug and substance abusers.

The reason that I am taking part in the debate is that I spent part of last Friday in Oxford with a charity and non-governmental organisation called SMART, which is in part funded by the Home Office. It does excellent work. Many of the people working on the SMART project are ex-drug users who have been clean for a long time and spend a lot of time mentoring and helping people who have a drugs problem. They said to me, "Look, it's very difficult for us. We want to help people in prison, but by the time our team has got clearance from the Criminal Records Bureau"—as the hon. Gentleman pointed out, prison governors understandably want to ensure that drug abusers do not come into prison under other guises—"it is difficult for us to exercise mentoring abilities in prison, but we have been through this. We have done it." Bullingdon prison is in my constituency, and maybe we should just accept that one wing at Bullingdon, for example, will be a therapeutic wing for people who are there to try to get off drug abuse by whatever means are possible.

We also need to support organisations such as SMART, which themselves and with volunteers meet people coming out of prison literally at the prison gate. They say that the money that such people are given as a discharge grant often disappears in the car park, so they meet them at the prison gate and mentor them. They take them and find them accommodation, which is often not easy. They support them through those crucial few days and weeks and try to find them a job. It is not easy to find a job if one is not literate or numerate or has poor skills. Again, that needs to be addressed in prison.

We have a system that goes back, I suspect, to the late '60s, when there were a number of prison escapes and we classified prisoners as A, B or C under the Salmon reforms. Perhaps serious drug abusers and dealers should be in a particular category so that they spend time simply ensuring that when they leave

prison, they have no more excuses and cannot say that they cannot get work. They should have no excuses for not going clean and staying off drugs.

I understand the frustration of prison officers—they rightly believe that someone is taking the Charlie out of them by abusing the system—but we might need to rethink what prison is about. Parts of prisons, or some prisons, should be seen almost as therapeutic centres. The punishment is taking away prisoners' freedom and detaining them for their tariff, but the objective is that when they leave prison they do not reoffend. I do not wish to caricature the hon. Gentleman's speech, but if the prison experience is simply a game in which prisoners try it on with prison officers, all that happens is that when they come out into society they persist in trying to take on the system for life. We need people who come out of prison and want to get on with their lives, get clean of drugs, find employment, settle down and not reoffend.

A large number of my hon. Friends wish to take part in the debate—indeed, it is so popular that not one but two members of the Opposition home affairs Front-Bench team are taking part. I wish finally to say that we all owe a debt to a report issued the other day by the Royal Society for the Encouragement of Arts, Manufactures and Commerce. One of the most alarming things in it was the estimate that there are something like 70,000 professional drug dealers in the country—those who make drug supply a business. There should be no mercy for those people, who look upon dealing in drugs as almost an industrial enterprise.

All of us suffer, whether our constituencies have run-down housing estates or are in relatively prosperous areas, like mine. In my constituency places such as Banbury and Bicester, just off the M40 extension, are soft targets and drug dealers come in. The SMART team told me that in Banbury or Bicester people can text for drugs, and that it is as easy to get a delivery of drugs as to order a pizza. They were not being in any way alarmist, just matter-of-fact. I find that extremely frightening, and I hope that we can continue to ensure that police forces—drug squads used to deal with this issue, but it is now part of serious crime—have the resources to bear down on people, often in cities, who see the supply of drugs as a business. They are truly evil, and every effort should be made to disrupt and prevent their activities and bring them to justice. They prey on our communities and our children.

3.4 pm

John Mann (Bassetlaw) (Lab): In the limited time that I wish to take I shall not go into the report of the Royal Society of Arts, save to say that I disagree with the hon. Member for Banbury (Tony Baldry). I was disappointed by the vagueness of many of its conclusions and the attempt to be all things to all people. That is the problem with drugs policy and has been for generations. It is a cross-party problem and has been for generations, and it affects our prisons significantly, as was pointed out clearly by my hon. Friend the Member for Stockton, North (Frank Cook), who needs to be congratulated on his initiative in securing the debate.

It never fails to amaze me that we do not learn from abroad or, in this context, from home. Scores of lessons can be learned from abroad, but we British seem not to bother learning them, especially on drugs policy. At home, I tell the Minister that there is a secure unit, where nobody gets out and it takes rather a long time to get in. It is in my constituency and has 1,700 or 1,800 employees, all unionised, and is the biggest Prison Officers Association branch in the country. It is Rampton, and those who go there do so with many different addictions.

Anyone who wants to study addiction in this country can examine what happens in Rampton, an environment that drugs do not get into. They do not get in because the POA members there are honest citizens. It is so difficult to get in and out, even for those who work there, that if there was ever a bad apple among them, they would have to be incredibly inventive to manage to smuggle anything in. There is little evidence of drugs circulating in Rampton, so the nature of addiction and addictive disorders can be studied there for a lifetime. We do not use that experience.

If people who have addictive personalities—a small proportion of those who are on addictive drugs—cannot get their drug of choice, they take something else. In a place such as Rampton it is boot polish, meths—the old story—or anything that is available. If nothing is available and such people are locked in their cells, they adopt a different addictive abnormality. That is documented at Rampton in individual detail, and we have not used that evidence to inform our drugs policy, as we should. There is a lot to learn, and I strongly recommend that the Minister considers that and meets the POA at Rampton. Its members there are probably more informed on the matter than they realise.

I wish to challenge one aspect of Opposition policy, not to score points but to contribute to the debate. On what the hon. Member for Banbury said, his party suggested in the Scottish elections that £100 million should go on residential rehabilitation in Scotland. We have residential rehabilitation—it is called prison. When I did my heroin inquiry I spoke to the majority of heroin addicts in my constituency, virtually all of whom had been in and out of prison regularly. I found that many of them had committed crimes in order to get into prison. Why? Because that was the one break that they could give their families from their repeated low-level offending. There were countless examples of people fighting to claim responsibility for the same crime because there was a potential prison tariff. Prison is a rehabilitation for them—I call it a comfort break from the lives that they live outside.

What does that mean for policy? The problem in prison is that there is a whole group of people who have offended and many of whom are bad instinctively. Some of them are there purely because they have a drug addiction and steal repeatedly because of it. What we do not do in this country is treat them.

Everybody wants to be an expert on drugs. If someone in prison had cancer, they would get treatment, and there would be no surprise as to how that was done. When it comes to drugs policy, all sorts of people earn a good living talking about drugs and doing things about them, but the people who should be treating drug addiction are the doctors. The evidence from my constituency, as from most parts of the world, is that doctors who treat addiction have a far better

[John Mann]

chance of getting rid of it. In terms of prison policy, that means that the treatment opportunities available outside prison should also be used inside prison.

I congratulate the Government on what they have done in that respect. I pushed hard to get methadone maintenance programmes into prisons, and the Government agreed to introduce them, after a lot of pressure. In that respect, I read an article today about some of the successes at Wandsworth prison. Such moves help staff in prisons, who tell me that their key fear relates to dealing with prisoners who get access not to drugs, but to needles. Such prisoners may start threatening or stabbing prison officers, and that is a particular problem where needles are shared and there is a danger of hepatitis C, which is the most common problem. I would not want to be in the position of those prison officers, with prisoners sharing needles and potentially stabbing me as I went about my everyday work, because that could be life threatening to me.

What we need is effective GP provision, but what I see in prisons is a mish-mash of vague ideas. There is this vague concept of rehabilitation, which is all things to all people, and my advice to Conservative Members is that they should define it. My definition is that people get the same treatment inside prison as they get outside and that the first thing they do when they leave prison, rather than being ferried around by countless police officers and drugs workers, is continue their treatment with their own GP, in their own GP practice, in their own community. The evidence from my constituency, like the evidence from Sweden, France, Australia and other countries, is that that approach works. It does not work for everybody, but it has the same success rate—about 60 to 70 per cent.—as with any other illness that involves relapses.

That is the policy that we need and it is a sensible policy in prisons. If it is to be effective, we should give additional punishments for what would then be the unnecessary use of needles in prison. We should target such use in particular because it would break the logic of drugs treatment in prisons and it is the biggest hurt and danger factor for prison officers and other staff.

3.3 pm

Mr. David Burrowes (Enfield, Southgate) (Con): I am pleased to follow the hon. Member for Bassetlaw (John Mann). To pick up on his comments about Rampton prison, I was a criminal solicitor for 12 years and visited a number of prisons, including Rampton. As his remarks show, the absence of a supply of drugs at the prison and the way in which residents are treated there is exceptional in some ways. That is not least because residents in Rampton are there primarily under mental health provisions and are very much at the extreme end of offending. Rampton is also exceptional in terms of the resources that go to it, as opposed to other prisons, and resources are an issue for several prisons, not least my local prisons of Pentonville and Holloway.

As I said, I made several legal visits to prisons over a number of years, but it was not until Monday that I had the opportunity, with my hon. and learned Friend the Member for Harborough (Mr. Garnier), to visit Pentonville and Holloway to see a little more of what they were like inside. I certainly would not describe the experience at Pentonville as a comfort break—far from it. Given the structural problems faced by prisoners in inner-city prisons such as Pentonville, those who seek, quite properly, to bring about true rehabilitation—I take on board the hon. Gentleman's words in that regard—face great difficulties from the word go. The problems that Pentonville has had in dealing with basic safety issues have certainly been well documented. Those who come to Pentonville and other prisons have chaotic lives, which are predominantly affected by alcohol, drugs and poly-substance misuse. They also have low literacy levels—those of a 12-year-old, on average—and there are problems with family breakdown and the like. When people come to the prisoner reception area in that state, it is difficult to think of anything to do with rehabilitation, and stability is the first port of call.

In the cells at Pentonville, I saw how opportunities for rehabilitation in the general sense of the word are limited by the time spent in the cells. This may not be the case, but my clients told me that they spent 23 hours in a cell. There would be two of them, eating there, using the toilets there and the rest of it. Efforts are being made to introduce some kind of activities, but they are extremely limited, not least by capacity. Pentonville is full, and the prospect of making the place safer is prescribed by that limited capacity. Indeed, that is true up and down the country, and when the Minister deals with drugs policy and rehabilitation, he needs to respond to the basic point that our prisons are full. How can we deal properly with rehabilitation in those circumstances?

To bring hon. Members up to date, Pentonville has responded to the report about it and to concerns about deaths in custody, and it is now seeking stability, which is an improvement. Such changes have come about because of the introduction of the Central and North West London Mental Health NHS Trust as a provider, and that is to be commended. However, progress is extremely limited and consists, in effect, of simply being able to give low-level prescriptions for methadone and being more sensitive to the needs of those arriving in the prison. As I suggested, that sensitivity is limited, with prisoners queuing up to be assessed to see whether they need treatment. That leads to methadone. The focus is on trying to maintain prisoners on a stable and safe level, but that seems to be about it. That is probably all that Pentonville will be able to manage structurally, although it now has a separate unit to deal with substance misuse, which is extremely welcome. The unit's managers are making every effort, but their actions are prescribed by several things, including, not least, the prevailing structure and funding.

My hon. and learned Friend and I also visited Holloway on Monday. Holloway is the most improved prison and has received awards for the improvements that it has made in terms of rehabilitation. Again, it has a separate unit to deal with substance misuse, and the whole environment there is much more conducive to rehabilitation; it is based not so much on the Victorian prison set-up as on a hospital regime. In that, it is similar not least to Rampton.

The improvements at Holloway were also based on clear leadership, and leadership is vital in our prisons. We talk about the problem of revolving doors, and I certainly saw that with my clients, who were in and out

of prison, having been affected by alcohol and drugs. That is a particular problem for prisons such as Pentonville, which has many short-term prisoners who go off to other prisons or out the door. At Holloway, however, the issue has been leadership. As with other prisons, what happens at Pentonville is affected by the governors, who do not stay long, but move on after 18 months at the most. Holloway, however, has had steady leadership over a number of years, which has enabled it to introduce improvements. It has therefore been able to make significant progress on drug rehabilitation, and that is to be commended.

Unfortunately, such progress is limited. One trigger point for drugs policy and intervention funding from the Government appears to be deaths in custody. Obviously, such things make the headlines and affect politicians, but dealing with them does not necessarily deal with the underlying problems or reward good progress. Holloway is making good progress on rehabilitation and good management and has been able allocate and ring-fence moneys.

However, there are problems for other prisons. Indeed, Holloway itself is not getting any extra resources for the integrated drug treatment system. That money has not come to Holloway or Pentonville. As for Wormwood Scrubs, £500,000 of its allocated money has been taken away and £325,000 has gone to Brixton because it had a death in custody. So the money is not necessarily being used to deal with rehabilitation or management systems.

There is concern about integrated drug treatment systems, which have effectively been cut by 60 per cent. from the projected funding of £20 million in 2006-07. Funding was supposed to rise to £40 million.

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): I accept the figures that the hon. Gentleman gives—he has raised the matter with me in parliamentary questions before—but does he accept that the integrated drug treatment system represents new and additional support for drug treatment in our prisons? I accept what he says about Holloway and Pentonville, but the fact that the money is there is a step in the right direction.

Mr. Burrowes: It certainly is a step in the right direction, but it has been taken from some prisons that had included it in projections as part of their budgets and planning for rehabilitation. There has been a cut to in-year funding and also for the future, so the good progress that has been made in Holloway may not be sustained to get us beyond the point of simply parking people on a maintenance programme. That may keep them safer, but it does not necessarily lead to the recovery and treatment that everyone wants. We need to get to a stage at which the 28-day programmes are in place, something that the integrated drug treatment systems would make possible.

In conclusion, I want to discuss the way forward. Good progress is being made. The Rehabilitation for Addicted Prisoners Trust—RAPt—is making good progress in prisons such as Wandsworth, where it is making use of 12-step programmes with a therapeutic element. Those programmes work, ensuring that we do not just maintain people but try to move them towards recovery. The chief executive, Mike Trace, says that it gives results, because recovery and being drug free mean that people can rebuild their contribution to society, including work and family relationships.

Elsewhere, Grendon has its critics, but it has also received plaudits. A recent Home Office report on reconviction rates showed that treatment had an effect on men who attended Grendon, compared with a matched sample of other men. The outcome was certainly affected by the fact that they were there for a good period of time—at least 18 months—rather than going in and out of the door of Pentonville. I invite the Minister to respond with his view of the progress that he saw at Grendon, and how the radical view taken there to therapy might be applied elsewhere.

Another example is "Beyond", the Bristol Believe project's holistic approach to reoffending, in which issues such as debt, money management, family structures and relationship issues are dealt with. Those should be attended to, in addition to maintaining people and dealing with their underlying health problems. It is possible to look further afield, too, and what happens in other countries has been mentioned. A successful participant in the RAPt programme made the point that we cannot just deal with issues of safety, but must deal with the whole person, challenging previously negative attitudes and patterns of behaviour, and looking at the link between someone's drug use and their life. That person now takes responsibility for his life. He says that no one else can make the changes and that he cannot blame others for his behaviour. He now has the opportunity, with a national vocational qualification, to bring other people through to the level of rehabilitation and recovery.

3.23 pm

Dr. Brian Iddon (Bolton, South-East) (Lab): I congratulate my hon. Friend the Member for Stockton, North (Frank Cook) on securing this extremely important debate. I have just received the annual report of the independent monitoring board that inspects Forest Bank prison just outside my constituency in Salford. It is a young offenders institution as well as a prison for adults, and it is all male. The report is for December 2005 to November 2006, and I thank the chairman, Eileen Howard, and her colleagues, for all their hard work in monitoring the prison on behalf of the prisoners and staff.

The prison opened in January 2000 with a population of about 800, although invariably it has more people than that. Fifty per cent. or more of the inmates come from Bolton, many of them from my constituency. I have visited the prison, which is run by Kalyx Ltd, so it is one of the unusual private prisons. Anne Owers, the chief inspector of prisons, was very critical of the prison in the year before the annual report that I have just received. Drugs were getting inside in staggering numbers. I saw tables full of drugs. The report contains the following figures, and this is a picture of a good year when there has been a crackdown: 9.885 kg of cannabis, 220 g of heroin, 93 g of cocaine, 43 g of amphetamines, 427 g of steroids and 62 g of Subutex. It will not surprise hon. Members to learn that they were ordered by mobile telephone, and that 355 mobile telephones were confiscated during the year in question, as well as, I dare say, many SIM cards as well. Those are all sold and bought in prisons.

My hon. Friend the Member for Stockton, North referred to debts incurred in prison. Those debts extend

[Dr. Brian Iddon]

beyond prison too, as does the intimidation of families. People are visited regularly, and there are no invoices for buying drugs, so those on the outside must take the recommendation of the criminal who knocks on their door collecting debts about the amount of drugs bought by their relative in prison. That leads to massive intimidation.

I want to draw attention to an important fact. The prison put up a vertical net to stop drugs being fired into the exercise yard from an adjacent canal bank, whose tow path is at roughly the height of the prison wall. It is claimed that that has worked, but I have challenged that claim, because crossbows are now being used to clear the top of the net. The people involved are very clever, and will find a way around anything. However, the matter that I want to point out to the Minister relates to the reduced mandatory drug testing rate of 5.8 per cent. in this prison. According to the report—this is not my advice to the Minister but that of an independent monitoring board—the prisoners have switched to using buprenorphine, or Subutex. There are two reasons for that. The first is that the prison dogs cannot detect buprenorphine, which is frankly as good as heroin—it will give that kind of buzz if enough is taken; the second is that in many prisons the mandatory drug testing does not cover buprenorphine. I advise the Minister to check that, but that is what the report says. Mandatory drug testing for buprenorphine is not happening in Forest Bank prison.

I chaired the release of the Royal Society of Arts report the other evening in John Adam street, and the panel discussion was very exciting. We had a dinner afterwards at which the hon. Member for Enfield, Southgate (Mr. Burrowes) was also present. I think that he will agree that the discussion was extremely vigorous, and some very important people were present, including top cops from around the country. The Science and Technology Committee also recently produced a report on the ABC classification of drugs. If I had been fortunate today and Mr. Speaker had reached Question 14 at Prime Minister's Question Time, I would have asked the question that I put to my hon. Friend the Minister now: in light of the Select Committee report and the RSA report, and, indeed, many other reports going back to Runciman and beyond, is it not time that we looked again at the Misuse of Drugs Act 1971?

In many people's opinion the Act is out of date and we should include in it tobacco, alcohol and other substance abuse. One of the recommendations of the RSA report was that we should now have a misuse of substances Act. It agreed with the Select Committee that the ABC classification of drugs is useless and that we should consider the Blakemore and Nutt harm index, which I understand was published in *The Lancet* last week. We should base our drug policies on a harm index, rather than on a useless classification that we argue about all the time. It is surprising where ecstasy lies on the harm index—it is quite low down—and where alcohol lies. It is much higher up. Heroin and cocaine are at the top, of course.

Finally, I want to draw attention to the integrated drug treatment system for prisons, which I understand is now handled by the primary care trusts in the regions where the prisons are. I am disappointed at the 60 per cent. cut this year from £28 million to £12 million. I accept the Minister's explanation that it is extra money, but it was made available in recognition of the fact that drug treatment services in prison were pretty hopeless and had to be improved. People who go to prison without a drug habit who are not lucky enough to be put on a drug-free wing are intimidated to such an extent that they start taking drugs. Non-drug takers can end up as drug addicts. Indeed, if they start to exchange needles—if they get to that state—they will get HIV, hepatitis C and other blood-borne diseases. That is a shame.

A point not made so far is that 73 per cent. of male and 70 per cent. of female prison inhabitants are mentally ill. We should not treat only the drug addiction. All available therapies are needed to treat mental illness in prison, and we should allow dual diagnosis and allow people to be treated both for mental illness and for drug addiction if they are dually diagnosed.

I have been told by inmates at Forest Bank prison about the easiest way to bring drugs into prison. A person who goes to court will see his relatives there. The drugs are passed from the relatives to the prisoner; the prisoner is then transferred back to the same prison—or sometimes to another—and the drugs go back with him or her. I have heard that prisoners are not searched on return from court; it is not realised how many drugs come in via that route.

I am very interested in the subject, and I have a lot more to say but I want to give the hon. Member for Arundel and South Downs (Nick Herbert) the chance to speak.

3.31 pm

Nick Herbert (Arundel and South Downs) (Con): I congratulate the hon. Member for Stockton, North (Frank Cook) on securing this important debate. I shall be brief.

Ford prison, as the Minister knows, is in my constituency. Over the past five years, it has been having problems with prisoners absconding from prison at the rate of about two a week. I believe that drug problems are a contributory factor, and I want to explain why.

In 2005, the full report of the prison inspectorate said that nearly half of prisoners at Ford had easy access to drugs; it said that they were largely soft drugs but that

"cannabis was the primary drug found on mandatory drug testing".

However, the report of the independent monitoring board of November 2006 came to a rather more worrying conclusion. It said that as a result of an increase in the number of shorter term offenders going to Ford prison, a move towards class A drugs was prevalent there. The board said that that was of considerable concern, and it asked the prison to consider providing a drugs dog and to make additional funding available for staff and surveillance to improve the situation.

Following a freedom of information request in February, Brighton's evening newspaper *The Argus* claimed that Ford prison was among the worst 40 prisons for drug taking and that one in seven inmates now failed mandatory random drug tests. That situation was thrown into sharper relief as a result of a

meeting that I had with prison officers in the House last month that was convened by the Prison Officers Association.

Officers from Ford prison said that drugs were being passed into the prison but that the police and the Crown Prosecution Service had not been sufficiently supportive of those officers who intercepted them, and that when prison officers apprehended traffickers little was done. In particular, the officers said that children as young as 15 were being used as drugs traffickers. Reports of the arrest of a 15-year-old outside the prison have since been confirmed by Sussex police, but as yet no action has been taken and the circumstances of the case are not yet clear. I have written to the Minister about that, and we are due to visit the prison next week—I thank him for the invitation—but if true, it is a serious matter. I urge him to look into the case as part of his inquiry into the continuing security problems at Ford prison.

3.34 pm

Mr. Jeremy Browne (Taunton) (LD): I congratulate the hon. Member for Stockton, North (Frank Cook) on securing the debate, which has provided us with an ideal opportunity to discuss an important and sometimes overlooked subject. I commend other hon. Members for their contributions, particularly the hon. Member for Banbury (Tony Baldry) who touched on an area that I think is particularly relevant and interesting—the cycle of reoffending. People come out of prison with low numeracy and literacy, often having never done any meaningful work, and having had no fixed abode before going to prison, they have nowhere to live after their release. It would be an extremely enlightened employer who chose to take on someone in such circumstances. How people in that position can be helped to stand on their own two feet and to establish themselves in mainstream society is a huge challenge for us all.

There is no doubt that drug use in prison has reached epidemic proportions. The majority of people going to prison are problem drug users. In 2005, a Home Office spokesman estimated that there were about 39,000 problem drug users in the prison system at any one time—that is about half of the United Kingdom's prison population. Of them, 66 per cent. of males and 55 per cent. of females sentenced had used drugs in the previous year. Drug use is not the exception in prison; it is more likely than not for those who pass through our prison system.

Other hon. Members who have spoken today touched upon some of the ways in which drugs can be smuggled into prison. They include social visits, the postal system and receptions and occasionally prison staff. Sometimes they are thrown in over the perimeter wall and, as we heard from the hon. Member for Bolton, South-East (Dr. Iddon), sometimes they are brought in through receptions after court visits. I understand that in 2005-06 400 visitors were arrested on suspicion of trying to smuggle drugs into prison. However, compared to the scale of the problem, 400 arrests seems a modest tally. The very existence of drugs-free wings tells its own story: it tells of the acceptance of the scale of the problem and of the attempt by prison authorities to manage the problem rather than tackle it. That is the scale of the problem that confronts those responsible for maintaining order and discipline in prison.

The problem is not new and it is not as if the Government have not been alerted to it. Many speakers referred to the RSA report that was published only a few days ago. It stated:

> "The inadequacy of drugs treatment in prisons is a serious gap in the chain of treatment for offenders envisaged by the Drugs Intervention Programme...Treatment in prison bears little relation to need but depends more on what happens to be available."

In a slightly oblique analysis, the report also stated that

> "The Home Office favours centralised solutions that impede delivery of a devolved, joined-up policy."

The RSA report follows on from many other reports that have touched on similar themes. In 2001, a Turning Point report pointed out:

> "The growth in the numbers of people identified as suitable for treatment through the criminal justice system is not matched by an increase in available provision. This needs to be addressed urgently."

The Prime Minister's delivery unit said in 2005 that

> "significant segments of the problem drug-using population are not in current contact with treatment services."

In August 2006, a Home Office report found that drug use is endemic in prisons. In 2006, the Prison Reform Trust found that no more than 10 per cent. of prisoners with drugs problems were likely to be in intensive rehabilitation in any one year. Only one in 10 prisoners who could usefully be in rehabilitation are receiving that level of assistance.

As is widely reported, we have the highest prison population per head of population in western Europe. That militates against the effective treatment of those in prison. As we heard earlier, ever since responsibility was transferred from the Home Office to the national health service, the NHS budget and the available resources have not necessarily met the expectations that some may have had. I understand that as a result, only 17 prisons are due to benefit from NHS largesse—fewer than one in eight of the major prisons.

Time is short, but before I conclude I wish to make four constructive suggestions. They are more, I confess, to do with reducing demand for drugs than trying to cut supply, which I appreciate is a problem. We all will the end, but getting there is not necessarily that simple.

First, although we can discuss what constitutes drug treatment, it is the availability of drug treatment that is important. Currently, there are only 2,500 residential drug treatment places; such a place costs about £6,000 less per year than a place in prison. The idea that many people find attractive is to use drug treatment centres as an alternative to custody for low-tariff offenders—not just because it saves money, although there is the potential for financial savings, but because it is more likely to have a long-term benefit, such as that mentioned by the hon. Member for Banbury.

Secondly, there should be a presumption in most cases that could result in a very short prison sentence—perhaps of less than three months—that rigorous community punishments might be more effective. It is extremely worrying when people who are not addicted to drugs are sent to prison and leave perhaps two months later having formed an addiction. They have often also been introduced to lots of criminals and their methods, of which they had not previously been aware. That is not in anybody's long-term interests.

[Mr. Jeremy Browne]

Thirdly, we should try to improve drug treatment for people who suffer from mental health problems. There is a close correlation between mental illness and drug abuse, and many people with severe mental disorders are languishing in prison when they could be treated far more effectively using different mechanisms.

Finally, coming back to the point made by the hon. Member for Banbury, far more discipline and structure should be put into the lives of prisoners in terms of education, training, and work. We should also enable people to save money when they are in prison, as that would ease their passage back into society when they are released.

I do not pretend that any of those measures are a solution; of course they are not. However, I hope that they will contribute to success in solving a problem with which I am sure politicians from all parties are keen to grapple.

3.41 pm

Mr. Edward Garnier (Harborough) (Con): As all previous speakers have said, this is an important debate and the fact that there is a debate on the Floor of the House on Trident, which is important too, does not detract from that. Both debates are of equal, but different national importance.

It is all too easy in a debate such as this to get what I call analysis paralysis. We produce facts, figures and evidence from the various reports that we consider it appropriate to use, but we do not come to any firm conclusion at the end of the debate. That is partly the result of having a debate of only one and a half hours: I suspect that the House could quite usefully have a two-day debate on drugs policy in prisons, and even then a satisfactory conclusion might not be reached. None the less, it would be useful to have such a debate because, having shadowed the Minister and Baroness Scotland for 15 months or so, I have found that prisons are a secret world. It is difficult for those of us who go in and out of prisons on a fairly regular basis for official reasons to gain any purchase that would be of interest to hon. Members.

I was particularly struck by the speech of the hon. Member for Bassetlaw (John Mann). I must write to the hon. Member for Sherwood (Paddy Tipping) because on Friday I am visiting Lowden Grange prison, which is not too far from the Bassetlaw constituency. I was particularly struck by the hard-headed—not hard-hearted—analysis that he provided. It is significant that a hospital—Rampton—is able to prevent drug importation, whereas, according to the figures for 2005, Forest Bank prison had about 405 inside-prison finds of illicit drugs. I do not know the reasons for that difference. In Grendon, which is a therapeutic prison in Buckinghamshire, there was one drug find in 2005, yet in what I would call a bog-standard general-line prison the incidence of drugs finds is much higher.

My hon. Friend the Member for Enfield, Southgate (Mr. Burrowes) was kind enough to mention that I had visited Pentonville and Holloway with him last Monday. I wish that more MPs would make a point of visiting prisons, because if they could see what goes on in prisons they would realise, first, the appalling conditions in which many prisoners live and, secondly and more importantly, the appalling conditions in which many prison officers work.

We care little and do not talk much about the conditions in which prisoners live. I say that with a degree of guilt because I sentence people to prison as a Crown court recorder. I do so because that is what Parliament requires of me and in the process I separate off my political mind. None the less, we expect irresponsible, illiterate drug addicts who cannot add up and are socially and economically inept to come out of prison after the time that they have served as angels. In fact, we do very little with people when they are in prison that is of purposeful and positive use. As I have said, it is a secret world. Some prison officers work for 20 or 30 years of their adult lives doing their best to look after the most irresponsible and difficult collection of people that one can possibly imagine, yet we pay little attention to the difficult circumstances in which they work.

What are we going to do about the problem? Three interesting reports on the subject have been published in the past two years or so, and I am grateful to the hon. Member for Stockton, North (Frank Cook) for initiating this debate because it allows us, if only briefly, to highlight some of the facts contained in those reports. Her Majesty's inspectorate of prisons annual report 2005-06, which was published not long ago, has a section on the problems of drug use and drug dealing and what we do about trying to recover drug addicts in prison. It is well worth reading and, if I had more time, I would take the House through some of the recommendations in that report in greater detail.

The social justice policy group—which was not of my party, although it was chaired by my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith)—also produced a report. My hon. Friend the Member for Enfield, Southgate is on the addictions working group, and it was in that guise that I went with him last Monday to Pentonville and Holloway. He is quite right to describe the marked differences between the regimes for dealing with drug addiction in Pentonville and in Holloway. As he said, Holloway is like a women's hospital—at least the part of the prison dealing with substance abuse and addiction is. Pentonville was a bolt-on bit to a Victorian prison where—I repeat this because it is important—there are some fantastically dedicated prison officers and health staff doing a terribly difficult job, in appallingly cramped conditions, dealing with an appalling turnover of prisoners.

Last October, I spoke to a prison officer from Pentonville who said that in the nine months from January to September 2006, they had already had 50,000 prisoner movements through the reception area. How can a stable resettlement and rehabilitation process be run in such conditions? How can someone be taught to read and write, and to deal with their anger and inability to express themselves in a coherent fashion rather than use violence? How can damaged and damaging individuals, such as those I have seen in the Crown court before I sent them off, be turned around? How can prisoners be drawn back from drug addiction and substance abuse in those conditions? They cannot.

Within a few months, many such short-term prisoners—inadequate, damaged and damaging

people—go back out on to the street. There, they have no contact with the primary health care system—they are not the kind of people who would have that. They do not have doctors, or a regular job; they live hand to mouth in a chaotic way. Yet we expect them to appear at the probation office at a given time on a given date to take part in some drug rehabilitation or recovery course. It is simply unthinkable that they will do so.

Essentially, at the end of their prison sentence, we throw such people out of the back of an aeroplane without a parachute. We expect them to land safely back in the community and behave themselves. We do not teach people responsibility in prison—in prison people have responsibility removed from them, and afterwards they are put back out on to the street—irresponsible once more—to go back on the carousel. I see them again in the Crown court, JPs see them again in the magistrates courts, and prison officers and health staff see them back again on the prison estate.

I think of our visit to Holloway the other day. It was particularly true of some especially vulnerable women prisoners there, who are drug addicts, that prison is the only place where they feel safe. It is the only place where they are not preyed upon by pimps or drug dealers. It is the only place where they feel that there is some order in their lives.

If I could translate the regime at Rampton into the wider male and female prison estate, something might be achieved. I am a Conservative, and I do not want to see endless use of public money without a proper underlying planning system. When I was at Grendon, however, I asked the prison governor, "Are you a hospital with bars, or a prison with doctors?" He said, "I am a prison with doctors, but if I was a hospital with bars my budget would be about five times as much."

We have a choice. We can brush the problem under the carpet and say that prisons and prisoners do not matter, or we can apply our minds sensibly and coherently to dealing in a civilised and humane way with a vast social problem. That problem is to be found outside prisons and inside prisons. The people who take drugs outside prison end up in prison, and the people who take drugs inside prison end up outside prison.

I appreciate that I am trespassing on the Minister's time, but I am really quite passionate about this subject. I want the Government, not to feel that they are being bashed by the Opposition because they are not doing enough—although they are not—but really to grasp the problem and deal with it in a sensible way. Progress will be slow, and it will take a lot of work, political capital and bravery on the part of Ministers. If the Government do take up the challenge, however, it might be that the reoffending problem mentioned by my hon. Friend the Member for Banbury (Tony Baldry) is dealt with. It might be that we can deal with the disgusting practice of 15-year old children being used as drug mules to take drugs into prison. It might be that we can also reduce the problems that the hon. Members for Bolton, South-East (Dr. Iddon) and for Taunton (Mr. Browne) described.

I have said enough. Actually, I have not said half enough, but I must stop. I urge the Government to take some serious steps. They must not simply brush the problem under the carpet. It is too important.

3.53 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): I start by thanking my hon. Friend the Member for Stockton, North (Frank Cook) for securing the debate. He focused on the problem of drugs in prisons from the perspective of the Prison Service. I fully appreciate that, and I am grateful to him for putting on the record, as shall I, our thanks for the work of prison officers and of the Prison Officers Association.

The hon. and learned Member for Harborough (Mr. Garnier) has said that the work is difficult, and I wholeheartedly agree with his comments about the world of prisons being a secret one. The quality of the debate today is the result of hon. Members' experiences with prisons in their constituencies or of professional involvement over many years. I certainly do not see the debate as one that has focused on party political points, except for some of the comments of the hon. Member for Taunton (Mr. Browne), and they were only incidental.

There is clearly a major problem to face. I have been the prisons Minister since May 2006. When I was appointed, I reflected on my experience and my opinion of the criminal justice system as an elected MP and before that as a councillor. I have to say that previously I had put offenders in somebody else's box—they were something that the criminal justice system dealt with. They were not my responsibility. I had to concentrate on education, health, regeneration and the variety of things that we wanted for our communities. The reality, however, is that offenders are from those very communities. As such, although they have to be punished if necessary, they must afterwards be reintegrated into those communities. That is what needs to happen, and I agree with the hon. Member for Banbury (Tony Baldry) that the task is one of tackling reoffending. Whatever the issues around the supply side, we all agree that the prison population is too high and that we need to drill down and discover the reasons for reoffending. In economic terms, reoffending costs the country £11 billion.

Frank Cook: The Minister is right about focusing attention on the inmate and the offender. However, does he agree that we need also to empower the staff and give them the sort of regime and forms of regulation that enable them to focus on inmates as we want them to?

Mr. Sutcliffe: I agree wholeheartedly with my hon. Friend. However, the hon. and learned Member for Harborough has referred to the fact that only a short time remains for the debate, and getting to the core of all the important points that hon. Members raised will be difficult. I do, however, give a commitment to reflect on the debate and read the *Hansard* report, because there have been some good ideas and proposals that merit consideration, particularly in relation to stopping drugs entering prisons by the routes that have been described, some of which are ingenious.

It would be wrong not to set the context as the hon. and learned Member for Harborough did. Hon. Members present in the debate are experienced in the problems that are faced by prison officers and inmates, but many of our colleagues in the House and in our wider communities are not au fait with what is happening in prisons. They see the banner headlines that say that

[Mr. Sutcliffe]

sentences are too long or do not fit the crime, but we need to try to get people to understand what is really going on in our prisons. As the hon. Member for Banbury said, prisons are not comfort zones. Anybody who has been in a prison knows that the regime is a difficult one, including for the people who work in prisons—officers and governors and the like.

It appears that hon. Members have not appreciated the increase in spending on drug treatment. Spending has gone up from £7.2 million in 1997 to £78 million, which is a 974 per cent. increase. However, I agree that it is still not enough to tackle the difficulties that must be faced. We must look at how to improve the situation. Part of that must be stopping illegal drugs entering prisons, but I accept the point made by my hon. Friend the Member for Bassetlaw (John Mann), who faced the drugs issue head on in his own constituency, on his own initiative. He gathered evidence and made recommendations on drug treatment and on how to deal with drugs in our society.

We will consider what has been said about Rampton. If it is so successful, we should learn the lessons that it has to offer. As has been said, Rampton is a hospital. The money that is coming in from the health service is key. I understand the point that was made by the hon. Member for Enfield, Southgate (Mr. Burrowes) and I acknowledge the work that he has been doing in connection with his local prisons—Holloway and Pentonville—and the visits that he has made in a professional capacity. The money is additional money. I accept that it was not as much as was anticipated, and had the money not arrived that could have been seen as a cut. However, the hon. Gentleman will be pleased to hear that Wandsworth has now received its full year's worth of money. Deaths in custody had nothing to do with it. The relevant considerations were actually geographical spread and geographical need. As I have said, however, the money is additional spending, and it embodies what the hon. and learned Member for Harborough has asked of the Government—that we consider the detail of what can be done in our prisons.

My hon. Friend the Member for Stockton, North mentioned the RSA report, which was published only the other day. We have some concerns about the data that were used in that report, and I would be happy to speak to him about that after the debate.

As ever, there is not enough time to respond to the points that have been made by those who have contributed to the debate. If there are specific points on which I need to get back to hon. Members, I shall do that. I give a commitment that the Government will consider what has been said, including suggestions on how we can stop illicit drugs getting into prisons. Lots of effective work has already been carried out by prison officers and prison governors. The leadership of our prisons is a major issue, and I was grateful for the comments about Holloway and Pentonville. However, leadership is not about one person; it is about the whole management team and the whole prison arena. I believe that we will be able to work together and I hope that we have many more debates such as this one.

Dairy Farming (South Derbyshire)

4 pm

Mr. Mark Todd (South Derbyshire) (Lab): It would be easy to make a debate on this subject a tale of woe, because there is certainly woe to tell. Nearly half the people with dairy holdings in Derbyshire have left the industry in the past 10 years, and they have left for good reasons: it simply has not been possible to sustain a business with the prices that they are able to obtain for their product. However, I do not want to make the debate a tale of woe. I want to set out why I believe that after, sadly, a further period of pain—a period of pain that the Government can assist with—we have the makings of a highly successful industry, which will both provide solid employment for farmers and their staff and be an important contributor to environmental quality in our countryside.

The UK has many natural advantages in this respect. We have high-quality grassland in abundance. It is far easier to produce milk in this country than it is in, for example, southern Europe, and we have relatively large farm units—that was the case even before the consolidation process of the past few years—where it is possible to obtain economies of scale.

We have some disadvantages as well. We have what is essentially a large bulk commodity marketplace. Half the milk produced in our country is consumed at its most minimally processed level—as liquid milk. Not surprisingly, therefore, that is priced by supermarkets at a bulk commodity rate as a shopping bag filler and nothing more. It is always a shock to me when I visit a supermarket and pick up the mineral water that it is more expensive than an equivalent volume of milk produced by local farmers.

The story goes on, because a significant additional proportion of milk production is processed further but is still of very low quality. I am referring to waste cream, which we do not consume in liquid milk and which is largely exported to the continent, and to powder products, which are of relatively low value. Only a very small proportion—about a quarter—of our production goes into higher added value product of one kind or another. That is one of the core reasons why there is a problem with the dairy industry in our country.

Why is the debate about dairy farming in south Derbyshire and not dairy farming anywhere? Well, south Derbyshire is a bit different. It is a lowland area of the country and, by and large, dairy farms are larger in south Derbyshire than they are elsewhere. For example, the farmer with whom I have been talking about this subject over the years has a 350-head herd, which is, by UK standards, large. The average herd size is a bit over 100 now, so that farmer has a very large farm unit. He is not particularly unusual. His herd is large in south Derbyshire terms, but herds comfortably over 100 are not particularly unusual in the area, so we already have relatively efficient large-scale units. We also have a reasonably good road infrastructure, whereby it is possible to collect the milk economically for processing. In some parts of the country, just the logistics of getting the milk to the processor are tough.

What we have to do is challenge one or two assumptions. There is an assumption in this country that food must be cheap. When we go to a supermarket, we tend to look at the price first. Those of us who go on holiday on the continent know that the world is looked

at in a rather more complicated way there—and milk is also looked at in a rather more complicated way there. If people look at the liquid milk display in a typical French or Italian supermarket, they will find a very small space set aside for the basic product, but a large area set aside for processed product that has high added value content. We have work to do, which I shall return to, on changing the customer's expectation of what milk is actually about.

Another difficulty is that over time demand for milk is falling in this country. It is not falling dramatically, but eating habits at breakfast, which are one of the big drivers for demand, are changing.

In a normal market, the pressures of low prices and constant low profitability would produce a market solution relatively rapidly. The businesses involved would either change their business model dramatically or go out of business and cease production, bringing production levels down to a level that is sustainable in the marketplace. That does not happen in dairying; in fact, it does not happen in most farming. There are several reasons for that. One is that we are talking about long-term investments in animals and areas of our countryside, but we are also talking about fixed habits.

Neil Kinston, whose farm I mentioned, has been farming that area for 50 years. It would be a huge wrench to disturb that family's hold on that particular bit of south Derbyshire countryside and to move them into a completely different activity. One of Neil Kinston's sons has chosen to emigrate to New Zealand, because he sees the opportunity of a freer marketplace there. I remember talking to him about it. I have visited New Zealand and it is a different world; it is a huge challenge. I want to draw one comparison on that later.

After a relentless period of low prices, we are starting to see some effects. I was constantly staggered that, up until and even beyond foot and mouth, milk production remained at or even slightly above quota levels. Since then, there has been a gentle decline, which seems likely to continue. Herd numbers have been falling sharply in Derbyshire. That has been true, to a greater or lesser extent, across the country. Herd sizes have gone up, because other people have taken on the spare capacity that is produced, by buying quota or leasing it from those who are giving it up.

The calculations that I and others who are informed in the industry make are that if current trends continue, demand and supply will roughly balance somewhere around 2011-12. At the moment, there are still substantial surpluses and a buyers' market in milk, and a buyers' market when someone is trying to sell a commodity is death. They have no purchase at all and it is a constant struggle to achieve a fair price.

There is the prospect that at some point the market will change, and we are starting to see some changes occurring. Supermarkets are beginning to identify farmers they particularly favour who can produce to a particularly high level. We see greater use of local branding by supermarkets, even for milk. If people go to Waitrose, for example, they can find a picture of a smiling farmer and a smiling cow, if you can get it to smile, saying something about what the milk is. It is a local milk. It is known to the person coming to buy it in the supermarket because it comes from somewhere near where they may live. That type of clear identification is partly a response to supermarkets looking a little further into the future and saying, "We're not going to be able to buy what is in effect spot milk wherever we like. At some point, we're going to have to select carefully who we trade with, and they'll be picking who they're going to trade with, too."

More specialist markets are emerging. Organic milk went through a terrible period after a flood of people got into organics. As a result, we had an organic milk lake, but no appropriate buyers. Some suppliers then found themselves with the ultimate farmers' problem of investing in going organic, but not getting the expected price premium. That situation has reversed as organic milk demand has increased, and there are certainly opportunities for more growth.

There are also opportunities for growth further down the supply chain. I reiterate that we have to find a way of shifting the balance regarding liquid milk and higher-value processed milk. We must also consider who should get that higher value. It is critical that we look into the production of flavoured milks, cheeses and yoghurts, although yoghurt uses only small amounts of milk. There should be active, ongoing research into such products, as well as the various desserts that use milk as a key component.

The processing sector has been complacent. Companies are used to processing large quantities of white liquid and shunting it out in containers. That is their business, but they have not been innovative. There have been many innovations in the milk products that come here from places such as Denmark, Sweden and the Netherlands. Innovation has been a core activity of those businesses because they could not flog liquid milk there in the quantities in which it is consumed here. Leading-edge thinking has tended to come from those businesses; we have to turn that around. There is a role for the Government in that. There needs to be greater emphasis on research support for developing new products for downstream, higher-value milk products.

There are signs that we can succeed if we make those changes and get the balance between supply and demand much closer to one that places sellers in a more advantageous position. If we do those things, the natural advantages of our industry will come into play and dairy farmers should have an effective income and a strong place in the marketplace. What can we do to help that come about?

First, we need to consider how we regulate the sector. I return to the relationship with supermarkets, most of which have assurance schemes that basically say, "We are going to buy stuff from you; we'd like to come and check your farm and look at how your dairy operates to ensure that we are getting the highest standard." There is then a hygiene service that does many of the same things. We should examine the overlaps between the assurance scheme checks and the hygiene checks and minimise the hassle and bureaucracy that farmers have to deal with.

Secondly, I go back to what happened with Milk Marque, the co-operative that was co-owned by farmers. It used to purchase virtually all the milk that was produced in this country and sell it on, but it was not efficient or effective. It was rightly broken up in 1999, but on the wrong grounds—that it was an anti-competitive model. The milk market is becoming more complicated. Milk is a European product that has by-products and downstream activities, and we have to consider relationships with continental Europe.

Other companies regularly buy into our sector because they have none of the constraints that our farmers have. Arla, which controls MD Foods, dominates the marketplaces in Sweden and Denmark in a way that we would never permit under the rules here, yet it can come here and trade

[Mr. Mark Todd]

freely and buy our businesses. I have to say, though, that it also innovates in helpful ways. We need to free our farmers to do the same. They got a tremendous chill when Milk Marque was broken up. We have to make it clear that the opportunity remains to build successful, integrated co-operative activities. Some 90 per cent. of the milk that is produced in New Zealand goes through Fonterra, which is a farm-owned co-operative. Is there a monopoly issue there? No, there is not.

We have to take a more international and adult view of how competition works in the sector, including by helping some farmers to leave it. We could use the kind of early retirement schemes that are used in other EU countries. Such schemes can facilitate older farmers who are grinding out their lives and who will not be able to cope to the end to leave in dignity and pass on their activities to those who can take advantage of the opportunities of the future. As I have said, we also need support for research and new product development. Some of the resources that the Department for Environment, Food and Rural Affairs has available, such as additional marketing activity, should be targeted at those sorts of ideas.

There are concerns in my constituency about controls on slurry and nitrates. If farmers are called on to invest heavily in concrete bunkers to hold slurry and prevent its dispersal, they will need assistance, in current economical terms, to do so. If that obligation is imposed on them, it will be the final straw for many farmers and they will not be able to deal with it. For many, it will take significant capital investment to achieve that goal. Given that it is a public health goal and there is a reasonable scientific basis for it, there ought to be some means of assisting farmers to deal with that requirement.

It would also be helpful to clarify policy on bovine tuberculosis, which affects my area. Farmers want to reach an agreement on how best to control its spread. No one likes killing badgers—I do not—but we would like some certainty about how matters are to proceed. We have had a long study of the options, but no clear answers or direction from the Government.

We have powerful brands, including some in Derbyshire. Some regional development agencies have developed food strategies that look at local brands and their identification with foods. We could put more resources into that area and into strengthening the ability to exploit local brands in downstream activity.

There is hope and there are prospects. This industry can be a successful, innovative and quality industry of the future, but we need a period in which some farms are lost, some are made bigger and there is a turnover of personnel to produce the outcomes that I suggest. The Government could help during that period of, perhaps, four or five years. The recent increases in milk prices are appreciated, but marginal, in restoring profitability to most milk units, and we are still some way from having sustainable prices of more than 20p a litre. Until we have greater equilibrium in the marketplace and farmers have more control over their future, we require hardy folk to make tough decisions, and we need the Government to help them with some of those decisions and to enable change.

4.19 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): It is a great pleasure to debate this issue—perhaps I should say discuss, given the number of hon. Members present—with my old and dear hon. Friend the Member for South Derbyshire (Mr. Todd). The debate has reminded me that he tries to be constructive in all his remarks and in his often trenchant critiques of policy. He started by saying that this was not a tale of woe, although he rightly acknowledged that genuine grief exists, and that he wanted to focus on the positive. He talked about the makings of a healthy and successful industry. That is right, because, as he pointed out, the UK has many natural advantages and we must make better capital on the back of those.

My hon. Friend has highlighted the key areas for debate, and I want to respond on those. He talked about economies of scale and the price of food. He identified liquid milk as a commodity and spoke of the need to add value by processing or by niche marketing. He also mentioned the ways in which the Government can and perhaps should be contributing to that. Crucially, he highlighted the need for innovation in the industry to help to add that value and he rightly identified the need to minimise bureaucratic overlap. In touching on all those issues, he has hit on the essential components of the highly successful industry that we both want.

I shall try to respond in more detail on each of those areas that my hon. Friend highlighted and to discuss some issues that I did not pick up during my introductory remarks. In terms of value, dairy farming accounts for around 17 per cent. of UK agricultural production and is the single largest agricultural sector at £2.5 billion. Household expenditure on dairy products in the past 12 months totalled £7.3 billion. I understand that that makes dairy the second largest grocery category in the UK. The dairy sector is therefore of great importance.

It is important to have a considered debate on the many challenges that the dairy sector undoubtedly faces. It must face up to some harsh realities. My hon. Friend correctly pointed that out, but he was also right in wanting not to talk the sector down but to look to the signs of success and growth. He acknowledged that pressure on farm-gate prices will remain. It is important for the sector to be realistic about the prospects for farm-gate prices; they are unlikely to return to the levels seen in the mid-1990s. I accept that farm-gate prices are not high enough for some to be able to sustain their businesses and that costs have increased across the supply chain.

The acknowledgement of that by Sainsbury's and Tesco, and their resulting action to increase prices, is therefore welcome. The Government believe it to be in the long-term interest of buyers to establish fair and sustainable arrangements for dealing with their suppliers. It is good that there has been some acknowledgment of that, even though some might say that it is overdue. A number of retailers have initiatives to encourage closer working relationships with identified suppliers, some of which attract a price premium. We must also be aware that a considerable proportion of milk is sold through middle-ground retailers and catering establishments, or as food ingredients, as well as being internationally traded as a commodity product.

The Competition Commission has found that the four largest grocery retailers account for less than 25 per cent. of volume sales of raw milk processed in the UK. It is important that we are careful not to place too much emphasis on the major supermarkets, as others have their part to play. There have also been some

positive developments in the contractual arrangements between processors and producers. Those relationships, which should help to develop greater transparency and trust, are to be encouraged.

We hear a lot about paying a fair price for milk. If it is not the price agreed between a willing buyer and a willing seller, then what is a fair price? How would a fair price be determined without reference to the market price? Is it the average cost of production, in which case there would be handsome winners but many losers? What about those farmers who cannot match those costs of production? Should we subsidise inefficient producers at the expense of consumers? How would such an approach encourage efficiency gains? How would it help international competitiveness? All those questions go along with that line of argument.

The industry needs to move away from the fixation on price and fix its attention on profitability. There remains a worrying disparity in the costs of production between the most and least efficient dairy farmers. In 2003, it was found that there was, on average, a 12p per litre differential between the most and least efficient dairy farmers. That is not sustainable. Given such a wide variation in costs, we return to the question of what constitutes a fair price. It is worrying and somewhat incredible that many dairy farmers are still unaware of their own production costs. We welcome moves to encourage awareness of costs of production as they may help to provide the information for producers to make timely business decisions.

Even with current farm-gate prices, there are dairy farmers who are able to make a profit. We may rarely hear of them, but they do exist. Such farmers deserve our encouragement and praise. One such example is James Hague from Daisy's Dairy, who some may have heard on "Farming Today" last Tuesday. He and his wife are new entrants into dairy farming and are producing, processing and marketing their own milk. They are making a very healthy profit by adding value and are providing a quality product and service, for which their customers are willing to pay a premium. Clearly, not all farmers can follow the same path, but individual producers have to continue to play their part as well by reducing costs and becoming more efficient and, above all, by innovating and adding value through processing and the use of niche markets, as my hon. Friend suggested.

The rest of the supply chain also has its part to play in cutting costs and maximising efficiency. There has been considerable investment in processing capacity and, as a result, we have some world-class processing plants. There are also some less efficient plants, just as there are efficient and less efficient producers. This is why, through the dairy supply chain forum, the Department for Environment, Food and Rural Affairs is part-funding a study benchmarking processor efficiency on an international level. The Milk Development Council is also conducting a similar study benchmarking producer efficiency. We have also invested more than £1.3 million through the agricultural development scheme to help the dairy sector address issues of efficiency.

As my hon. Friend notes, increasing the value of dairy products is key. A 1989 report by Coopers and Lybrand for a milk marketing board concluded that

"the present pricing system and allocation arrangements for raw milk in England and Wales will hinder the development of an industry which is internationally competitive".

The UK processing industry is finally beginning to throw off that legacy and is now producing more value-added, innovative and branded products. To see that we need only consider the recent successes with added-value liquid milk such as Cravendale or Night Time Milk, or the plethora of branded cheeses, such as Seriously Strong or Cathedral City.

While on the topic of cheese, I want briefly to discuss the debate about cheese and children's diet started by the Food Standards Agency. Cheese has a high saturated fat and salt content, but it is also an excellent source of protein, calcium and other beneficial nutrients and minerals. I hope that parents will use common sense when feeding their children and will include cheese as a key part of a balanced diet. They should not be put off by the tick-box approach of a few people in white coats.

Another recurrent theme is concern about the numbers of dairy farmers leaving the sector. My hon. Friend alluded to that. It is not a new phenomenon. In 1943, there were more than 100,000 dairy farmers, but by 1994, there were 28,000—there are now about 20,000. According to the Milk Development Council's "Dairy Supply Chain Margins 2005-06", the rate of farmers leaving the industry has hardly changed in the past five years and is about 6 to 6.5 per cent. The trend of declining producer numbers is not restricted to the UK. In some parts in the EU, such as Spain, the number of dairy farmers leaving the industry has been much higher than in the UK. There is a similar trend in the USA and Canada, reflecting a global trend towards fewer, larger herds in developed economies. Those economies of scale are exactly what my hon. Friend was talking about; they are the clear driver.

My hon. Friend asks about an early retirement scheme. As the Curry report stated, a retirement incentive scheme is unlikely to offer value for money compared with the large costs likely to be involved. One of the report's further recommendations was that DEFRA should produce a supporting pack of advice for farmers considering retirement. At the launch of "Fresh Start" in December 2004, we issued two publications that responded to that recommendation.

Concern has been expressed recently about the apparent decline in milk production. As my hon. Friend acknowledged, it has remained relatively stable—around the 14 billion litre mark—since quotas were introduced. Production is below quota this year, as it has been more often than not since 2000, but it must be remembered that milk quotas are a ceiling on production, not a target. Producers should produce for the market, rather than for the target.

Recent statements that the UK will soon have to import liquid milk are overly pessimistic. We currently export more liquid milk than we import. DEFRA has commissioned a study which will be published later this year. It will assess the potential for GB-European trade in liquid milk—

Mr. Joe Benton (in the Chair): Order. We must move on to the next debate. I call Justine Greening.

Youth on Youth Crime

4.30 pm

Justine Greening (Putney) (Con): I am grateful for this short debate. I believe that youth on youth crime is one of the most pressing social and crime challenges facing this country today. Too many teenagers live a "Lord of the Flies" existence with no real framework of security. Behaviour can escalate violently, sometimes to a fatal level, before being significantly addressed. Gun crime and knife crime might remain relatively uncommon, but youth on youth mugging is routine, and that is the area to which most of my comments are directed, not because it is the only crime committed daily against young people—it is not—but because it is emblematic of the lack of action against the overall problem.

Mugging is a frightening and violent crime. The Home Office survey on the impact of personal theft showed that 40 per cent. of muggings leave victims injured, and that 40 per cent. are carried out using a weapon, usually a knife. In my local London borough of Wandsworth last year, 38 per cent. of recorded mugging victims were 11 to 16-year-olds, and 40 per cent. of identified suspects were also 11 to 16-year-olds. An average 11 to 16-year-old in Wandsworth had a 1 in 20 recorded chance of being mugged last year. In London, which accounts for around half of all muggings nationally, a third of recorded muggings were against 11 to 16-year-olds, but a massive 49 per cent. of all suspects were also aged 11 to 16. In London last year, 271 children aged 10 or under were recorded as having been mugged. Detection rates for mugging in London were around 10 to 12 per cent.

The problem is that those figures are, at best, only a partial picture of what is really happening. There is poor transparency of the real level of youth on youth crime, including mugging, and that is a key reason for insufficient focus on youth on youth crime. The British crime survey does not interview children under 16. The Government set great store by that annual victimisation survey, but it does not talk to young people about their experience of crime. Civitas estimates that because of that it misses 500,000 crimes. Given what we now know about the mugging statistics to which I referred, surely that is indefensible.

The latest British crime survey also estimated that just 21 per cent. of actual muggings make it into recorded figures so, going back to my earlier statistics, the one in 20 chance of an 11 to 16-year-old being mugged in Wandsworth is probably more like a one in four chance. Moreover, if detection rates are 10 to 12 per cent. of the 21 per cent. of recorded muggings in London, just 2 per cent. of actual muggings have a suspect identified. Virtually all muggings in London go unaddressed as far as the offender is concerned.

The experience of young people who are mugged and its impact on them should not be underestimated. We know that such terrifying experiences can stay with children and shape their adult outlook. How can we expect young people to grow up to be positive, productive members of the community when that community, of which they are junior members, makes so little response to the important issues that they face? I hear regular stories of students being lined up by assailants and asked to show their mobiles so that a decision can be made about the best mobile to take. SIM cards are often returned to victims, which is humiliating because the offender robs the victim and then pretends to do them a favour.

I hear stories of young people being marched to a cash point by other young people to get money. One parent told me that she was frantic about where her teenage son was when he had not returned home late on a Friday night. She finally got through to him on his mobile to be told, "I can't talk now Mum. I am being mugged." Two youths had frogmarched him to a cash point, which was broken, so they frogmarched him to the next nearest one, which was some distance away. He was just getting money out of the cash point and the offenders were loitering round the corner when the mother called to find out where her son was.

Many young victims know the perpetrator of crimes against them, who may be another school student. I am told that victims are often warned about the escalating violence that will occur if they talk to police or parents. Offenders may live on the same estate and know where the victims live. I have no doubt that fear of reprisals is one of the main factors making it difficult for victims to go to the police, so under-reporting occurs. That is tragic, because the behaviour of offenders is often prolific. We must find a way of turning that prolific behaviour against the offenders instead of it working against the victims, who are caught in a layer of scared silence.

Gang-style networks are often behind the offending with theft takings being fed into the local drugs economy. There has been much discussion in the media recently about the prevalence of gangs, particularly in places such as London, and I want to discuss briefly my local experience of gangs. I have several gangs in my area, but I will not give them credence by mentioning them by name. They are essentially postcode driven, and there seems to be no real join-up process. Membership seems to be automatic, and depends on where people live. Young people locally tell me that it is a problem to live in Wandsworth, for example, and to go to school in Merton where a different gang is based. Students travelling by bus to and from school may be asked which gang they belong to: the Wandsworth one where they live, or the Merton one where they are at school. They may not and generally do not want to be in either, but they feel at a greater risk of being mugged if they say no. Saying that they are part of a gang gives them some sort of protection from the wider group, and in the absence of frequently patrolling police, they feel that that is a pragmatic response to enable them to remain safe on often dangerous estates. What a damaging perception! If our young people feel that being part of a gang is the only way to stay safe, we have truly let them down.

Those secondary school students say that they are desperate to see more police patrolling the streets, and that they do not want to belong to gangs. I have heard stories of secondary school students being mugged by people who routinely say that they are a member of the local gang, even if they are not that involved, because that can encourage compliance by victims who are aware of how violent gangs can be.

The main gang in central Wandsworth even has its own MySpace page, which has a rest-in-peace memorial to one of its members who was recently

knifed to death in Mitcham. That is the world that teenagers inhabit. It is a "Lord of the Flies" existence in which violent crime is committed, especially if it is youth on youth, with apparent impunity. The statistics that I outlined show that muggers are unlikely to be caught and prosecuted, even when the police have an idea of who they are, because getting the necessary evidence to bring a successful case in court is extremely difficult. Victims are scared of going to the police for fear of reprisals to them and their family.

A group of local secondary school children recently visited Parliament. One girl asked what I knew about local gangs; and said that she hated what was going on in her area and on her estate, but that the police seemed unable to do anything about it because it was so widespread. She said that she had seen everything: knives, guns, the lot. What happened? Another student at the back of the room told her to stop snitching.

There is massive pressure on students not to discuss what is going on, but they look to the local community, schools and police to provide a secure framework in which to grow up, but in many places, especially in urban areas and cities, that is not happening. They feel that they are left to fend for themselves.

I want to talk about a way forward. Is the situation irretrievable? I do not believe that it is, but there are no easy or quick solutions to the vicious cycle of violent crime and non-reporting. I shall suggest some areas of policy development. First, we must ensure that our recording of crime is set up to monitor successfully the particular problem of youth on youth crime.

I said that the British crime survey does not interview people under 16. That is clearly inadequate and a fundamental flaw. Today, I am writing to the Office for National Statistics to ask it to consider extending the British crime survey to include children aged 11 and above. Will the Minister assure me that the next British crime survey will be broader and include younger interviewees?

Similarly, although internet reporting of crime is increasingly possible, it is cumbersome. Web-based reporting of crime must improve and assume a greater role, and incidents must be routinely e-mailed to local police. Perhaps we can encourage young people to e-mail police on the basis that they will receive a reply only if there is a sufficient body of evidence for the police to take action against an offender. Otherwise, the message is that if the young person reports a crime, they risk having to go it alone in launching a prosecution. E-mail reports might not all be recorded as muggings as they ought, but at least the police would routinely gather more incident reports and intelligence. Better reporting, and therefore better information, must be the key to taking action.

We must also recognise that frightened teenagers who have been mugged are unlikely to feel comfortable visiting a police office. My local police shop in Putney is open from 10 am to 1 pm daily, and is not easy to reach in short school lunch breaks, or especially when children are not allowed off the school site. It must be possible to make more effort to improve web-based and e-mail reporting, so will the Minister outline the role that the Home Office could play to make such reporting easier for young victims, and to support the efforts of local forces?

Young people have sent a clear message that they want more daily policing on the ground, especially in some of our city estates, to keep them safe. Whatever increase there has been in police numbers throughout London, in my borough of Wandsworth, there are now fewer trained, uniformed police officers than there were in 1997. The relationship between the police and schools is more significant than we previously realised, and in some cities, it is the most important link with the community in the fight against crime. The development of that relationship must start early, and perhaps routinely in primary school. For students in secondary school, a close relationship with community police officers is critical, and some schools are working closely with local police. In my constituency, Southfields community college has a very close and positive working relationship with local police, but many schools are reluctant to acknowledge that they have a problem, for fear of bad publicity, which does not help to develop that relationship.

The data that I have gathered and presented pose some real questions for the workings and establishment of safer neighbourhoods teams of police and safer neighbourhood panels. The teams set local policing priorities, and I am greatly concerned that, inevitably, they do not prioritise youth on youth crime, because so few young people are involved with safer neighbourhood panels. The panels may quite rightly prioritise the curbing of antisocial behaviour among young people locally, but the brunt of their—often criminal—behaviour is borne much more by their peer group than by the broader community. What assessment has the Home Office made of how well the safer neighbourhoods policing model is building youth on youth crime into local priorities?

In the long term, we must tackle the underlying reasons behind criminality. My party's leader, my right hon. Friend the Member for Witney (Mr. Cameron), has talked about the need to support families, which is no doubt a critical part of the solution. It must sit alongside much stronger community policing, whereby there are enough police on patrol to address low-level behaviour before it has the chance to escalate and become such violent behaviour as mugging; we must combine it with education about children's responsibility to one another to report crime and keep themselves, as a group, safe; and we must also examine the potential to create a school version of neighbourhood watch.

Finally, a key factor is a greater emphasis on the eradication of the drugs culture that underpins so much crime. Until we start winning the battle against drugs, we will fight youth on youth crime with one hand tied behind our back, because so often the people involved in such crime are the foot soldiers for drug-related gangs managing their turf.

I realise that I have taken some time to outline my concerns about youth on youth crime, but I am truly worried about the consequences for our country and our communities if my concerns are not taken on board. Owing to its long-term impact on victims, and owing to the escalation of criminal behaviour, tackling youth on youth crime must be at the heart of our UK crime strategy. At the moment, it is not.

We have high hopes for our children and young people, and from us they seek a secure community in

[Justine Greening]

which to grow up. Too many of them do not grow up in such communities, and I hope that the Minister will be able to provide young people, who are at the sharp end of youth on youth crime in Britain, with more than just platitudes when he responds to the debate.

4.45 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker): I am not usually accused of mouthing platitudes; I usually try to answer the question. Before I read my speech, which raises some important issues, I shall deal with some of the specific points that the hon. Member for Putney (Justine Greening) has raised.

It was remiss of me not to begin by congratulating the hon. Lady on securing this important debate, and I also welcome to these discussions the Conservative Front-Bench spokesman, the hon. Member for Hornchurch (James Brokenshire). He and I have had many discussions about such issues.

I shall refer to a couple of specific points, so that I do not miss them when I make my general points. We have reviewed crime statistics, and as a consequence, we are reviewing the design of the British crime survey to include people aged under 16. On the hon. Lady's specific points about the survey, we are considering the way in which we develop it, so that we include the points that she has made. I hope that that provides some reassurance to her.

On the issue of reporting crime and the use of e-mail and the internet, the hon. Lady will be interested to know that, in October, I went to Leicester where there is a project called E-Cops. It is not necessarily targeted at young people, but people can e-mail the neighbourhood policing team with their concerns about what is happening in their area. I have spoken to the chief constable of Leicestershire, Matt Baggott, who is also the Association of Chief Police Officers' leader on neighbourhood policing, and the project will, I hope, spread throughout the country. I agree with the hon. Lady that for young people in particular, e-mail and the internet is a way of reporting crime more safely and securely, and E-Cops, which is used in Leicester, is a very good example of that.

The hon. Lady made another point about neighbourhood policing, which is crucial to giving young people confidence on the street. We are always examining the effectiveness of neighbourhood policing, the models that are developed throughout the country and the way in which they provide reassurance to people on the street. We often do not talk about the other important factor: the need to provide a deterrent. There must be a consequence for people on the street who act wrongly and against the law. We must ensure that they are caught and punished, and alongside all our other work, neighbourhood policing helps in that aim.

On the issue of police and schools, the hon. Lady will be aware of the safer schools partnership. Throughout the country, there are up to 500 such partnerships. Individual police officers are designated local schools; they work to reassure young people, and they are a good means of reducing and detecting crime. Only recently, my hon. Friend the Minister for Policing, Security and Community Safety and I met Lord Adonis from the Department for Education and Skills to discuss with the police how we can accelerate the roll-out of safer schools partnerships throughout the country, because it is an exciting and interesting model.

Community support is a vital part of the issue, and it is essential that we involve all parts of the community—not only the police, but schools, health bodies, local authorities and all partners in the community. The hon. Lady made that point, and she will be aware that with our review of the framework for police performance indicators, we will introduce an assessment of performance and community safety from April 2008, which may lead us to undertake more of the initiatives that she mentioned.

With those opening remarks, I hope that the hon. Lady will realise that I am keen to try to respond to Adjournments debates like this one, in which hon. Members raise significant issues. I shall try to answer some of the points that she raised, in particular her point about the British crime survey and the reporting of crime among the under-16s.

I should like to focus attention on what the Government have done to improve the youth justice system over the past 10 years, notwithstanding some of the points that the hon. Lady made. In 1997, the norm was the existence of single agency services, operating with different sets of priorities. The police, the Crown Prosecution Service and the courts were slow and inconsistent. Standards of regimes in young offender institutes were much lower than they are now. Today things are different. There has been a transformation in how we think about youth justice. Many agencies now have a single vision of preventing offending by children and young people. We have created new structures to plan and deliver youth justice services, through youth offending team partnership. Multi-agency working is a given.

Innovative and groundbreaking legislation was at the heart of that change. The Crime and Disorder Act 1998 created youth offending teams. The multi-agency nature of those teams has served as a blueprint for other public sector reforms. The Anti-social Behaviour Act 2003 and the respect agenda have pioneered a twin approach: providing young people with support packages to help address behaviour early on, backed up by strong enforcement. The hon. Lady talked about the importance of early intervention and tough enforcement—not either/or, but both operating together. The Children Act 2004 focused effort on ensuring that all children and young people succeed in life, regardless of their backgrounds or individual circumstances. Over the past 10 years a lot has been done.

I turn to the situation today with youth on youth crime. Do we live in a lawless society in which our children roam the streets in violent gangs? The answer is no. As I say in many debates about young people, it is imperative to stress that the majority of our young people throughout the country do not offend. They do not harm anyone and they do not bully anyone. They live good and proper lives. It is imperative that we continue to make the point that the vast majority of young people in our society make a huge contribution to it. For example, more young people volunteer than any other age group. They are also more likely to recycle, because they care about the environment in

which they live. Although this debate is focused on problems, it is crucial to set them against the fact that only a small minority of young people offend and cause problems in our community. Of course they need to be dealt with, but if we do not get across to our young people the fact that we not only value them and understand their problems but recognise that the vast majority of them are decent, we will face real problems.

Why is that important? It is because young people are the victims of the majority of crime, which is another important point that the hon. Lady made. That is why young people want something done about the problem. We are often portrayed or caricatured as a Parliament that is out of touch—a load of older, middle-class men and women who do not understand life on the street. Well, we do understand life on the street. A minority of people cause a problem and the majority of young people, who are decent, want something done about it. They want us to work with them to do that, because they are the victims.

I feel strongly about the need to praise the majority of our young people because, as I am sure Opposition Members will confirm, when we talk to young people in schools, in uniformed organisations or in youth clubs, they say, "Yes, target those who cause problems, but don't tar all of us with the same brush." That is an extremely important message that we need to get across.

Youth offending has in fact not risen since 2003. Indeed, the 2005 offending, crime and justice survey showed that only about 1 per cent. of young people aged 10 to 25 had committed burglary or robbery in the past 12 months. However, as the hon. Lady mentioned, there is increased concern among all of us about violent offending by young people. As the tragic events of the previous month and the example that she gave show, the use of guns by young people in particular remains a concern, as does the use of knives. I hope that I do not need to stress how seriously the Government and, to be fair, the whole of Parliament treat the issue. Prevention is a key plank of the Government's recently announced three-point plan on guns.

However, youth on youth crime is a complex issue and generalisations are not easily made. It is true that young people are more likely to be victims than any other age group, and at the hands of other young people. They are also particularly subject to repeat victimisation. There is also an overlap between youth victimisation and offending. Research shows that 15-year-olds who have been victims of certain types of crime are seven times more likely to have offended than those who have not been victims and that 56 per cent. of young people who have committed an offence have also been victims of crime themselves. The designation of victim and offender is therefore not always clear-cut.

Despite those complexities, however, we have focused our response on crimes that we know young people commit and on the settings in which they happen. We know that robbery is a particular concern for young people. We have therefore introduced significantly more powerful interventions to tackle mobile phone robbery, through the mobile phone crime reduction charter, which includes challenging targets for the industry on the blocking of stolen phones, which we think will have a significant impact on such crime. We will follow that up with a public information campaign to reinforce the strong message that stolen phones do not work.

The charter also supports the safer schools partnership and the "Out of your hands" educational programme, which are aimed at providing young people with information and advice to help prevent them from becoming victims of robbery. Of all robberies against young people of school age, 67 per cent. happen during the day. We are working with local partners to improve supervision on school buses, enable third party reporting in schools and youth leisure sites, and promote better use of CCTV for detection.

Crucially, we are also supporting local action. For example, in February an innovative pilot project was launched for school pastors to operate at St. Joseph's academy school in Lewisham. We need to do more of that sort of work. The pastors will provide a visible presence at peak times in and around schools, and on transport links, to deter robbery. They will also counsel potential offenders to attempt to prevent them from getting involved in criminal activity.

Justine Greening: Do those pastors have any powers that they can exercise?

Mr. Coaker: They do not have any particular powers. However, I recently went to Peckham and met people from the Ascension trust, which organises the street pastors. It was quite astonishing to talk to people whose only power was the power of faith. That was their motivation. They would go out on the street on a Friday and Saturday night—I hope to go with them in a few weeks' time—and just by being around and talking to people, including some of the difficult young people, they were having a dramatic impact on crime. If I remember rightly, three quarters of the trained street pastors were women. I found it quite remarkable that the project was having that impact.

Leaving aside some of the other remarks that I was to make, I close by saying that, as with drugs or any other issue, we must not get into an either/or situation. Is the answer tough policing? Of course it is. Is there an issue about the police being around on the streets? Of course there is. Is the answer about ensuring that those who offend are caught and that there is a consequence? Of course it is. Is the answer also about trying to understand some of the problems in our communities without damning everyone? Of course it is. Is the answer about trying to reclaim streets so that people such as the street pastors can walk around? Of course it is.

I do not want to demonise all young people, but there is a particular problem with some people. Dealing with them will involve the police, the community and the local authorities, and doing all that we can to replace some of the social glue that has gone missing. If we do that, we can offer hope and optimism for the future in all communities throughout the country.

It being Five o'clock, the motion for the Adjournment of the sitting lapsed, without Question put.

Westminster Hall

Thursday 15 March 2007

[MR. DAVID MARSHALL *in the Chair*]

Tax Credits

[Relevant documents: Sixth Report from the Treasury Committee, Session 2005-06, HC 811, and the Government's response thereto, HC 49.]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Steve McCabe.]*

2.30 pm

Mr. Michael Fallon (Sevenoaks) (Con): On behalf of us all, I welcome you to the Chair, Mr. Marshall. I am grateful for the opportunity to debate the Treasury Committee's sixth report, which was published last June, and which the Sub-Committee followed up by taking oral evidence from the Paymaster General yesterday afternoon. I understand that the transcript of those proceedings is available to hon. Members.

The Committee has not been alone in inquiring into the matter. Ours is one of a series of reports on tax credits. The Parliamentary Commissioner for Administration reported on the subject in June 2005, and the Select Committee on Public Administration reported on her report in January 2006. Also in 2006, the Select Committee on Public Accounts reported on the Inland Revenue standard report 2004-05 of the Comptroller and Auditor General.

It is important to state at the outset that neither those reports nor the Treasury Committee's questioned the principle of tax credits. Our inquiry focused solely on their administration. I hope that it is understood across the Chamber that no one is opposing tax credits in principle. Indeed—I hope that I will be forgiven this personal reminiscence—the Paymaster General will recall dealing with the paving legislation, the Tax Credits (Initial Expenditure) Act 1998, nine years ago, when I was her shadow. At that time, I said,

"we are not opposed in principle to the translation of benefits into tax credits provided that the system is transparent, easy to operate, does not impose a significant additional burden on employers"—

we were then discussing the working families tax credit—

"and is fully compatible with the principles of independent taxation that we introduced."—[*Official Report*, 14 May 1998; Vol. 312, c. 566.]

I hope, therefore, that there is a general acceptance that the principle is not at issue. Indeed, I shall go further than that, given that the Paymaster General is here, and say that it is clear to the Treasury Committee and to me that tax credits have been successful in improving benefit take-up. It is also pretty clear, four years after their introduction, that they have improved the incentive for people to return to work.

The Committee took evidence from all the key parties involved, especially those who work directly with claimants—I am grateful for their evidence—and found that where the system has been less successful is in its implementation and administration. It is clear that there were serious faults from the outset in the design and implementation of the system's administration. The Government recognised those problems in the 2005 pre-Budget report when they introduced structural reforms to tax credits. The Committee noted that the Chancellor of the Exchequer did not rule out, should problems with the structure of the system persist, a return to the original fixed awards system.

What are the fundamental flaws of the present system? First, it was clear to the Committee from our evidence taking—not only did we take evidence from those who handle claims, but we visited the tax credits office in Preston—that the administration of tax credits was and is insufficiently claimant-centred. It is the circumstances of the poorest people and those who are most in need that fluctuate the most often, and not simply from year to year. The system that deals with their needs should be the most flexible, but it is not. Many of the people whom we as constituency MPs have had to help budget not for a year, but for a month or less. The income of many such people becomes more variable after they begin to receive tax credits.

Secondly, Revenue and Customs still does not fully assess, as other Departments that administer benefits do, the scale of official and IT error. We now have a pilot programme, the results of which suggest an official error rate of about 5 per cent. As the hon. Member for Leeds, East (Mr. Mudie) brought out very well yesterday, the Department for Work and Pensions publishes regular error statistics, but the best that we are told about the IT system is that it is now only stable.

Mr. Mark Todd (South Derbyshire) (Lab): Does the hon. Gentleman agree that when the Committee visited Preston, we gained the strong impression that there is an astounding lack of the quality management information that is needed to enable the operation of the system, targeting of resources and coherent understanding of what is going wrong?

Mr. Fallon: Yes, I agree. The hon. Gentleman brings his IT experience to bear. I shall come back to the lack of a joined-up approach with technology, particularly the lack of access to the whole picture that people have when dealing with claimants, including the most complex cases.

The third flaw is the most notorious: the extent of wrong payments—both overpayments and underpayments. We have the figures for the second year of operation, 2004-05, in which about 5 million people received tax credits. Of those 5 million, 2 million were overpaid and 900,000—very nearly 1 million—were underpaid. That amounts to a total of nearly 60 per cent. wrongly paid. I fully understand that the Paymaster General might contest those figures and might wish to explain a little more than she was able to yesterday how they are compiled. However, let us be clear that the scale of overpayment and underpayment is still far in excess of what might have been anticipated. The total amount of money that was overpaid might have decreased, but the total amount that was underpaid, which is much more serious in a way, has increased. The overall scale of erroneous payment is still worryingly high.

The fourth problem is in the recovery system. Given the scale of overpayments, how are they to be reasonably recovered? The Committee urged several solutions on

[Mr. Fallon]

the Government. First, we recommended that in each case there should be a pause before recovery, but that has not yet been implemented. Secondly, we asked for the publication of written guidelines for the streamlined procedures. It looks as though those procedures operated in the period before the disregard was increased, but in a particularly arbitrary way. Thirdly, we asked about the whole rationale for writing-off. It became clear that the new streamlined procedure did not apply to those whose disputed overpayments were not written off before its introduction. That is shown by the substantial drop in the number of payments now being written off—the relevant figure of about 44 to 45 per cent. in 2005-06 appears to have fallen dramatically to just 3 per cent. in the opening nine or 10 months of the current financial year. HMRC is clearly taking a much harder line. A number of colleagues will be aware of that through their constituency casework.

We should also consider the test of reasonableness. Yesterday, the Paymaster General's evidence to the Treasury Committee fell back on the defence that HMRC was using the same sort of test as the Department for Work and Pensions. The situation might be better described as being the other way round: the DWP might well be employing the test of reasonableness used by HMRC.

We should also consider the question of appeals. I am not talking about the appeal against the decision on whether or not someone is entitled to a tax credit, but the appeal in relation to the decision on disputed overpayments. We have recommended an appeal mechanism. The Paymaster General has refused to concede one, but, significantly, she has at least given an undertaking. Yesterday, in answer to the hon. Member for Leeds, East, I believe that she undertook to refer this important issue of comparability between the appeals system operated by the DWP and the appeals system that she is refusing for the HMRC to the Treasury solicitor to see what type of comparability can be properly established.

The fifth issue that the Committee focused on was the extent of fraud and losses. Our concern was that the data from each year are not published for a long time. That may be the result of something inherent in the tax credits system, but we did not see the full extent of the fraud and losses for the first year of operation, 2003-04, until July 2006. The data for 2005-06—the 12 months up to last March—will not be published until this summer. It is difficult for those outside the Department and those in this House who wish to scrutinise these matters to get a clear handle on whether fraud is increasing and on whether the losses to the Exchequer are mounting.

One crucial test is the extent to which HMRC is able to check properly whether the right people are being paid the right amount of money. As I said, 5 million families received tax credits in 2004-05—the second year of their operation—but only 2 per cent. of the claims were fully checked for compliance. I appreciate that other basic checks are carried out, but that is an extraordinarily small percentage; only 100,000 or so claims out of 5 million are checked for full compliance before they are paid out. The Paymaster General might wish to add to the answers and reassurance that she attempted to give the Committee yesterday afternoon.

I would also like to press the Paymaster General for a little more detail on the extent of losses. It has been put to us that they could amount to as much as £1 in every £3 that has been overpaid. This is the other side of the overpayment coin. On the one hand, HMRC is now making a strenuous effort, applying its tests more harshly, refusing to write off overpayments and attempting to recover them, but on the other hand, it appears that a formidable sum was written off in the first two or three years of operation and will not be recovered to the Exchequer.

The next area of concern for the Committee was the culture of HMRC. That is not necessarily a reflection on the staff whom we met or the staff who are operating in HMRC, who were confronted for the first time with being part of the benefits system. Those who worked in the Revenue and in Customs had no previous experience of that system and a cultural shift in the way that civil servants and officials discharge their duty was necessary. The overwhelming impression that the Committee was left with, as we mentioned in our report, was that the administration of the system was based around functions and tasks rather than around the needs of claimants. Claimants with the most complex cases did not have one person in charge of their case to whom they could turn. The operators on the other end of the telephone could not see all aspects of a case on their screens, simply because of how the administration was set up. We noted that concern.

It is worth putting on record the fact that the Government's response to our report was three months overdue. It was published after the deadline of two months for responding to a Select Committee report. I should say, however, that the Paymaster General has apologised for the delay. She has examined our proposed reforms and made some progress in improving some of the processes. We now have the clearer award notices and the playback statements, there has been an improvement in the helpline, and it appears that there has been an improvement in the accuracy of awards. All of that is extremely welcome, if not somewhat overdue.

The tax credits system is now ending its fourth year of operation after almost five years of preparation. It is an enormous system, paying out £16 billion in tax credits in 2004-05. It is essential for our constituents and taxpayers that it makes the payments as efficiently as possible, without fraud or losses, and that it does so as effectively as possible. It is particularly important that it helps those in greatest need. It is the claimants of tax credits, not hon. Members attending this debate or the Treasury Committee, who will be the real and best judges of whether the system is working successfully. The evidence that the Committee took, the recommendations that we make and the contents of the postbags, e-mails and phone calls that our offices receive all combine to give us the strong impression that there is still a long way to go to improve the administration of the tax credits system to the point where it is properly efficient and effective.

2.48 pm

Mr. George Mudie (Leeds, East) (Lab): It is a pleasure to follow the hon. Member for Sevenoaks (Mr. Fallon) and to be under your chairmanship once again, Mr. Marshall. This makes it twice in three

weeks—some people might think that we had better stop meeting in this fashion.

I want to touch on two or three matters that we raised in the Sub-Committee yesterday. The hon. Gentleman's opening remarks set the tone, because this is not a debate about the principle or the policy of tax credits; it is about their administration. If we had had this debate nine months ago, there might have been more people in the Chamber and the words being exchanged might have been warmer, but not in terms of being friendlier. I am never much in love with Treasury Ministers, and we usually give them a hard time, but I pay tribute to the Paymaster General. We all recall the ombudsman's special report that was brought about because of the number of complaints that the ombudsman had received about tax credits. We also remember the special statements and many questions in the House, and the responses from hon. Members on both sides of the House.

It was interesting that proceedings in yesterday's Sub-Committee were much calmer. There were differences, but they related to just a small proportion of the complaints that arose from the ombudsman's report. It is a tribute to the Paymaster General that she pushed that massive department into acting. Members of the Treasury Committee know that Her Majesty's Customs and Excise is not easily pushed, because it is like steering an ocean liner, and we all know the time lag when it changes direction. It is a tribute to her that in nine months she has managed to clear so many issues from the decks. Our debate might be seen as something of an anticlimax, but it is a good opportunity to put on the record some of the matters that remain outstanding and some of those that we spoke about yesterday.

It would be remiss of me not to thank the people and organisations that gave evidence, including Citizens Advice and the Child Poverty Action Group—that reveals what evidence I have read. There was a fair bit of evidence from them, and they worked closely with the Sub-Committee, which has always been impressed by their earnestness, endeavour and compassion for their customers. As the hon. Gentleman said, that seemed to be lacking in the department.

A tax department is not used to negotiating or being compassionate. It collects money and has all the power. When a department has all the power, it tends to use it brutally with little time for people's sensitivities. It was a new endeavour to ask HMRC to relate to the poorest people in the country, their benefits and other issues affecting their standard of living. It has taken some time to shift the culture and ethos of the department, but it is clear that, with helplines and so on, the ground is moving.

We must consider having a physical presence in the regions so that people can speak to another human being other than on the telephone. The Inland Revenue does that with tax problems. The last thing that people who are not used to computers or writing letters, and who are struggling to keep families afloat, want is to have a long, protracted correspondence about entitlements or payments, particularly overpayments. To be able to speak face to face to someone with access to a linked computer with the customer's details would be invaluable, and if claimants were treated as customers rather than clients that would be an enormous step forward.

I want to touch on two major matters that I raised in the Sub-Committee and to which the hon. Gentleman referred. The first is entitlements. We welcome the appeals procedure for entitlements. If the tax credit people make an award and the recipient is unhappy about it, there is an independent appeal process. People can appeal, but CPAG said in the Sub-Committee that it had experienced some difficulties. To describe it in immigration terms, if someone receives a bad decision from the Home Office through an entry clearance officer and appeals, the matter is taken from the Home Office and administered by the Asylum and Immigration Tribunal. CPAG indicated that HMRC acted as the gate-keeper and decided whether an appeal was valid.

That is not acceptable. We were assured yesterday that that did not happen but, in the best civil service fashion, the assurance was somewhat vague inasmuch as we were told that differences had arisen and that there had been discussions with CPAG, but that they had been resolved and that HMRC was not acting as gate-keeper. It would be good if that were so, but were the difficulties that were mentioned euphemistically in fact HMRC acting as the gate-keeper and deciding which claims went to appeal? Does the phrase, "We have now settled our difficulties," mean that a proper system is now in operation?

I think CPAG takes offence—perhaps I am wrong—when the Revenue receives a complaint and a request for appeal, and takes the opportunity to try to negotiate. That could be seen as interference, but I am not sure that it is. To return to my comparison with immigration, I welcome it when a constituent wants to appeal and brings the matter to me first, because I can ask for a review. It can save the country, the constituent and the Home Office a lot of money if the entry clearance officer takes another look at the case and considers whether they really want it to go to appeal. Too often they say yes, but that is what happens with entry clearance officers, and I am sure that that does not happen with the Revenue. I welcome the opportunity of a review procedure and do not see it as interference, as long as it is made absolutely clear in every piece of literature that is sent to the customer that the decision is not final and that they have a right of appeal to an independent body.

As the hon. Gentleman said, this debate is not about the principle of the tax credit system. The hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) wants to change the system, which causes some difficulty, but a good part of the system is its flexibility and not using fixed figures. As the Paymaster General said yesterday, 700,000 people benefit from the in-year changes, so I do not want them to go easily. However, because the system is flexible and retrospective, there is a period before the income that people said they would receive and that which they actually receive is examined, and if there is a difference HMRC seeks to claw it back. That is bad, and it almost encourages disputes, arguments and unhappiness if claimants are told to repay money that has probably been spent, especially if someone is low paid, because the claimant thought it was an entitlement. When that happens, they must think, "This system was designed to take me out of poverty, but it is pushing me further into it." My plea to the Paymaster General is that if we want to have flexibility, we must deal with the way in which overpayments are handled.

Mr. Michael Wills (North Swindon) (Lab): The system has benefited thousands of my constituents, and I pay tribute to my right hon. Friend the Paymaster General for all her hard work in refining the system so that it works better. However, most of the problems that come through my office are to do with repayments, to which my hon. Friend just referred. The origin of most of them is a dispute over whether the tax credit office was informed about changes in the claimant's circumstances. Generally, my constituents say that they have informed the tax credit office on the telephone, as the office informed them that they should, but that there is no record of the telephone conversation.

Does my hon. Friend agree that one way of dealing with those disputes, which are terribly depressing for everybody involved, debilitating and wasteful of public money, would simply be for the tax credit office staff who take those phone calls to supply a reference number?

Mr. David Marshall (in the Chair): I remind hon. Members that interventions should be brief.

Mr. Mudie: Perhaps you should remind me that main speeches should be brief as well, Mr. Marshall. You have been very gentle with me.

I was going to mention telephone calls, but it is clear from the evidence that calls are recorded and kept. At a seminar that took place in the past couple of weeks, the HMRC officer present was pressed on the issue. She said that she would not be happy if requests for recordings were widespread, because it takes a long time to find and prepare them. However, I put on the record for the public that they can ask for a CD of their conversations. They are useful and allow people to cut out a great deal of argument.

We must first consider the system, because when overpayments are drawn to the customer's attention, recovery begins immediately, and the Treasury Committee unanimously believes that that is wrong. Money is taken from the person's award straight away, and if they complain, recovery is put on hold until HMRC decides that it is right, at which point recovery restarts. We have asked that the pause—the famous pause—provides the customer with sufficient time to think about the information that HMRC has passed to them, seek advice and help and enter into dialogue with the department before recovery starts.

The Paymaster General is a very nice Minister, and she is on record as saying that the Government will "try." I had some fun with her about that yesterday, because there is no such word in political life as "try." It is like a football match: the players either do or do not, but do not tell me that they "try." Anyway, she is trying, and she thinks that our request is desirable, and that in principle, a pause is okay. We all hate verbatim reports, and Members can understand why I do, but in yesterday's verbatim report, the Paymaster General said that she did not have a specific IT release—I do not know what that means—in which she would be able to say that she wanted the pause to go in. She also said that she was still asking her Department to consider the idea and its consequences.

The Paymaster General should get Gerald Kaufman's book. I am sure that she has read it. I am not sure about using his first name—

Mr. David Marshall (in the Chair): *indicated dissent.*

Mr. Mudie: I shall refer to him as my right hon. Friend the Member for Manchester, Gorton (Sir Gerald Kaufman). I am sure that he is learned and everything else, but he certainly wrote a good book. He would not ask a department to consider the problem; he would tell the department, "I'm under great pressure from my party, my colleagues and Opposition Members, because everybody wants a pause, so do not consider it, do it. If there are consequences, tell me, but those consequences must be grave, otherwise you should just go ahead and do it." That is what I want the Paymaster General to do.

Mr. Mark Francois (Rayleigh) (Con): I apologise for interrupting the hon. Gentleman's flow, because I am listening carefully to what he says, and he has made a good point about overpayments. When HMRC decides that somebody has been overpaid and recovery begins, people are often not notified straight away, and they often eventually receive a notice, saying that they have been overpaid x thousand pounds and must repay it, without receiving any breakdown of the way in which the overpayment was calculated. They find that process very distressing. Does he agree that when HMRC writes to people to allege an overpayment, it would be helpful if it provided a simple breakdown of the way in which the overpayment was alleged to have occurred?

Mr. Mudie: I am sure that the Paymaster General would say that HMRC already does so, but the hon. Gentleman makes an important point, and one that the action groups have made, too. I support—we all support—the recommendation of the hon. Member for Sevenoaks, whereby individuals should have recourse to appeal to an independent tribunal, but although they do not have such a recourse, they can still go to the adjudicator. The Paymaster General's industrial relations background should come in handy, because when we were involved in trade union matters, and a dispute with management went through a set procedure, we always insisted on the status quo and that, until a final decision was taken on the matter, management should not act arbitrarily or unilaterally.

When an individual's first indication of unhappiness is noted, recovery stops, and then HMRC says, "We are right," and it restarts. The customer can take their appeal to the adjudicator, then to the ombudsman, and even—it is suggested—to judicial review. Although I do not know how many of my low-paid constituents would take the latter path, the pause should not end until the entire process has been exhausted, because the matter is still in dispute.

The hon. Gentleman said something in good faith, but I am not sure about it, because we get terribly mixed up with the appeal system. Yesterday, the Sub-Committee discussed whether the Department for Work and Pensions has an appeals system for overpayments. DWP overpayments are not recovered unless fraud has occurred, and the Library's notes for the debate back me up. We have two different situations and two different legal positions, and although the latter might be the cause of the difference, there is a question mark over the interpretation of departmental policy.

According to the Library, and according to other information supplied yesterday, which we have agreed to send to the Treasury's solicitor, the DWP has not sought to recover official error overpayments—unless the hon. Gentleman was right and it is being pushed into replicating HMRC's bad system. HMRC does not have the rider—this is its policy—that it will not recover an overpayment if it is a result of an official error and if the customer could know that the payment was made in error. The DWP does not have that rider. It will recover overpayments if there is any question of fraud, misrepresentation or missing information, but it does not seek to recover an official error, which is the policy that we are after.

Yesterday, we pressed the Paymaster General to consider bringing the right of appeal against tax credit overpayments and recovery into line with that at the DWP and operating it under social security legislation, rather than tax credit and tax law. We would like that to happen, because the question is not whether overpayments are made, but whether people have a right of appeal in principle.

Therefore, HMRC could decide tomorrow to follow the DWP in having a single basis for not recovering overpayments that result from official errors. The DWP has done that for years, and the auditor is happy with that. We are arguing, first, that that should happen and, secondly, that the tax credit law should be changed, because there is no right of appeal on overpayments—those are two subtly different points. There is a strong argument for changing overpayment law.

I am sorry about the time that I have taken, but let me just say that tax credits have worked. We can see the evidence in our constituencies, where families have got back to work and people have benefited. However, we can also see the trauma caused by overpayments in particular. It is as if we had built a great ship, but there was a tiny hole in the bottom that had sunk it.

Mr. Wills: I am sorry to interrupt my hon. Friend's peroration, but is there not one very simple way to plug that hole—a telephone system that responded efficiently to claimants? All too often, my constituents are desperate because they have just received a court summons, but they cannot get through on the telephone. Would not an efficient telephone system be one way of plugging the hole to which he referred?

Mr. Mudie: I sympathise with my hon. Friend and I am all in favour of regional representation, better helplines, better telephone lines and all that. At the end of the day, however, there is the question of the public money that is paid over, the entitlement that people have and the effect of all this on families. If we are going to claw back tremendous amounts of money and push families deeper into poverty, the very least we should do is give them the opportunity to have an independent person decide whether the department is right or wrong, rather than letting the department take the decision.

The adjudicator was represented at the seminar that took place two weeks ago for Members' staff. She said that it did not matter whether people came through the fast track that the department is pushing. She said that, as an adjudicator, she could not set the law or precedents, and that even if complaints flooded in to her in greater numbers and she took faster decisions, she would still have to balance them against code of practice 26 and the reasonability test, so that would not help things. What we really need is to change the law and the policy in a minor way, so that people are given the opportunity to have their case heard before an independent tribunal.

Having said all that, let me add that although I have raised two important points, they are dwarfed by the number of major points that could have been raised nine months ago. Again, I pay genuine tribute to the Paymaster General on the work that she has done in clearing the decks of so many difficult problems.

3.14 pm

Mr. Roger Gale (North Thanet) (Con): I am grateful to the Select Committee for having done a difficult job very well. I am delighted to see the Paymaster General in her seat—the correct seat—this afternoon. This time, she certainly does have responsibility for the matters before us, although by the time I have finished, she may wish that she did not. Much of the Treasury Committee report deals with the recovery of overpaid tax credits and what is risibly entitled "Improving HMRC's service to claimants", and I should like to concentrate on those two issues.

I am currently dealing with 28 cases involving claims for the repayment of tax credits. Although that is an improvement on the 46 cases with which I was dealing, there is still a long way to go. Of those 28 cases, seven are with the adjudicator and six, which have been rejected by the adjudicator—I shall return to that later—are with the ombudsman. Every one of those cases represents a demand for money from a family with children that is, by implication, on a low domestic income. In every case, that demand is for money that the family has spent and does not have, and it is causing misery. The hon. Member for Leeds, East (Mr. Mudie) referred to families struggling to keep themselves afloat, and that is exactly what these people are doing.

In almost all those cases—HMRC acknowledges this—my constituents have provided correct income details in a timely fashion. They therefore have a right to expect that HMRC has done its job properly and that the money that they received is theirs by right to dispose of as they see fit in the interests of their families. Instead, they are being penalised for the incompetence of a failing management and a failing system.

I do not want to hear any more tales from the Paymaster General or any other Treasury Minister about the enormous success of the tax credit system or the millions who are receiving help. The 28 cases that I mentioned, and more than 300,000 others like them, involve real people suffering real distress as a result of the failure of the chairman of the Revenue and Customs and the civil servants working under him to manage the system properly and deliver an efficient service.

Following a scathing report from the adjudicator, Dame Barbara Mills, the Prime Minister told me on the Floor of the House on 22 June 2005:

"we will not seek to get the money back if the error is on the part of the Inland Revenue."—[*Official Report*, 22 June 2005; Vol. 435, c. 798.]

[Mr. Roger Gale]

A week later, on 29 June, the hon. Member for Yeovil (Mr. Laws), referring back to my question, pressed the case again. The Prime Minister told him:

"my understanding is that the code of practice makes it clear that if the error is on the part of the Government rather than the recipient, there is not a recovery."—[*Official Report*, 29 June 2005; Vol. 435, c. 1292.]

Would that it were so.

The weasel words that HMRC now uses as a shield lie in the second half of the Prime Minister's answer to me. He said:

"In the interests of the general taxpayer...we obviously cannot say that overpayments resulting from a claimant's change of circumstances should stand."—[*Official Report*, 22 June 2005; Vol. 435, c. 798-9.]

Those words have been interpreted to mean that even where a claimant has provided full and correct information in a timely fashion, as most have, but HMRC fails properly to process and take account of that information and to make the necessary adjustments, the overpaid money resulting from that failure will be recovered, notwithstanding the Prime Minister's very clear undertakings, which he gave on not one, but two occasions.

The device—that is precisely what it is—that is used to justify the unjustifiable is HMRC code of practice 26. COP 26 is not a law, but a code of practice, which was introduced without parliamentary consultation or approval. It was introduced by Revenue and Customs to regulate its own business and nobody need answer for it—not even, as I shall demonstrate, to the adjudicator or the ombudsman.

COP 26 was concocted by the Treasury in October 2003 and was first published in December 2003. It was May 2004—a full eight months later—before even a flyer was produced for civil service public information. The full implication of COP 26 has been realised only since the Prime Minister's undertakings and the resulting welter of claims concerning Revenue errors that were upheld. That cost the Treasury a lot of money.

In her report "Tax Credits: Putting Things Right", the parliamentary ombudsman said:

"There are two main problems with the current system of recovery of both types of overpayment. The first is that it is instigated without any prior consideration by the Revenue of whether or not the sum in question is recoverable in accordance with COP 26. The second"—

which hon. Members may consider still more important—

"is that, in the case of recovery of excess payments in-year, it is done automatically without regard to customers' financial circumstances and whether they can afford the recovery rate imposed."

The conclusion of a stinging catalogue of criticism was the ombudsman's comment:

"I recommend that consideration is given to the adoption of a statutory test for recovery of excess payments and overpayments of tax credits, consistent with the test that is currently applied to social security benefits, with a right of appeal to an independent tribunal".

That is precisely what the hon. Member for Leeds, East was driving towards.

However, it was not done. The Chancellor of the Exchequer—the only Prime Minister in history to have failed even before taking on the job—who was responsible for the introduction and administration of tax credits, has chosen to ignore the parliamentary ombudsman. There is no right of appeal to an independent tribunal, no statutory test and no compatibility with the social benefits system. I do not want to reduce the Paymaster General to tears, but she heard that from me a couple of weeks ago. Indeed, in giving evidence to the Select Committee the deputy chairman of Revenue and Customs, who is apparently in denial, asserted:

"There is not a statutory right of appeal in relation to overpayments generated by official error".

He has clearly not read section 12 of the Social Security Act 1998 which states:

"Where the Secretary of State has determined that any amount is recoverable any person from whom he has determined that it is recoverable shall have the right of appeal to an appeal tribunal".

We shall, no doubt, be told that claimants have a right of appeal to the adjudicator, to the ombudsman and ultimately to judicial review. The latter is, of course, for the families that we are discussing, simply not a realistic or practical proposition. The adjudicator and the ombudsman have, I regret to say, been disgracefully compromised to the point where their findings no longer bear relevance to reality.

Instead of revising its systems to reflect natural justice and the spirit of the undertakings given by the Prime Minister, Her Majesty's Revenue and Customs has chosen to re-interpret its own creation, COP 26, to which the hon. Member for Leeds, East also referred. Its key words are:

"For us to write off an overpayment you must be able to show that an overpayment happened because:

we made a mistake, and

it was reasonable for you to think your payments were right."

A reasonable person might think that it was reasonable for a claimant who had provided the correct information at the correct time to believe that, given the battery of information technology and the veritable army of civil servants available to the Treasury, the calculations made by Revenue and Customs and, therefore, the payments based on those calculations, should be right. However, that is not the way that the Chancellor, the Paymaster General or the chairman of HMRC think. They have chosen to interpret COP 26 as saying, "We were wrong but you should have known we were wrong, so we are right and you are wrong and we demand our money back." They have taken it as far as saying, in effect—I shall not bore you with it, Mr. Marshall, but I have a relevant case before me—"Our computer systems cannot handle your payment so we are going to make a manual payment; but our computer may make a duplicate payment, but we cannot tell you when that may happen, and if it does you will need to notice it and we will demand repayment."

This is the world of Alice in Wonderland, and it would be amusing if it were not so tragic and if it had not compromised, hopelessly, the positions of the adjudicator, Barbara Mills, and the ombudsman, Ann Abraham. Correspondence from both of them, responding to challenges to HMRC decisions, now supinely reflects the HMRC position on COP 26. Dame Barbara says, for instance:

"When I consider complaints about the recovery of overpaid tax credits I do so in the light of Code of Practice 26"

and she usually continues to uphold the view of HMRC, which is:

"The conditions of COP 26 have not been met".

In other words, the adjudicator bases her adjudication on the rules set down, interpreted and enforced by the body that is the subject of the complaint. When a matter is referred to the ombudsman, that august person says:

"I do not see the Revenue's approach, as set out in COP 26, as being unreasonable".

That is in spite of the "Tax Credits: Putting Things Right" report, which indicated that that approach was unreasonable and that there should be an appeal to an independent tribunal. The ombudsman and adjudicator appear for some reason to have allowed themselves to become the creatures of a self-created Revenue and Customs system that is unjust and is failing some of the most disadvantaged people in the country.

I want the Treasury to take certain immediate actions. The Paymaster General and I have discussed the matter and she has treated me most courteously at our meetings, but as the hon. Member for Leeds, East said, the right hon. Member for Manchester, Gorton (Sir Gerald Kaufman) would have demanded action, not trying—or even very trying. The Treasury must instruct HMRC to write off all overpayments to date except those arising directly and obviously from fraud—from the submission of deliberately false information—or from unacceptably late submission of the information needed to make calculations. The Treasury must accept the original recommendation of the parliamentary ombudsman and replace the office of adjudicator with an independent tribunal system comparable to that used to adjudicate social security benefits. The Treasury must accept the spirit of the undertakings given by the First Lord of the Treasury, the Prime Minister, renounce its future dependence on COP 26 and take full responsibility for future errors leading to overpayment. Finally, the Treasury should acknowledge that its chosen system has failed and abandon it in favour of either a flat-rate payment or a payment based on historical and actual rather than theoretical income.

3.26 pm

Mr. Mark Todd (South Derbyshire) (Lab): I agree with a significant proportion of what the hon. Member for North Thanet (Mr. Gale) has said. I shall focus on two aspects of the matter: the human aspect and the technical and administrative aspects.

To start with the human side, we are dealing with a very well intentioned set of proposals. I share many of the views expressed by most hon. Members in this context: the intentions were good and the policy makes sense in broad terms. However, there was no reality check with regard to the likely customer base of the system.

I have found in the years of experience that we have had that commonplace events in modern life challenge the system and all too often cause it to fail. Relationship changes happen, and they can be frequent or confused, such as when someone is perhaps not quite out of one relationship but is moving into another one. We cannot be judgmental about that and we certainly cannot have a tax system that is judgmental about it, but it makes for considerable difficulty in communicating clearly a critical piece of information about household circumstances. There can be problems in defining the timeliness of the communication and making sure that it is conveyed accurately. The whole year picture must be considered, and I have had conversations with constituents who have said, "Do you really expect me to work out what this means in my whole year circumstances?" when they had a change of circumstances nine months into the year and needed to work out what it meant for the totality of the year, and whether it triggered the £2,500 disregard. The answer is yes, I do expect that, but one must be realistic. There are many people who would find it difficult to handle the process of accurately calendarising their circumstances when they changed during the year.

Job changes and changes in hours, such as a change from part-time to full-time work—things that happen in the real world—throw the system all too often, particularly when dealing with single women. Most of the cases that I come across tend to arise from relationship changes—they are common; changes in circumstances because of alterations in jobs, particularly changes in hours when someone goes from part-time to full-time; and people not communicating rapidly about a change of relationship because it was not yet fully established. All those things make it difficult for the system to work.

One particularly unpleasant case related to the abilities of the claimant. It involved a claimant with special needs whose family quite rightly wished him to be as independent as possible. He took the trouble to attend local Inland Revenue offices to seek guidance on the claim that he should submit; however, errors were made. He has been treated in exactly the same way as someone who has deliberately provided incorrect information. His family face the recovery of £13,000 because of errors that I regard as shared with local Revenue officials, who might have done their best to assist in a complicated case, but did so in error.

The hon. Member for North Thanet went over the reasonableness test thoroughly. To be quite honest, I probably get as many cases as he does. In one recent case, the Revenue readily conceded that it had made a mistake. It failed to respond to information that my constituent provided in a timely fashion. She rang up and reminded the Revenue, but it did not respond very quickly. Because the payment was made through an employer, the response to her change in circumstances was delayed, too, and a significant overpayment accumulated. She was not at fault, yet she now faces recovery of that sum, on the grounds that she should have spotted that the extra money was going into her account. She should have set that money aside and been ready to pay it back to the Revenue to compensate for its failings. Most people would say that that was not reasonable, that one would really expect a better performance from public officials and that she had done her best to communicate effectively with the Revenue to ensure that it had the correct information.

In another case, which is still unresolved and which directly mirrors a point that the hon. Gentleman raised, the Revenue made an error about four years ago, right at the start of the tax credits system. The

[Mr. Mark Todd]

case came up in a previous debate—indeed, my right hon. Friend the Paymaster General may even recall it, because she has heard me talk about it. The Revenue logged an employer on its system. The woman in question changed her employment before tax credits were even introduced, yet the record showed that she still worked at that place. Payments continued to be made through that employer for which she had never worked while tax credits were in place. She never received that money—I do not know where it went, and I am not even sure that the employer got it. However, the information has not been deleted and remains on the system, because there is still no software fix to remove erroneous historical data.

Periodically, that poor woman has to go through a recalculation, but when the results come back out of the system she is again confronted with the fact that an overpayment has been made. Her payments are adjusted to reflect that, but then there are manual payments and one has to tell her, "You're going to get some manual payments, but beware. You may find that these manual payments will come back to haunt you, because you'll start to get payments again through the computer system and you'll be paid twice. So, be very careful." I signed off a letter to her today saying exactly that. I must have written to her several times to say, "Yes, we're sorting out a manual payment for you, but beware. You may live to regret it later, so be very careful". Those difficulties of understanding people and understanding what seems fair are still present in a system whose overarching aims are entirely laudable.

I should like to comment on how the problems were dealt with at the start. Most, but not quite all, of the hon. Members present have been Members of Parliament since the inception of the system. At the start, the system was in utter chaos. The overpayments that were made during that period were dealt with under a regime that I would describe as desk clearing, which simply amounted to saying, "We won't be able to perform our task if we have so many disputes in front of us. The easiest way to deal with these disputes is simply to concede them and move on." In many ways that was an intelligent management judgment. One might wish that those circumstances had not arisen in the first place, but since they did, focusing on fixing for the future rather than desperately firefighting the past was probably wise.

However, that decision means that it is now open season for a legal challenge of comparison. Someone might say to the department, "You're taking this set of rules"—COP 26, which we have discussed—"to deal with this particular overpayment, but previously under this regime you took a very different approach to very similar problems. Is that consistent, reasonable or fair?" I await a well resourced individual challenging the process at some stage, because that would an interesting case to have argued. The Committee tried to get a little more information about how those initial disputes were resolved. That information was thin in the extreme and rather confirmed what I have said, which is that a desperate desk-clearing job was undertaken.

I should like to discuss systems and how problems have arisen. As I said in my earlier intervention, I found our visit to Preston very informative—indeed, I was the one who suggested that we should go. However, several observations struck me. First, the people working there were decent people trying to do a job. That ought to be said straight away. It is easy to abuse people who have administered a system badly, but we met people who really were trying to do a decent job, but were confronted with a system that was designed to frustrate. They had abysmal management information. Getting a proper picture of the organisation's customer base—who it was dealing with, what the common problems were, how they were being resolved, and so on—appeared constantly to require manual processes of counting, rather than saying straightforwardly, "We need this particular report about our system to tell us what's going on." As someone who managed a large organisation, I was stunned to find that the software on the system did not enable a suite of reports to be produced that would allow people to work out what was actually happening. I should say that designing the software was not done solely by a bunch of geeks employed by EDS; Her Majesty's Revenue and Customs would have had a substantial role.

That problem was clear and it has a legacy. The hon. Member for Sevenoaks (Mr. Fallon), the Chairman of the Sub-Committee, spoke about compliance. Compliance is being dealt with through a risk-based approach, but to perform proper risk analysis, tools of analysis are needed. I would be fascinated to learn how appropriate targeting is done to identity the cases that require further scrutiny, given the management information that is available. I saw no evidence of a system that would have assisted exactly that targeting activity.

The second point that struck me on our visit was that the work force was organised in a way that the old management textbooks would have described as Taylorist. That means management simply identifying a particular function and saying, "First you do this, then you pass this paper to this person, who does something else. This bit of the computer screen you can see, but that bit's too complicated, so someone else can deal with it". In such a system the work force are treated as though they were ill-trained idiots who are just about able to do one or two simple tasks, but cannot deal with all of a customer's problems. In the modern organisation, most people seek to avoid such systems. They certainly do not seek to design them, but that is what was done. The system was designed to parcel out functions and it prevented proper communication between those who were trying to solve a problem. We were struck by the number of little working groups that had to be set up. There was no way of seeing the whole thing. A particular case had to be referred to a particular group of people who could consider it specially, because that could not be done within the system. That is woeful.

Attempts have been made to remedy some of the problems, but it is startling that such a system was designed in the 21st century. It would have helped if there had been proper disclosure of the gateway process so that we understood the various tasks done by those auditing what was eventually delivered. I understand why that has not happened; there has, of course, been a dispute with EDS about the delivery of the systems. I would be surprised if it were in the interests of either party for there to be full disclosure of how the project

was managed. That, however, leaves parliamentary scrutiny in a position of ignorance, guesswork, rumour and informal communication. I have had informal communication with EDS about its perception of some of the issues involved, and it has given me its own rather partial account of some of them.

My right hon. Friend the Paymaster General is a charming person to deal with, and she has also been extremely frank about some of the issues. It would be great if we had a transparent picture of what had happened and why. We may never have one because of the dispute; if so, our learning opportunity will have been shortened.

My hon. Friend the Member for Leeds, East (Mr. Mudie) referred to release discipline, and I shall give a commendation on that issue. The approach taken earlier in the process, when change requests appeared to be thrown almost at random at EDS to try to resolve the numerous problems identified at the start, is the route to further doom in software terms. If release processes are undisciplined, people fix one thing and then do another, instead of taking a total view of the system and deciding which parts are stable, which can sustain changes and which need further strengthening. To be honest, that is not the way to do it.

It is extraordinarily frustrating to people because change requests can sit for a long time and never feature in the priorities for future discipline. That is why during yesterday's Sub-Committee sitting, I asked for a clear strategy for releases of new software into the system. It would be useful to know what disciplines are in place. I certainly commend the principle of having periodic releases rather than having them over random periods in an attempt to firefight.

I have said enough about those issues, to be honest. I would guess that 70 to 80 per cent. of those who claim in my constituency do so reasonably satisfactorily, without many hitches. It is frustrating to see wholly laudable objectives marred by entirely preventable errors and faults that affect a minority of cases.

Mr. Brooks Newmark (Braintree) (Con): Notwithstanding the hon. Gentleman's laudable attempt to help the Minister along, may I ask him whether he agrees with the assessment of the hon. Member for Newcastle upon Tyne, Central (Jim Cousins), who said at yesterday's Sub-Committee sitting, in the presence of all of us here, that

"under or overpayments of tax credits is a shocking, devastating damage to the whole welfare reform policy"

and that

"these administrative deficiencies have a major impact on the Government's welfare reform policies."?

Mr. Todd: My hon. Friend is much more a user of hyperbole than I. In parliamentary terms, I am at the boring end of the scale; I always have been and I accept it. I tend to consider issues in pragmatic and problem solving terms, so I do not entirely share those sentiments. The situation is recoverable.

Mr. Newmark: I want to be clear. The hon. Gentleman is saying, then, that it is satisfactory that three of five people who receive tax credits—97 per cent. of people who earn less than £10,000 receive them—are either being paid too much or too little. Is the hon. Gentleman saying that that is not unsatisfactory?

Mr. Todd: I know that I did not say that. I wish that we had the tools to do deeper analysis; a little bit of that would almost certainly show that a significant proportion of those who are underpaid and overpaid handle that circumstance perfectly competently and that it is part of their normal lives. For example, if someone gets a pay increase during the year, that is a laudable thing, their circumstances change and they cope with it. They deal with the underpayment or overpayment and anticipated it happening. We are talking about a smaller community of people, who genuinely cannot cope with that situation. I do not think that the problem is on the scale that the hon. Gentleman identifies and the one that my hon. Friend the Member for Newcastle upon Tyne, Central (Jim Cousins) talked about in those terms yesterday.

Mr. Newmark: The HMRC says so.

Mr. Todd: Indeed it does, but as I said, it cites a figure that does not identify the harm that that figure causes.

The Paymaster General (Dawn Primarolo): May I help my hon. Friend? The Department then publishes data by income range and by how much the overpayment is. The point being advanced is that we could drill down deeper into those statistics. Actually, the general proposition is incorrect and it shows a different picture entirely.

Mr. Todd: Indeed; it is fair to say that my speech has not been uncritical of the Government, but I am discussing a smaller group of people. If the problem were on the scale that the hon. Member for Braintree (Mr. Newmark) has talked about, all our constituency surgeries, e-mail systems and correspondence would be clogged on the subject. I agree that they are burdened, but on the basis of the rule of thumb of how often people are in touch with me, I honestly do not think that he has given an accurate reflection of the harm.

My right hon. Friend—and she is my friend; we have talked about this subject many times—the Paymaster General can offer further hope of further improvements to the system. My hon. Friend the Member for Leeds, East correctly said that there had been improvements; I have noticed that from my case load, and the hon. Member for North Thanet made the same point. Even from his perspective, the number of calls for his assistance has declined. There has been progress, but more is required.

3.48 pm

Mr. David Gauke (South-West Hertfordshire) (Con): It is a pleasure to serve under your chairmanship, Mr. Marshall.

Like a number of my colleagues on the Treasury Committee, I should like to return to one or two issues that that we discussed as we took evidence in yesterday's Sub-Committee, in which the Paymaster General answered our questions.

[Mr. David Gauke]

I raised issues that relate to the package of measures announced in the 2005 pre-Budget report and asked questions about the disregard, which was increased from £2,500 to £25,000. We discussed the various estimates of the cost of that. Essentially, there are two types of cost: the Exchequer effect, estimated at £850 million over five years by the Treasury, and the somewhat higher effect on entitlement described by the National Audit Office as the full effect of the changes, but over a longer period. The Treasury figure is £500 million per year and that is supported by the National Audit Office, which talks of a range of between £400 million and £600 million. There is no disagreement there.

However, the Treasury Committee has received evidence from Mr. Roger Cockfield, who gave a rather tentative estimate of the cost. His estimate is somewhat higher, at three times more than £500 million.

Dawn Primarolo: I want to make it clear to the hon. Gentleman, in case he is not aware, that the evidence submitted in writing to the Committee is not forwarded to me. He is referring to stuff that I have not seen and therefore cannot comment on. The only two submissions that I saw, in cases when the organisations sent them to us, were from the Public and Commercial Services Union and the National Audit Office. All other submissions are ones that I have not seen. I am sure that the hon. Gentleman will send it to me, so that he can have a proper answer to his question.

Mr. Gauke: The Paymaster General has jumped in. She will find that at this stage of my speech, at least, I will be entirely reasonable. Not only was I not in a position to judge whether that figure was correct, but I have been careful to state that the National Audit Office has supported the Treasury's position. None the less, we have received that evidence, and I was going to ask the Paymaster General whether I may write to her so that she can respond in due course. I have no doubt that she will disagree with the assessment, but it would be helpful for all members of the Committee to have that on record so that we understand precisely how those figures are reached.

Dawn Primarolo: Just to ensure that we have the etiquette right, I would write in response to that letter to the hon. Member for Sevenoaks (Mr. Fallon) and it would then be circulated to the members of the Committee.

Mr. Gauke: I am grateful to the Paymaster General for her assistance in etiquette.

Let me move on to another issue that arose yesterday, again in relation to the measures for the 2005 pre-Budget report. Last year's PBR estimated that the cost of tax credits would fall ever so slightly. I asked the Paymaster General why. We have heard from my hon. Friend the Member for Sevenoaks that there is a perception, which I think is widespread, that there will be a fall in the cost of tax credits because, on appeal, the HMRC appears to be taking a tougher line. The Paymaster General's explanation yesterday was somewhat different, and she referred to the

"shorter window for notifying change of circumstances and the other issues around that".

I press the Paymaster General to outline the details of her calculation about the areas of saving, if not today, then in the fullness of time. We now have details about the additional cost of the disregard, but it would be helpful if the Committee had greater details about the savings that were made by the various reforms.

I return to the evidence that the Paymaster General has not seen which was provided by Mr. Cockfield. He raised a point about the risk of fraud, and that specifically that more people might wrongly claim to be lone parents, which would be accentuated by the change in the disregard. Essentially, his argument would be that if one is a lone parent and enters into a relationship, the improvement in financial position over the course of that year would be more likely to be disregarded under the reformed system. The incentive in the following year to announce that they were still a lone parent might be stronger.

There is historical evidence that many people claim to be lone parents when they are not. I refer to the press release issued by the Institute of Fiscal Studies in March 2006, which states:

"The Government thinks it is paying out tax credits or out-of-work benefits to around 200,000 more lone parents than the Office for National Statistics estimate live in the UK".

It goes on to state that

"it is often financially worthwhile to pretend to be a lone parent".

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): The hon. Gentleman is entering an important part of the debate. Is he aware that in addition to the report to which he refers, the charity Christian Action Research and Education has published a report that examines the question of incentives in the tax credit system for living alone or as a couple? CARE argues strongly for clear disincentives in the tax credit system against people living as couples. Is not that a negative part of the system that needs to be considered?

Mr. Gauke: The hon. Gentleman makes an important point. A presentation to the Institute for Fiscal Studies made by Don Draper and Leonard Beighton in September 2005 made much the same point. That is quoted in Nicholas Boys Smith's work on "Reforming welfare", which was produced for the Reform think tank. The hon. Gentleman makes an important point about the tax credit system as a whole.

Let me return to the point about fraud, as it might be called, and the inaccurate figure for lone parents. One of the understandable arguments used by the Paymaster General is about the impressive take-up figures that often apply to tax credits, at least in respect of the amount claimed, if not to the numbers of claimants. If the take-up figure among lone parents is somewhat more than 100 per cent., that brings into question the veracity of those take-up figures.

Dawn Primarolo *indicated dissent.*

Mr. Gauke: But the evidence from the IFS would appear to bring into doubt at least some of the take-up figures, although there might be a technical explanation for that. If there is, I look forward to hearing it.

The take-up figures were used by the Paymaster General a week or so ago in the debate on the uprating of tax credit benefits. She used it to dismiss the argument of the hon. Member for Yeovil (Mr. Laws), who claimed that he regularly dealt with constituents who were tempted not to take part in the tax credit system because of the difficulties of overpayment. The Paymaster General was characteristically forthright and said that it was an extraordinary claim. The evidence that has been presented to the Treasury Committee suggests that the hon. Gentleman might be on to something. Citizens Advice gave evidence that states:

"We are seeing a steady stream of clients whose bad experiences of tax credit overpayment recovery are causing reluctance to continue with their claim. Others have heard about problems and do not want to claim at all."

The Paymaster General might not recognise the problem, but it is recognised by that organisation and by other MPs.

Official error was an important part of the Committee's report in June 2006. Given that the Committee is a cross-party body with a majority of Labour MPs, it was extremely critical of the evidence given by the Paymaster General and her officials. In paragraph 28, we stated:

"The factors cited by the Paymaster General and her officials as contributing to the problem of overpayments do not appear to us to give a comprehensive account of the reasons which overpayments have arisen...it is obvious to us that the Paymaster General's account makes no reference to causes of overpayments which have arisen as a consequence of the Department's own processes".

In paragraph 31, we stated:

"It is clear that official error has been a cause of overpayments in a significant number of cases",

and in paragraph 35, we stated:

"The Paymaster General has said that no complete analysis exists of official error causing or contributing to overpayments. This is a significant gap in HMRC's understanding of the reasons why overpayments arise. If HMRC is to succeed in improving the administration of the tax credits regime, the first thing it needs to understand is what is going wrong within its own processes, before it looks to problems elsewhere."

What progress has been made since June 2006? We learned yesterday of a pilot scheme that reviewed a small sample of disputed payments. It is to be expanded for all disputed payments from April. The hon. Member for Newcastle upon Tyne, Central (Jim Cousins) made it clear in forceful terms, as I am sure the Paymaster General will recall, that that is still some way short of the procedures undertaken by the Department for Work and Pensions, which, as we heard from other hon. Members, produces an estimate of fraud, customer error and official error for every benefit based on all cases, not just those where a dispute has arisen. Pressed by the hon. Gentleman about whether such figures should be produced, the Paymaster General stated that

"there is no reason why we should not be able to do that and we will look at doing that."

That is progress.

We have a sample, and it revealed a 5 per cent. official error rate in respect of overpayments. This seems to me a significant figure. If we look at the disputed overpayments that have been written off as well, and also that 5 per cent. figure, we see something quite striking. The percentage of disputed overpayments for 2005-06 was 44 per cent. For the 2006-07 year to date, it has fallen substantially to just 3 per cent. When asked about that, an official replied that

"the cases we were dealing with in 2005-06 largely related to the very early days of the system...in the very early days of the system, regrettably, we were making a lot more mistakes and therefore a lot more of those disputes were justified",

and therefore overpayments were written off. The official also said that

"our current accuracy rates are much better and the level of mistakes is a lot smaller."

That would appear to be good news indeed, but the implication is significant. If the improvement in the size of amounts that are written off is because there has been a substantial reduction in official error, which was the evidence that we heard yesterday, and if the amount that is written off has gone from 44 per cent. to 3 per cent. and we now have a level of accuracy that is 5 per cent. of disputed payments, it begs the question as to what the level of inaccuracy was when the amount written off was up at 44 per cent. It almost suggests, if the problem was purely down to official error, that the level of official error for the cases that were examined in 2005-06 would be about 44 per cent., and possibly higher.

There may be other explanations. We could be talking about desk-clearing, as the hon. Member for South Derbyshire (Mr. Todd) said, but we are talking about 2005-06, not the dim and distant past. The explanation might be in the argument that my hon. Friend the Member for Sevenoaks made about a toughening up of the appeal process, but the officials said yesterday that it was a matter of improved accuracy rather than less official error. If that is the case, the historical levels of official error were very high, which brings us back to the criticisms that were made by the Treasury Committee in June 2006. They were not only justified but relatively mild and restrained.

The Committee stated:

"It is obvious to us that the Paymaster General's account makes no reference to causes of overpayments which have arisen as a consequence of the Department's own processes".

It is outrageous that no reference was made to official error when the figure, at least as the evidence appeared yesterday, could be up by 40 to 50 per cent. When the Committee said that it was clear that official error had been a cause of overpayments in a significant number of cases, it was an understatement.

It is extraordinary that the Paymaster General said that

"no complete analysis exists of official error causing or contributing to overpayments",

because if the level of official error was as high as I suggest, or as the evidence that we received yesterday seems to suggest, it beggars belief that there was no complete analysis of official error and the role that it played in overpayments.

At times, there have been allegations of secrecy when it comes to the tax credit issue. Sometimes it is difficult to get information on it. I know that complaints have been made about the fact that the Social Security Advisory Committee reports on tax credit administration are not published, and that parliamentary questions are not

[Mr. Gauke]

always answered, but I do not think that that is the problem in this case. There is simply a failure to try to get to the bottom of the problem of official error. Only now is that being addressed, and I believe that it is because of the work of the Treasury Committee that that is being achieved. Because it has been such a large problem for such a long time, it appears that there has been a failure of leadership in Her Majesty's Revenue and Customs and in the Department. It is right for us to highlight it, because it is an enormous problem that has caused enormous hardship to many of our constituents throughout the country.

Several hon. Members *rose—*

Mr. David Marshall (in the Chair): Order. It may help if I intimate to Members that, following the speeches of the Front-Bench spokesmen, the Chairman of the Treasury Sub-Committee and initiator of this debate may have a few minutes, if he so wishes and with the leave of the House, to respond to the debate.

4.6 pm

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): It is a pleasure to serve under your chairmanship, Mr. Marshall. It is the first time that I have served in Westminster Hall with you in the Chair.

I pay tribute to the hon. Member for Sevenoaks (Mr. Fallon) for the way in which he set out the powerful conclusions that the Select Committee put in its report, which it seems was published quite a while ago—it was ordered to be printed in May 2006. As has been said, a lot of water has flowed under the bridge since then, not least the figures for 2004-05, which I believe came out about a week after the report was published. We look forward later this year to the figures for 2005-06.

One of several strange points about tax credits is that it seems to take a long time to get annual information out. The hon. Member for South-West Hertfordshire (Mr. Gauke) made that point.

Dawn Primarolo: Given that the report includes information that cannot be assessed until the year is completed, and information about self-employed people that cannot be completed until the end of the self-assessment period, which has a different time period, will the hon. Gentleman explain exactly how we can get the information apart from using real data when they are available?

Danny Alexander: I am grateful for that intervention. *[Interruption.]* As the hon. Member for North Thanet (Mr. Gale) says, that is one of the flaws in the system. It is hard to keep track of what is going on because it takes such a long time to get information out.

Dawn Primarolo: Is the hon. Gentleman suggesting that we should have not a flexible system but a fixed one with a shorter time period?

Danny Alexander: I am suggesting that, and I shall come back to it.

It is important to say at the outset that the idea of a tax credit system that boosts incomes of low-income families, relieves child poverty and makes work worth while—makes it pay—is a good one. Liberal Democrats support such a system and wish to ensure that it works effectively. Indeed, it is precisely because of those important social objectives that the tax credit system seeks to serve that the problems with it generate such anger and frustration, some of which we have heard about today. Liberal Democrats share the frustration and irritation that a system that promises so much causes so many problems for a huge number of claimants.

We have heard examples from constituencies across the country. Those suffering from overpayments might or might not be in a minority. The Paymaster General has often pointed out that they are a minority, but the hon. Member for Sevenoaks pointed out that some 60 per cent. of claimants had, in his view, suffered overpayments or underpayments, in which case we are actually talking about a majority. The Paymaster General may wish to dispute that.

It is clear from having read the report—couched though it is in the most moderate of parliamentary language—that members of the Committee share the anger and frustration felt by those constituents adversely affected. The report makes it clear that, over the past year, progress in many areas has been inadequate. It states that

"we are not convinced that the Paymaster General and the Department fully realise the extent to which HMRC needs to re-focus its administrative structures...around the needs of claimants."

That is the real issue: the needs of claimants.

As we have heard, overpayments cause hardship, and the case research highlighted by the Committee shows how the incomes of low-income families are highly volatile. In a third of the cases that the research looked at, tax credit awards and the overpayments that followed made the incomes of those families more volatile. As the Committee said, those findings suggest that the tax credit scheme

"could be aligned more closely to the financial needs of such families".

For families who budget weekly or monthly, the financial roller-coaster that overpayments cause undermines, in some cases, confidence in the system itself. The hon. Member for South-West Hertfordshire made that point as did my hon. Friend the Member for Yeovil (Mr. Laws).

I and many hon. Members will have tried to persuade constituents who are dissatisfied by how the system has treated them to stay in the system. Of course, people should stay in the system to receive the financial support to which they are entitled. However, we must be frank about the impact that such changes—the overpayments and fluctuations—have had on our constituents, particularly on the confidence that some people have in the system.

The report makes important criticisms of the system. It was published following the important report of the ombudsman, as made clear by the hon. Member for Sevenoaks. As far as we can establish, only four out of the 12 recommendations made by the ombudsman in the "Tax Credits: Putting Things Right" report have been accepted and implemented. Despite a number of

attempts, including written parliamentary questions, I have not had a clear answer from the Paymaster General on the following points: how many of those recommendations have been implemented and which ones are they; how many have been rejected and why; how many of those not implemented does she plan to implement; and when does she plan finally to bring the implementation of those important recommendations to fruition?

The most important of those recommendations have not been acted on. For example, it is recommended that when there is an alleged overpayment, the claimant is sent a letter clearly stating how the overpayment occurred. That would give time for a challenge to be made before the recovery of the overpayment. The letter should also clearly set out what right of appeal exists. At present, such letters are, at best, uninformative.

As has been made clear by a number of hon. Members, there should be a statutory test for the recovery of overpayments consistent with the social security benefits test. There should also be a right of appeal to an independent tribunal. Under the social security benefits test an overpayment must only be repaid if the claimant has misrepresented or failed to disclose a material fact. It is unreasonable to expect the claimant to be responsible, as the current system implies, for identifying errors on behalf of Her Majesty's Revenue and Customs. The system assumes a higher level of knowledge about how the tax credit system operates than it is reasonable to expect most claimants to have. In that, I agree with the remarks of the hon. Member for North Thanet.

Mr. Gale: The situation is worse than that. Is it not a case of Revenue and Customs saying, "We can't get it right, but despite that we expect you to get it right without the information that we have got"?

Danny Alexander: That is absolutely right and cuts to the point made in the report about the culture within the department. After all, an official error, computer error or transcription error made over the telephone only has consequences for the claimant and if they fail to spot it, they will eventually have to pay the money back. That seems a hard system indeed and one that has little sensitivity towards the needs of claimants or the ability of claimants to understand and peruse what, even with the minor improvement made to award notices, are complicated letters and systems to understand.

Mr. Francois: Does the hon. Gentleman agree that although some additional information has been provided on award notices—I emphasise the word "some"—a particular weakness is that when people receive a demand for overpayments, little information is given? Usually people are simply informed of the amount that they must pay back, which often causes panic and means that they get on the phone to the tax credits office and confusion is multiplied. Would it not help if people were given a clear breakdown of an overpayment and why it has occurred? They could then straight away work out whether or not to challenge it.

Danny Alexander: I agree. I made that point and attention was drawn to it in the report. It is important that people understand the reasons for an overpayment and, as mentioned but not yet implemented, there should be a pause so that people have time to reflect on their situation and decide whether to challenge an overpayment. As it is, the process could be a long way down the road before people decide on a course of action. Given the experiences that people have had, it is somewhat surprising that they still have faith in the HMRC and believe that if they get a letter from Revenue and Customs, it is likely to be accurate. Although people's experience may be somewhat to the contrary, they still believe that and therefore will not challenge the claim of overpayment unless repaying it causes them such hardship that they are forced to go to see their local MP, citizens advice bureau or other local advisory agencies. Such agencies would then perhaps provide more details and support them in appealing.

HMRC should reverse the burden of proof where the error has been caused by HMRC itself—a point also made by the ombudsman. The assumption should be that an overpayment is not recoverable unless it is reasonable to think that it would have been clearly obvious to the claimant. That is what claimants find most frustrating: that the burden of proof is on them. People may have phoned the tax credit helpline and given precisely the right information about changes in circumstances at the right time and in the right way, but even though they have done all the right things and the error was an official mistake, an IT system problem or some other cause that was clearly not the claimant's fault, they are still asked to pay it back. I have had cases like that and I am sure that other hon. Members have too. To many of my constituents that seems utterly unfair.

What does such a situation mean for the culture of HMRC? Errors made in transcribing content or resulting from poorly operating IT systems have no consequences at all for the management or staff concerned. They only have consequences for the claimant. Clearly, improvements need to be made at an official level and I know that some have been made.

Let us consider the IT system. In the evidence given to the Sub-Committee yesterday, the director of benefits and tax credits at HMRC stated:

> "The IT system is working well",

but that

> "There are the problems with introducing the restricted recovery of overpayments",

which are currently dealt with in "a semi-manual process". She goes on to state that a fully automated system will be brought in by June. That analysis of the IT system is not consistent with my experience when dealing with constituency cases. I have had many cases resulting from technical problems. In one particular case from last May, I was told by HMRC that technical problems resulted in an apparent clerical error in connection with the declaration form. The original application was made online and was stopped, payments were stopped and an error resulted. After considerable chasing and seven months after my original letter to HMRC, I received a reply that closes with the following sentence, which puts into perspective some of the points made by hon. Members:

> "in order to closely monitor your constituent's claim, we will continue to monitor their claim and will let you know when the problem has been resolved".

[Danny Alexander]

That does not suggest a system that is on top of the technical problems that have been described.

Hon. Members also spoke about staff training, a subject that was mentioned in the report. The point was rightly made that it is of benefit that recordings of phone conversations are now being made available to claimants. Despite the best efforts of HMRC staff in call centres and so on, it is obvious that many staff either do not understand the full system or, as was made clear in the report, are responsible only for a fairly narrow part of the system and have no reason to understand the rest of it. As a result, the advice offered or the questions asked do not always give the full picture or say what factors might affect a claimant's circumstances.

For example, I listened to a call last night about a case in which I am involved. The question of whether a child had reached the age of 16 was in dispute, so the claim had automatically been stopped. Only after several minutes of discussion, and incomprehension on the part of my constituent, did it became clear that the child was still in full-time education, at which point the tone of the conversation changed entirely.

Helpline operators also need to track the progress of individual cases, a point also made in the report. The Government's response said that that facility would be in place by October. Is that still on track, so that helpline operators will be able to keep track of cases in the system?

Local face-to-face contact is important, a point made by the hon. Member for Leeds, East (Mr. Mudie). It could be of benefit to claimants, particularly in the most complicated cases and the most difficult situations. I am concerned that the reductions in the number of HMRC staff will make matters worse. Representations have been made to me by people who work in the HMRC offices in Inverness. They are worried that plans to reduce the number of staff by nearly 50 per cent. will affect the quality of service available to people in the highland and islands.

Dawn Primarolo: I give the hon. Gentleman an absolute assurance: no HMRC inquiry centre—they are sometimes called contact centres—that is currently open will do anything else but stay open. If anyone suggests to him that a centre will close, they are giving him the wrong information. The face-to-face contact that exists now will continue, and not only on tax credits.

Danny Alexander: I am grateful for that reassurance. I shall certainly relay it to the staff I met, and follow it up, perhaps engaging in dialogue with the Minister or her Department on the subject.

Dawn Primarolo: The hon. Gentleman could write.

Danny Alexander: I have written to the Paymaster General on the subject. As I am awaiting a response, she now has more information with which to fill it out. I look forward to receiving it.

It is also right to say, as several other hon. Members have done, that the appeals process, such as it is, seems to have become increasingly tough. The Treasury is getting tougher with disputed overpayments, which is causing even greater hardship. The Committee reported receiving evidence that the process had become more "harsh and exacting". The process was streamlined, and then the streamlining was stopped.

Various interpretations have been offered to explain that, but the fact remains that a rate in 2005 of more than one in every two disputed overpayments being written off has fallen to a rate of one in every 25. In 2006, 350,000 claims were disputed and only 14,000 were written off, compared with 162,500 in 2005. That is a huge difference, and I would be glad to hear a little more about the reasons for that.

A number of hon. Members mentioned the risk that all those things could have an impact on wider Government policy, particularly on welfare reform and welfare to work policies. It will not encourage people to return to work if they believe that work will not pay. The financial advantage arising from earned income may be overshadowed by the problems caused by the alteration to tax credit awards because of higher income and increased hours. Although tax credits provide an incentive for people to find work, the high marginal deduction rates that arise when the tax credit system is combined with the benefit system can lead to a disincentive to work longer hours or to get better jobs for some groups of claimants.

In some cases—these figures come from tables published by the Department for Work and Pensions about the interaction of the tax and benefits systems—people can face marginal deduction rates of 90 per cent. and more, which means that for every extra £1 people earn, they keep only 10p. *[Interruption.]* The Minister can consult the tables, which makes the point clear. It must be a serious worry that overpayments will counteract the incentive for people to return to work. High marginal deduction rates will also reduce the incentive to change jobs to earn a better salary, if people are worried about the sort of trouble that their awards will cause.

The Committee highlighted at several points in its report the difficulties that it had in obtaining up-to-date, accurate and timely information from the Treasury. Many hon. Members will have had the same sense of frustration with parliamentary questions. However, there is one area where a big improvement could be made. It is totally unacceptable that all Social Security Advisory Committee reports are published except those that scrutinise Her Majesty's Revenue and Customs reports on benefits such as child benefit and tax credits. The Treasury continues to deny public access, and it continues to deny Parliament access to those reports. Will the Paymaster General ensure that it happens? If it requires a legislative change, will she ensure that her ministerial colleagues in the Lords table an appropriate amendment to the Welfare Reform Bill, which concerns matters relating to the Social Security Advisory Committee, so that the change can be made as a matter of urgency?

The Paymaster General, in one of her interventions, asked about the reforms to the system proposed by the Liberal Democrats. I shall refer to them briefly, Mr. Marshall, while not wishing to test your patience unduly. A case can be made for a return to a system of stable awards—perhaps six-monthly fixed awards—to help end the instability and chaos that some experience

under the current system. The ombudsman noted that the instability of the system raises the fundamental question that, for people on modest incomes who have to budget and plan their finances carefully in order to manage their lives, such inbuilt uncertainty or instability rarely works. Of course, such a system could be designed to build in some degree of downward protection, but none the less I believe that a system of fixed awards would offer a great deal more reassurance to many claimants.

Clearer and simpler award notices must be an important part of reform. Progress has been made, but a great deal more could be made. Likewise, action against organised crime remains a problem. In that respect, publishing clear information on fraud and error in the tax credit system would be a major benefit. I gather from the remarks of the hon. Member for South-West Hertfordshire that the issue was referred to yesterday. I hope that the matter will be pursued by the Committee as assiduously as it has pursued other matters.

Most important, however, we need an immediate end to what the ombudsman called the "systematic maladministration" that has beset the tax credit system. We want an end to automatic recovery without checking if the overpayment is recoverable—that is the pause. We want a statutory right of appeal against overpayments, with all that are due to official error being written off—a key recommendation of the ombudsman. We want to improve the tax credit IT system and to overhaul the automated payments system, which has led to considerable failures, often resulting in the need to make costly manual payments.

With those reforms we can achieve those worthwhile objectives, which are shared by all hon. Members, of having a tax credit system that boosts the incomes of low-income families, creates greater incentives to work and relieves child poverty. The system achieves that for many people. For it to achieve that for the entire claimant population, a thoroughgoing and radical reform is needed.

4.29 pm

Mr. Mark Francois (Rayleigh) (Con): It is a pleasure to serve under your chairmanship, Mr. Marshall. It is also a pleasure, as always, to be opposite the Paymaster General. We have debated tax credits on a number of occasions since I began shadowing the right hon. Lady in 2005. This afternoon, in the words of Yogi Berra, the American baseball player, is déjà vu all over again.

Our debate is informed by the Treasury Committee report on tax credits administration and by the Government's response thereto, which appeared in June 2006 and November 2006 respectively. The Committee report was introduced if I may say so very ably this afternoon by my hon. Friend the Member for Sevenoaks (Mr. Fallon).

The debate is timely in the light of the Treasury Sub-Committee having taken further evidence from the Paymaster General only yesterday—evidence to which I shall refer in the course of my remarks. The Committee report points out that the tax credits system faces a number of problems, such as IT systems error, the level of overpayments, the recovery of overpayments, fraud, error and organised crime, and even the availability of information about the tax credits regime as a whole. I shall refer to a number of those issues as well.

One of the problems that has dogged the tax credits system is the unreliability of the associated tax credits IT system which has been highlighted previously by the hon. Member for South Derbyshire (Mr. Todd), whose expertise in such matters the House would acknowledge. Unfortunately, the complexity of the system devised by the Chancellor of the Exchequer, combined with the historical unreliability of the associated computer, mean that mistakes in the system are now legion. That is partly why Her Majesty's Revenue and Customs sacked its IT contractor, EDS, and brought in another contractor, Cap Gemini, to try to salvage the whole complicated process.

Independent commentators have made a big issue of the IT problems. Robert Chote and Michael Brewer of the Institute for Fiscal Studies pointed out in a newspaper article in September 2006 that:

> "A combination of IT problems, an overly complicated design, and the inability of many families to provide information to the Revenue as quickly and accurately as expected has meant around £2bn a year has been handed out in overpayments. Not all of these overpayments were mistakes. But they lead, at best, to inconvenience and at worst to anxiety and real hardship. Some recipients have had no idea when they were being deliberately overpaid. Often cash-strapped households, they simply spent the money they had been given—and then became distressed when they were required to pay it back."

If, as Ministers like to claim, the computer system is now stable, why did the Paymaster General issue a written statement to the House last December that said that further anticipated changes that should have gone ahead, including the migration on to the tax credits system of jobseeker's allowance cases involving child tax credit, had been delayed yet again? That subject cropped up in yesterday afternoon's proceedings.

According to a recent series of parliamentary written answers, the Treasury's IT systems as a whole are now running a combined total of some 17 years late. For the Department charged with the ultimate protection of public funds, that is clearly highly embarrassing. The IT system problems have presented a major problem in relation to tax credits in particular, and they continue to do so.

A further major drawback of the tax credits system as it is currently configured is its inherent complexity. That complexity partly results from the fact that the Chancellor, whose personal brainchild the system was, is by nature an inveterate lover of complexity. We should like to debate the system with the Chancellor himself one day, but when it comes to debating tax credits the Chancellor is like Macavity—he is never there.

The figures are quite stark. The latest year for which we have fully audited figures from HMRC is 2004-05. Of the slightly more than 5 million families in the United Kingdom who were claiming tax credits in that period, almost 2 million were overpaid and more than 900,000 were underpaid. In other words, more than half of all the payments in the entire system were wrong.

[Mr. Mark Francois]

In 2005, the Parliamentary Commissioner for Administration issued a detailed examination of the weaknesses of the tax credits system, entitled "Tax Credits: Putting Things Right". That report stated:

"A heavier burden was placed on customers than was reasonable to spot the wide variety of mistakes and omissions which occurred as a result of processing faults."

The commissioner attributed that to, among other things:

"customers' unfamiliarity with the new system"—

and—

"its sheer complexity—particularly when customers' circumstances change".

No doubt when the Paymaster General winds up she will seek to argue that, two years on, to coin a phrase, "Things can only get better." According to the Government's reply to the Select Committee report, however, in the year 2005-06, 367,500 people appealed against an attempt to recover overpayments by HMRC. That means that more than a third of a million families were having very real difficulty with the tax credits system. That statistic rather belies the Paymaster General's frequent claims that the problems in the system are isolated and infrequent.

It has fallen to individual constituency MPs and organisations such as citizens advice bureaux to try to pick up the pieces. According to a memorandum that Citizens Advice submitted to the Committee, citizens advice bureaux dealt with 153,000 queries in 2005-06 and with a further 90,000 in the first six months of 2006-07.

Danny Alexander: The hon. Gentleman rightly draws attention to the important role of citizens advice bureaux in dealing with complaints under the tax credits system. It is worth noting also that they do not receive specific funding for their work on tax credits over and above that which they already receive.

Mr. Francois: I shall allow the Paymaster General to address the issue of CAB funding when she winds up.

Dawn Primarolo: Citizens advice bureaux do receive funding from the Department specific to their tax credits work, and I shall refer to the further work that we are doing with them when I respond to the debate.

Mr. Francois: I entirely accept the Paymaster General's word on the matter, although I must say that my local CAB has never told me that it was getting an HMRC grant. We have heard much about etiquette this afternoon, so perhaps the Paymaster General will write to all hon. Members present and tell us exactly how much money each of our respective citizens advice bureaux are getting to assist with tax credits problems. That should clear the matter up.

The CAB memorandum to which I referred said:

"We are seeing a steady stream of clients whose bad experiences of tax credit overpayment recovery are causing reluctance to continue with their claim. Others have heard about problems and do not want to claim at all."

It continues by saying that people are

"simply worn down by trying to resolve administrative problems."

Those problems were ably outlined by my hon. Friend the Member for North Thanet (Mr. Gale), who I believe even the Paymaster General would acknowledge to be something of an expert on the whole system.

Partly as a result of all the problems, the Treasury announced in the 2005 pre-Budget report a package of alterations to the tax credits system that is now usually referred to as the PBR package. The package comprised several elements, such as early reporting of changes in claimants' circumstances. Chief among the proposed measures, however, was the decision radically to increase the so-called income disregard—the amount by which a family's income can increase within a year without that family's payments being affected—by a factor of 10. The income disregard was raised from £2,500 to £25,000, which is a very considerable increase. The measure was itself very expensive—a point touched on by my hon. Friend the Member for South-West Hertfordshire (Mr. Gauke), who introduced some new information to the debate. When he receives his letter from the Paymaster General, perhaps he will be good enough to share it with me, because I should like to see her response to the analysis.

Last year, the Treasury attempted to argue that it could not successfully disaggregate the cost of the increase in the disregard, because that cost was too closely entwined with the other elements of the package. However, after persistent questioning, it relented and decided that it could do so. On 7 November 2006, I was told in a written answer from the Paymaster General that the cost of the tenfold increase in the disregard from the financial years 2006-07 to 2010-11 was likely to be £850 million. However, the acting chairman of HMRC, Mr. Paul Gray, had previously told the Select Committee on Public Accounts, on 23 October 2006, that the cost of the measure could be about £500 million a year—a far greater figure. Indeed, in evidence to the Treasury Committee yesterday, the Paymaster General's officials revealed that the cost of the disregard alone could well reach £500 million per annum in subsequent years. There is considerable doubt, therefore, about whether the cost of the tenfold increase will be £850 million or whether in the event it will cost the taxpayer much more than that.

The cost is very important, because the PBR package is meant to be broadly revenue neutral over the next several years. To make the numbers balance, therefore, HMRC has taken a much tougher line on the adjudication of overpayments to make up for the increased cost of the other elements of the package. That matters to every Member of Parliament who deals with tax credits in the course of their casework, because the higher the cost of the tenfold increase in the disregard, the tighter HMRC will have to rule on appeal against recovery of overpayments—in layman's terms, the harsher HMRC will have to be to make the numbers add up.

Indeed, that process appears to have begun in earnest. A number of hon. Members touched on that. There is considerable anecdotal evidence from citizens advice bureaux and from hon. Members' constituency

correspondence and surgeries that in the past year the number of appeals being upheld has suddenly dropped off dramatically—and now the official figures bear that out. In 2005, in some 46 per cent. of appeals against recovery of overpayments, the overpayments were eventually written off, whereas in 2006 that figure fell to under 4 per cent.—a massive drop.

At Treasury questions on 1 March 2007, when the Paymaster General was pressed on the number of overpayments that were now being written off, she said that in the period from April 2006 to January 2007, of 303,000 disputed overpayments, 8,600 had been written off, which by my maths equates to some 2.8 per cent. In the real world, families are being squeezed to pay for the Paymaster General's desperate attempts to put the system right.

We must also remember that HMRC acts as judge and jury in such cases—a point effectively made by the hon. Member for Leeds, East (Mr. Mudie). There is no independent appeal to a tribunal as there is for Department for Work and Pensions cases. In the vast majority of instances, HMRC itself rules on whether it was right or not and, not surprisingly, it tends to rule that it was correct.

Tellingly, one of the Paymaster General's officials admitted yesterday that claimants often have trouble understanding their tax credit awards. How can claimants be accused of having failed to notice that they were being overpaid when HMRC admits that many claimants do not understand what they are receiving in the first place? If people genuinely have difficulty working that out, how can they reasonably be expected to calculate whether they have had too much or too little? That is an absolute weakness in the very complicated system that the Chancellor of the Exchequer has devised.

The Treasury must be taking a harsher attitude towards overpayments. If we look at table B16 of the pre-Budget report 2006, which is headed "Total managed expenditure 2005-06 to 2007-08", under the line item for tax credits we see that the outturn figure for 2005-06 was £15.4 billion, the estimated outturn for 2006-07 was £16 billion and the projection for 2007-08 was £15.8 billion—in other words, a decline of £200 million from 2006-07 to 2007-08.

My hon. Friend the Member for South-West Hertfordshire mentioned that we recently debated a statutory instrument to uprate tax credits for the new financial year—the draft Tax Credits Up-rating Regulations 2007. In respect of those regulations, the total cost of the uprating, as given to the Committee and, if I remember correctly, contained in the explanatory notes, was £990 million—a fraction short of £1 billion. In simple terms, the actual cost of the outgoing payments to claimants next year will go up by the best part of £1 billion, yet the total cost of the system, according to the PBR, will fall by £200 million. On top of that, we have to add the increased cost of the income disregard.

It seems to me that the only way in which the Treasury can attempt to make everything balance out is to take a much harsher view on the judgment of appeals against the recovery of overpayments. The fact that we have gone from almost one in two appeals in which the money is waived to fewer than one in 20 bears that out. Ordinary families are paying for the Treasury's and HMRC's mistake.

The scale of overpayments has become a source of irritation to many Labour Members of Parliament as well. When I debated the regulations on the uprating of tax credits on 8 March, the hon. Member for North Durham (Mr. Jones) pressed the Paymaster General on the issue. He said:

> "I am listening carefully to the Paymaster General, but let me tell her about my experience in a number of cases. People have actually queried whether they were entitled to a payment, but the Department has insisted that they take the money and subsequently served them with a notice of overpayment. The other thing that my right hon. Friend and the Department need to recognise is that it is all very well saying that people can examine the payment form, but some claimants have very poor literacy and numeracy skills and cannot deal with the complex information that is sent out."—[*Official Report, Sixth Delegated Legislation Committee*, 8 March 2007; c. 16.]

During the Treasury Committee hearing yesterday afternoon, which I also attended as a member of the audience, the hon. Member for Newcastle upon Tyne, Central (Jim Cousins) stated directly to the Paymaster General:

> "Look, this is extremely serious. You have just given this Committee a figure that shows that 97 per cent. of people earning less than £10,000 a year are receiving working or child tax credits and on the basis of the last figures this Committee has one in five of them will be affected by underpayments and two in five of them might be affected by overpayments, and this is happening to people and to families many of whom have gone back to work and are earning £10,000 a year. This is just not acceptable."

Moreover, the method of adjudicating overpayments has now led to complaints even from Labour Members, just under 100 of whom have signed early-day motion 545 entitled "The Recoverability of Overpaid Tax Credits". Indeed, the hon. Member for Leeds, East has put his name to that motion. It calls for reform of the way in which the pursuit of overpayments is administered in practice, so even among the Paymaster General's own ranks, there is a growing chorus of complaint about how the tax credits system works in practice. It is not only Conservative and Liberal Democrat MPs who are complaining about that; large numbers of Labour Back Benchers are doing so as well. As Labour's poll rating drops and, understandably, its MPs become even more sensitive to constituency complaints, the volume of complaint from the Labour Benches against the tax credits system has increased accordingly.

A former Home Secretary, the right hon. Member for Sheffield, Brightside (Mr. Blunkett), as reported in *The Guardian* on 12 October 2006, made this note in his diary:

> "The tax credit system is a shambles—such a shambles that I've had to help out one of my constituents financially, only the second time that I ever have done this, and the first was for a child. I don't know if I will get the money back. I suppose it is a foolish thing to do, and it has to be on the pain of death that they don't tell people. But what else can you do when the tax credit system is such a total mess?"

Mr. Todd: He put it in his diary?

Mr. Francois: Yes, it was on pain of death that it should not be mentioned, but the right hon. Gentleman gave that quote to *The Guardian*. I am not

[Mr. Francois]

responsible for that. Nevertheless, it is a pretty powerful quote from a former senior member of a Labour Cabinet.

Even the former Minister for Welfare Reform, the right hon. Member for Birkenhead (Mr. Field), said on his own website that trying to alleviate poverty with the current tax credits system was like

"attempting keyhole surgery with a hacksaw".

He went further in *The Spectator* on 24 February, when he said:

"Gordon has been wrong on pensions, we've run our course on tax credits, there's no more money and we've enveloped huge sections of the population in means-tested benefits; there ain't any future in this. There is a need for a mega-rethink".

He then added for good measure,

"that's why we need a leadership contest".

He might be right about that.

In summary, the tax credit system is over-complicated and in a mess. Almost half the payments in the system turn out to be wrong, and overpayments are running at 2 million a year. Even the Chief Secretary to the Treasury admitted, in a written ministerial statement of 5 June 2006, that the new package of measures, including the tenfold increase in the disregard, would reduce the likely number of overpayments by only a third. So even with all that extra taxpayers' money, the Government estimate that they will reduce the 2 million overpayments by only one third. They have chucked even more taxpayers' money at the problem, but they still cannot make the system work properly. As a result, more than a third of a million people a year appeal against attempts to recover overpayments.

Even Labour MPs who supported the Chancellor's highly complicated system are losing faith in it and putting the Paymaster General under increasing pressure. I have some sympathy for the right hon. Lady, however, because she continues to have to front for the system to the House. Each month, there is almost inevitably a question about tax credits in Treasury questions, and it is noticeable that the Paymaster General rises to answer while the Chancellor sits silently. As one of my colleagues once pointed out, he might be a right hon. Gentleman, but he is hardly right hon. and gallant when it comes to tax credits.

There are two possibilities. Either the Paymaster General is in denial about the problems with the system and continues to insist that all is well as the water rises around her, or she is now in what has been called the ministerial cocoon. Is it that she is surrounded by senior civil servants who tell her repeatedly that the problems are minor and that all is well, despite the fact that a third of a million people appeal against the system every year? I shall leave it to her to judge which of those is true. Either way, the system is absolutely crying out for simplification and reform. That is why the Conservatives have launched a reform of the tax credits system as part of our wider policy review. We want to create a simpler, more efficient system that helps those who need it, without driving them to distraction. That work is ongoing, and I look forward to debating it with the Paymaster General.

4.52 pm

The Paymaster General (Dawn Primarolo): This all feels a little like groundhog day, as I have covered with the Treasury Select Committee many of the subjects that have come up this afternoon.

I start by paying tribute to the valuable work of the Select Committee and its Sub-Committee, under the chairmanship of the hon. Member for Sevenoaks (Mr. Fallon), in examining the administration of the tax credit system. The Committee has shown a continuing interest in the effective implementation of tax credits. Its June 2006 report, which contains some 52 recommendations, was well received on both sides of the House and was the focus of an Opposition day debate in the same month. The report also informed the debate that followed an oral statement that I made in the House in July 2006.

Today, some hon. Members have swung from saying that they do not have enough information to then quoting all the information that they have. There is an extensive amount of information on the tax credit system available. I shall address the points that hon. Members have made today, as well as the Committee's 52 recommendations and the ombudsman's recommendations. The purpose of Committees making recommendations and the Government responding to them is to take matters forward.

Although I knew it to be the case, I am grateful to the hon. Member for Sevenoaks for reminding hon. Members that the principle of tax credits is not in question. Neither are their flexibility, responsiveness or ability to support people on the lowest incomes, who are given the highest payments. They support child care, and both support and encourage people in returning to work. All the statistics bear those facts out. Some hon. Members, particularly the Liberal Democrat spokesman, said that they support the system but want to destroy it and put something else in its place. I look forward to engaging with the hon. Member for Rayleigh (Mr. Francois) on the Conservative party's thoughts, values, propositions—I do not know what they will be—perhaps even policies, on how to deal with tax credits.

The tax credit system is huge and deals with about 20 million people throughout the UK, including 6 million families and 10 million children. Take-up of that benefit is substantially higher, not a little bit higher, than that of any previous income-related financial support for families in work. Low-income families are the most likely to take up their entitlement. The Department's figures, which were published on 1 March, show that take-up among people with incomes of less than £10,000 is up from 93 per cent. to 97 per cent. and rising. Information from the Organisation for Economic Co-operation and Development and from other sources, not just the Department, show that tax credits have been central to reducing the tax burden on low to middle-income families, and have ensured that 3 million families with children pay no net tax.

Mr. Francois: I am grateful to the Minister for giving way; I am not trying to spoil her flow. She has used the 97 per cent. take-up figure several times. Does that include child tax credit and working tax credit or just one of them? If the latter, which?

Dawn Primarolo: I take it that the hon. Gentleman read yesterday's transcript. Perhaps he simply read it selectively. That same question was asked of me then and I made it clear to the Committee that I was talking about the child tax credit. I also said that I would send to the Committee the full breakdown, which does exist, of tax credits, including for child care tax credit and working tax credit. A comparison of the take-up of child tax credit with that of income support or family credit, which, even at its height, reached only just over 50 per cent. of those who needed it most, shows that there has been substantial progress.

Performance within the tax credit system has improved. As the Department has taken recommendations on board and changed the system, administrative error has declined substantially. Published figures, which the hon. Member for Rayleigh can look at, demonstrate that improvements in accuracy in calculating and processing awards rose from 78 per cent. in 2003-04 to 97.7 per cent. in 2005-06.

Many of the measures in the 2005 pre-Budget report will ensure further improvements. Many improvements are mentioned in the 52 recommendations of the Committee. Reference has been made to the disregard, but there was also a successful shortening of the renewal period to five months. It will be shortened again to four months this year. That is important in the context of overpayments, because it means that there is a continual shortening in respect of potentially out-of-date information on which the awards are delivered.

Changes are being made on the reporting of circumstances. I want to pick up some of the points that have been made. We are trying, in particular, to ensure a reduction in the areas where there may be a risk. I should refer to the question of relationship break-up, because it has been mentioned. There have also been changes in award notices, in the information delivered routinely to claimants and in the tax credit office, which deals with disputes over claims within a specific period.

Let us consider contact centres, which are the claimants' preferred method of contacting the Department. Some 98 per cent. of calls are dealt with in the day of the call, and the performance level of the contact centres is high. Last year, we increased the capacity by 1,300 to ensure that the Department was responding specifically to the points that hon. Members have made.

I shall address some of the points that have been made, starting with the point about fluctuating incomes made by the hon. Member for Sevenoaks. He is right that there are two issues concerning how fluctuating incomes can affect the tax credits system. When the system was designed there was incredibly limited information on how family incomes changed within a tax year, given the elapsing of time and the changes in the labour market. The subsequent research by John Hills which was published in March 2006 confirmed for the first time—it also made the information available for the first time on a systematic basis—that a significant number of families had unstable incomes from week to week, or even from month to month, as my hon. Friend the Member for Leeds, East (Mr. Mudie) said.

Taking on the consequences of that situation is important. This partly involves re-examining the disregard and the causes of those fluctuations for that particular group in the tax credit system, and considering what can additionally be done to ensure that those people are supported and to ensure that their likelihood of exposure to overpayments is reduced.

The write-off of overpayments was also mentioned, and the hon. Member for Rayleigh came out with a conspiracy theory. HMRC might be able to do things that he sometimes finds incredible, but his conspiracy theory was not grounded in any of the facts. The policy has always been to write off an overpayment where there has been an official error.

I want to come back to the points made by my hon. Friend the Member for Leeds, East about the difference between the Department for Work and Pensions and HMRC. I have always said that on official error and on where the claimant could have reasonably believed that an award was correct, rights and responsibilities are in operation. People should inform the Department of the facts of the claim, check that they are right and then receive the payment.

It is true that the number of overpayments that have been written off due to official error reduced between 2005-06 and 2006-07. I can tell the hon. Member for Rayleigh that the latest figure, which covers up until the end of February, is 9,300. The figure of 8,600 that he gave covered until the end of January. The situation reflects the fact that there are time lags in the system and that the high number of cases written off in 2005-06 was because of early problems in the tax credits system—they have never been disputed. That explains the fluctuations.

My hon. Friend the Member for Leeds, East referred to contact centres and to the importance of our inquiry centres.

Mr. Francois: Is the Paymaster General honestly telling hon. Members that the number of overpayments being written off has fallen—we should bear it in mind that people need to meet two criteria to have an overpayment written off, whereas the Paymaster General has really mentioned only one—from virtually one in two to fewer than one in 20 purely because of a reduced error rate? Is she telling us that there is no financial pressure to claw the money back? If she is, I do not believe her.

Dawn Primarolo: I am afraid that the hon. Gentleman will have to rest at not believing me. He refuses to interpret correctly some of the facts that are staring him in the face, and there is not a lot that I can do about that. I am telling hon. Members precisely what he says.

Mr. Gale *rose—*

Mr. Gauke *rose—*

Dawn Primarolo: I shall give way to the two hon. Members who have stood up, but in fairness to the points that others have made, I shall then need to make progress in answering them.

Mr. Gale: This goes to the heart of the whole issue. The Paymaster General is saying that the performance of HMRC, as it is now known, has improved and

[Mr. Gale]

therefore the overpayment reclaim rate is higher than it was before. That is patently not true. The cases that I have before me and those which I have referred to the adjudicator, to the ombudsman and to her, in some cases, almost invariably involve an acknowledgement of official error. The acknowledgment is to the point where compensatory payments are even made for those mistakes, but responses then go on to say, "You should have known that you were wrong." That places an unfair and unjust burden on the claimant.

Dawn Primarolo: I want to come on to why the reasonableness test acts as it does and the statutory requirements that it involves. There is nothing new in the reasonableness test. One of the points that was fairly made yesterday—I cannot remember which member of the Sub-Committee made it, but I gave an acknowledgment and said that we were taking work forward—related to the constituency of application of the reasonableness test and how we can be assured that the test is operating as it should. I put aside the question of appeal, because I want to deal with that later, but I have explained to hon. Members precisely why the figures have changed.

Mr. Gauke: Let us assume, as the Paymaster General says, that the reason why the write-off rate has fallen so dramatically from 44 per cent. to 3 per cent.—it is possibly at 4 per cent. now—is the fall in the official error rate. Given that the official error rate is 5 per cent. and the write-off rate is 3 or 4 per cent., what was the level of official error rate when the write-off rate was 44 per cent?

Dawn Primarolo: The hon. Gentleman questioned us on this yesterday, so he knows about our ability to separate official error from claimant error and fraud. The way that the figures are produced means that those things are amalgamated in them. One of the discussions that we had—the issue has been raised again today—was about whether the Department can specifically separate the official error rate within its statistics.

Mr. Gauke *rose—*

Dawn Primarolo: I have answered the point, and it is late in the afternoon. The hon. Gentleman had an opportunity to question me closely yesterday, so, in order to be fair, I should respond to the points that have been made today.

My hon. Friend the Member for Leeds, East asked about access for particular groups, and said that telephone contact alone is not sufficient. Extensive work is taking place, and HMRC is running pilots in Jobcentre Plus. There are also pilots with Citizens Advice and the Department to look specifically at understanding that group of claimants, as my hon. Friend advocates, and we must make greater efforts to do so. There is a programme in Plymouth, in partnership with the local authority, Citizens Advice and Money Advice Plymouth. In different ways, we are trying to understand how to go beyond what we already make available to claimants to improve their situation.

Mr. Mudie: I applaud the Paymaster General's efforts, but I was simply saying that in Leeds we have tax offices where people can make an appointment to sort out tax difficulties and misunderstandings. Is it not possible to have a presence on the tax credit side in those same offices, so that there is a ready point of public access that people can take advantage of?

Dawn Primarolo: Yes, of course there is. An inquiry centre should do that, and if my hon. Friend is saying that that is not operating through the inquiry centre in his constituency and that such advice is not on offer face to face, I will pursue the matter. That is the point of inquiry centres, but I want to expand access beyond that.

My hon. Friend also asked about appeal on entitlement, and referred to what the Child Poverty Action Group said to him and to the Sub-Committee: that the Department acted as a gate-keeper to whether appeals on entitlement were passed to the tribunal. He was right in saying that there is an appeal procedure. I confirm that that is slightly different from acting as gate-keeper. It did not do that, but what was happening—he speculated on this—was that someone was given a notification of appeal and the Department then offered the final review on whether a settlement could be made before appeal.

Quite rightly, in my view, the CPAG said that that was not clear enough, because it could be misinterpreted, and that there should be a clear indication of appeal rights on entitlement and so on to the tribunal. If a review is offered before that, it should be made clear that the appeal can still take place subsequently. The text of the letter that will explain that to claimants will be shared with the CPAG to ensure that it is clear to everyone.

On the question of appeals and the difference between the structure in the Department for Work and Pensions and that in HMRC, I said yesterday that I would send the Sub-Committee my view on that, because there seem to be different interpretations. DWP's policy is to ask for repayment when an overpayment is caused by official error but it is reasonable to expect that the claimant would have been aware of being overpaid. DWP has no statutory test or right to appeal to recovering overpayments caused solely by official error. That rests on common law application.

On tax credits, the reasonableness test is a principle that has operated in the tax system since 1971—the hon. Member for North Thanet (Mr. Gale) also raised this—and the tax credits legislation provides the Department with a statutory discretion to recover overpayments, hence the way the system operates. The codes of practice—COP26 in this case—are recognised as statements of departmental interpretation of the law across Departments. They are binding on Departments and can be used in evidence in court or before a tribunal. The legislation gives the Department discretion, and the discretion is then expressed in a code of practice. That is partly what my hon. Friend the Member for Leeds, East implored me to return to the primary legislation, if necessary, and that is where the operation of the reasonableness test is provided for.

My hon. Friend also touched on the pause. There is effectively an IT pause in the system, but I was unable

yesterday to give a specific time for that release, and he suggested that I just instruct the Department. This is what the Department is saying to me, and this is what I am pushing back on the Department. It touches on the point made by my hon. Friend the Member for South Derbyshire (Mr. Todd) about what can be delivered in the system without causing untold consequences because of the way the system is constructed.

There is also a need to set priorities, given the wealth of recommendations—52 in the Sub-Committee's report, and those from the ombudsman. The current advice to me is that the change would involve the risk that it might displace other enhancements to the system. Until I am satisfied that I have got to the bottom of that, I cannot take the matter further with commitments to the Sub-Committee. However, I want to make it clear, as I did yesterday, that that is exactly what I am attempting to do.

The hon. Member for North Thanet referred to a number of other matters, including the adjudicator and the ombudsman. The ombudsman's press release on 13 July 2006 stated:

> "Ms Abraham commented on the positive way in which HM Revenue and Customs...had worked constructively with her office on the issue of tax credits. HMRC responded to her report to Parliament in June 2005 with some substantial changes to the administration of the system and agreed new ways of handling complaints."

I do not have time to read for the record all 12 of the recommendations that the ombudsman made, but the vast majority have been implemented. Members of the Sub-Committee may remember that I explained to both the ombudsman and Parliament that I was unable to concede to one recommendation: the write-off of all payments up to a particular point. Otherwise, progress is being made, as the ombudsman recognises and as the hon. Member for Sevenoaks acknowledged in his opening comments.

I disagree with the hon. Member for North Thanet who said that the adjudicator has been compromised. Working with the adjudicator, for example, we are considering possible improvements to the system beyond those that are already before the House. I met the adjudicator a few weeks ago, and we discussed some cases. She felt that there were difficulties with the reasonable belief test, and she said that she would return with examples of cases that could be clarified, or that could assist with the way in which we determine disputed overpayments. *[Interruption.]* I really must leave a few minutes at the end, so I shall speed up my comments.

My hon. Friend the Member for South Derbyshire also made points about the reasonableness test, and he referred to the persisting difficulties that error in historical data causes. I have always acknowledged that problem, and on several occasions I have also told him that it is important to ensure that we get the best, incremental improvement in the system. Tax credits are an annual system, and he is quite right that inevitably, therefore, there is a time lag in producing the comprehensive statistics. I have pressed the Department on how we can provide quicker information, and particularly information about official error in disputed overpayments.

We referred yesterday to the fact that the Department has examined a sample—the 5 per cent. official error figure comes from it, but it is small and therefore unreliable—and that from April it will complete the sample systematically for a full year. In that way, the Department will begin to understand the way in which the figures for official error and the separation of the components can be produced reliably.

A great deal of the speech of the hon. Member for South-West Hertfordshire (Mr. Gauke) covered information that he will send to me, so we will deal with it when he does. He referred to the lone parent figure, and it was said at the time that the difference in numbers reflected a difference in definitions, not fraud. The IFS research used definitions from the family resource survey. Tax credit claimants are asked whether they live together as husband and wife, and whether they pool their finances. There are ways of checking the situation—a potential vulnerability—and that is clearly carried out. There are sometimes differences in the definitions of lone parent, and that example applies.

The hon. Gentleman referred to a tougher line and to writing off overpayments, and I have dealt with that. *[Laughter.]* Well, I could say, "I have responded to those points," if he would prefer it in a slightly softer fashion. I am watching the clock carefully and trying to hurry to give the hon. Member for Sevenoaks time to make his concluding remarks.

Finally, there were some questions about process, including whether the helpline operators are properly trained and whether they provide enough information. If I were to go through the Select Committee's 52 recommendations, we would be here considerably longer, but most of the recommendations either have been, or are in the process of being, dealt with. It was recommended that we update the process, and we are reviewing the scripts that our contact centre advisors use and the advice that they provide. The hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) expressed views about children who reach 16 years old but remain in full-time education, and we are giving particular consideration to how we can deal properly with that move from one area to another.

In response to another recommendation, from next Monday at two separate centres we will run time-limited pilots on relationship breakdown, because hon. Members rightly referred to the fact that if one's relationship breaks down, the last thing one thinks is, "Goodness me, I must ring HMRC to let them know my tax position." The tax credit system copes with that situation by allowing payments to run on and then by backdating the claim, but we are exploring ways in which we can deal with the issue. We are also using proactive questioning about changes in circumstances, so that our material is much more timely, specific and able to deal with the very points that hon. Members have raised today.

The tax credit system has helped families enormously, and with child care in particular. There are issues that must be addressed, and I am grateful for the continuing assistance not only of the Treasury Committee, but of other Committees and of hon. Members. I assure them that progress is being made.

Mr. David Marshall (in the Chair): With the leave of the House, I call the Chairman of the Sub-Committee.

5.26 pm

Mr. Fallon: With that leave, I shall reply briefly to the debate that you have so ably chaired, Mr. Marshall.

I am grateful to all who have participated, including the four Treasury Committee colleagues who have attended today's debate. They all made important points. The hon. Member for Leeds, East (Mr. Mudie) pressed his point on appeals, to which I am sure we will return. My hon. Friend the Member for North Thanet (Mr. Gale) spoke of his own preference for fixed awards, and it is interesting that it has never been definitively ruled out. The hon. Member for South Derbyshire (Mr. Todd) drew attention to some of the management weaknesses in the tax credit system, and my hon. Friend the Member for South-West Hertfordshire (Mr. Gauke) pressed the Government on the scale of the error, to which we will no doubt return.

The hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) referred not only to our criticisms, but to those of the ombudsman, and he added a menu of his own suggestions for reforming the system, which we will want to study in more detail. My hon. Friend the Member for Rayleigh (Mr. Francois) developed a harsher critique, and if I have him right, he made the important allegation that HMRC is now under pressure to recoup the increased cost of the disregard through the harsh decisions that it now takes. The Paymaster General then did her best to defend the case that she has to defend.

This has been an important debate on tax credits, and it will clearly not be the last. Given the scale of the tax credit system, its importance in helping people back into work, which we have accepted, and its huge cost to the Exchequer, the onus is still firmly on the Government, HMRC and the Minister responsible to make it work more efficiently and effectively. Some progress has clearly been made, but there is a long way to go. Further reforms of the system will be needed, and I assure the Paymaster General that the Treasury Committee will continue to keep an eye on it.

Question put and agreed to.

Adjourned accordingly at twenty-eight minutes past Five o'clock.

Westminster Hall

Tuesday 20 March 2007

[HYWEL WILLIAMS *in the Chair*]

Armed Forces (Recruitment and Retention)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Huw Irranca-Davies.]*

9.30 am

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): I am grateful for this opportunity to raise the issue of recruitment and retention in the armed forces, and it is a pleasure to do so under your chairmanship, Mr. Williams. This debate is particularly timely, as today marks the fourth anniversary of the invasion of Iraq, an event that provides the context and backdrop to almost every issue relating to our armed forces that is currently discussed in the House. It is absolutely central to the topic that we are discussing this morning. Iraq is at the heart of the problems of overstretch, and it causes and exacerbates recruitment and retention problems.

Furthermore, this is the first opportunity that the House has had to debate the issues raised in the National Audit Office report, "Recruitment and Retention in the Armed Forces", which was published in November. It highlighted some of the enormous challenges and made several specific recommendations for the Ministry of Defence to take on board in order to improve recruitment and retention.

Earlier this month, the Armed Forces Pay Review Body published its 36th report, which made recommendations on pay, allowances, accommodation and other charges. In strengthening and examining the evidence base for its report, the pay review body made some specific observations about the recruitment and retention problems that exist in the armed forces. It reinforced much of what was said in the NAO report, especially in respect of the impact that operational commitments, and the tempo of those commitments, are having on our servicemen and women, and the imbalance between commitments and current manning levels.

The debate is timely, and I hope that the Minister will welcome it as a good opportunity to outline his thinking on the issues raised in the reports to which I have referred, and to update hon. Members on his efforts to address recruitment and retention challenges in the armed forces.

In a tight labour market such as that in the United Kingdom, there are recruitment and retention challenges across the full range of employment sectors, and some of those challenges are particularly severe for certain categories of work. I shall not digress into areas that may be covered in the debate in the main Chamber tomorrow afternoon, but it is worth acknowledging what is driving the tight labour market. Demographic change means that a decreasing cohort of young people enters the labour market each year, which, when combined with the general strength of the economy, means more intensive competition to attract workers. There must be few hon. Members who do not regularly receive comments from local employers about how difficult it has become for them to find appropriately skilled and motivated staff to fill vacancies.

Skill shortages, recruitment difficulties and the challenge of hanging on to good workers are raised at any gathering of employers in the country, but what we are discussing when it comes to recruitment and retention challenges in the armed forces is not only one subset of a broad trend. The issue is fundamentally different, because the work carried out by the men and women who serve in our armed forces is unique and not directly comparable with anything in civilian life, and because the consequences of recruitment and retention difficulties, which result in added pressures on the service person in post and, ultimately, affect our ability as a nation to meet strategic military objectives, could be very serious indeed.

As I have said, the operation in Iraq forms a backdrop to many of the current challenges facing our armed forces, and that is certainly true when it comes to recruitment and retention. However, I do not for one moment go along with the crude line that I have heard expressed by some hon. Members that Iraq has somehow been a catastrophe for military recruitment and retention efforts. Yesterday, an officer described to me the challenge presented by the so-called mum factor—parents not wanting their sons and daughters to be killed or injured in Basra—which I do not dispute, but it is also true that the war in Iraq, our role in the invasion four years ago and the ongoing security operation have time and again thrown the spotlight on to some of the very best aspects of our armed forces, which can create heightened levels of interest among potential recruits. However, that also cuts the other way, in that our heavy commitment in Iraq has created new and additional pressures on our serving troops, which, in combination with other factors, have served to reinforce some negative retention trends.

The fact is that since 1997 the British armed forces have been operating at a much higher tempo than that envisaged by military planners. They have been deployed in the Balkans, Africa, the middle east and Asia, and they have supported other United Nations missions around the world. Most significant, of course, have been the operations in Iraq and Afghanistan. Since 2001, the armed forces have consistently operated at or above the most demanding combination of operations envisaged by the defence planning assumptions.

The NAO report observed that:

> "Increased operational tempo has led to heavier workloads and more separation from families than expected, particularly in many pinch point trades."

I think of the men and women of the 14th Signal Regiment, who I met recently at Cawdor barracks in my constituency. They are heavily in demand for their technical and linguistic expertise, and their regiment is currently engaged in three theatres—Afghanistan, Iraq and Kosovo. Some of the soldiers were getting ready for their third deployment to Iraq, and, although they approach the mission with the utmost professionalism and dedication, it would be entirely understandable if their motivation levels and enthusiasm were perhaps not as high as they were when they were preparing for their first deployment, and if thoughts of the long period of separation and the pressures on their young families now feature more strongly in their minds than thoughts of the novelty and excitement of a new mission.

[Mr. Stephen Crabb]

The problem of targets for manning requirements not being met, requirements which themselves are not accurate for the scale of operations demanded of our armed forces, is at the heart of the problem of overstretch, which feeds powerfully into the mix of factors currently affecting recruitment and retention. The manning requirements published by the MOD do not reflect the level of operations that the Army and rest of the armed forces are undertaking. Put simply, manning requirements fail to reflect the true demands being placed on the Army.

The NAO report stated:

"The manning requirements have not been adjusted to reflect the current levels of deployment of the Armed Forces which have since 2001 exceeded the assumptions made about enduring concurrent operations".

When one considers that even the understated manning requirements are not being met, one can begin to appreciate the seriousness of the personnel challenges facing the armed forces.

The NAO report refers to a shortfall of some 5,000 personnel, but states that

"the figures mask wider shortages of trained personnel within a range of specific trade groups across all three Services."

John Smith (Vale of Glamorgan) (Lab): I am very interested in the report to which the hon. Gentleman has referred, which points out that there is a shortage of approximately 5,000 troops. Is he aware that if the recruitment policy of the Army, Navy and Air Force were colour blind—that is, if they were recruiting a similar proportion of the ethnic minority population as exists in the community at large—they would recruit an additional 10,000 personnel? Indeed, if we were recruiting ethnic minorities at the same levels as the United States army, navy and air force, we would have almost 20,000 additional recruits and no problem with recruitment or retention.

Mr. Crabb: I am grateful to the hon. Gentleman for making that intervention. I was not aware of the point that he has raised, although I shall make a few remarks about recruitment among ethnic minorities later.

Manning shortfalls in the pinch-point trades examined by the NAO were as high as 70 per cent. for intensive therapy nurses and 68 per cent. for accident and emergency nurses. The report recommends that the MOD review overall manning requirements within individual operational pinch-point trade groups to determine whether they are set appropriately. I would welcome the Minister's comments on that specific point and on the extent to which he thinks that the stated manning requirements are realistic.

Although broad recruitment figures across the three services may not demonstrate an overall crisis, and some successful measures have been taken to improve recruitment to pinch-point trades, I maintain that the challenge to the Army of recruiting new soldiers has become severe. Over the past few years, Army recruitment has dropped significantly, and in 2006 more troops quit than signed up. Recruitment was slightly up last year, but I understand that it was still the second-worst year for recruitment in the last decade. Whereas in the past the Army might have expected to recruit nearly 17,000 people a year, the number has now dropped to well under 13,000, and it was as low as 11,700 in 2004-05.

The decline in recruitment has occurred despite a 34 per cent. increase in the Army recruitment budget. Given that the Army is currently thousands under strength, it is vital that recruitment efforts are sustained and increased. I invite the Minister to explain what will happen to the Ministry of Defence recruitment budget and recruitment activity and to comment on the observation in the NAO report that recruitment has been deliberately reduced by the MOD, at least in part, to make short-term financial savings that may not represent value for money in the longer term.

Will the Minister expand on his recent comments to the press about the disbanding of school recruitment visits by the MOD? In my constituency, many teachers believe such visits are useful and welcome. The only complaints that I have heard are from some members of Plaid Cymru, who do not consider such activities to be appropriate in Wales.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): My hon. Friend is making a powerful argument for the need to increase recruitment. One of the problems is the recent change in dynamics regarding the type of soldier leaving the Army and the other two armed forces. Traditionally, a private solider who had been in the Army for three or four years would be more likely to leave, but now it is the more senior ranks—corporals, 12-year sergeants and 15-year staff sergeants, who simply cannot be replaced by a new recruit coming in at the bottom. The retention of senior soldiers is key to managing the recruitment process.

Mr. Crabb: That is an extremely valuable point, and my hon. Friend speaks with considerable experience of the subject. Replacing school visits with a beefed-up online recruitment effort for young people will not seriously improve recruitment rates in the target group. I support as much interaction as possible between service personnel and schools. Last year, I spent half a day at a local secondary school, where a team from the MOD that specialises in citizenship education looked at a disaster scenario with a year group and involved teams of young people in designing hypothetical responses to an international disaster. The group operated extremely effectively in the school and, although it was not there specifically for recruitment purposes, it was, no doubt, an excellent advert for a career in the armed forces.

One area of recruitment where the Government have taken steps to improve performance, but where much more needs to be done, is the recruitment of soldiers of Muslim faith. Last November, I attended the memorial service held in St. Davids cathedral in my constituency for Corporal Peter Thorpe and Lance Corporal Jabron Hashmi, who were killed earlier in the year in an attack by Taliban fighters in Helmand, Afghanistan. Both men had been serving with the 3rd Para battle group, but were either part of or attached to the 14th Signal Regiment, to which I referred earlier. It was a privilege to meet members of their families and the Army imam who participated in the memorial service. One of Lance Corporal Hashmi's officers told me that they desperately need more men and women like him in the regiment, because of the value and commitment that he brought and the skill set that he possessed— specifically his expertise in Arabic. Having grown up in Pakistan, Lance

Corporal Hashmi had a knowledge of the culture, religion and language of the region, which made him an extremely important and valued member of the team.

A written answer to my hon. Friend the Member for Forest of Dean (Mr. Harper) revealed that the number of Muslims recruited to the forces is statistically insignificant and, for each month last year, barely reached double digits. I would be interested to hear what further steps the Minister thinks that his Department can and should take to improve recruitment among such an increasingly important demographic group.

On the problems and challenges of retention, if one of the challenges is improving the inflow of new recruits, the other side of the equation involves hanging on to good, experienced personnel who have benefited from expensive and extensive training and who occupy vital roles. Some degree of churn is welcome in any organisation, as it enables younger guys to come through, have a chance and make steady progress in their careers as well as fostering the spread of new skills and experiences within the organisation—we are perhaps learning some of that in the Conservative party. In certain sections of the armed forces, however, the rates of exit are too high and represent a net loss to the services. The Royal Marines other ranks exit rate is more than 7 per cent.; the average exit rate for Army general practitioners is 10 per cent.; and the figure for Army nurses is more than 8 per cent. Those figures are above the guidelines set by the Department and surely represent a challenge to ongoing efforts to hang on to valued and good personnel.

At the heart of the retention issue is the importance of making service personnel feel valued in their roles. For each individual and service family, a different mix of factors will make them feel valued in the career and lives that they have chosen. For many, the issue of accommodation is extremely important, and thanks to the comments of some senior officers it has recently received a lot of attention in the press. Clearly, accommodation issues present a major challenge that needs to be addressed. In its recent report, the Armed Forces Pay Review Body stated:

"where personnel have access to new and upgraded accommodation they are generally positive".

However, it also noted that

"personnel moving from such accommodation to that of a lower standard...can contribute to retention problems."

The Armed Forces Pay Review Body reiterated its disappointment with the cuts made by the Department to accommodation budgets over successive years. Urgent action is required regarding the issue of accommodation. It is not enough for the Minister simply to refer to the amounts of money being pumped into service accommodation; he needs to demonstrate that he and his team genuinely understand the grievances expressed and are committed to seeing the problems addressed.

On accommodation, when I visited Cawdor barracks to meet the 14th Signal Regiment, personnel generally expressed satisfaction with the quality of their accommodation, but the issue of broadband access was raised again and again. Despite those men and women being experts in electronic warfare, they do not have broadband access—access to the internet—in their barracks, which would really improve their quality of life. I have previously corresponded with the Department about that issue and did not receive an entirely satisfactory response. I ask the Minister to look at that issue again and find some way of connecting up Cawdor barracks to broadband internet access, because it would make a significant improvement to the quality of life of many excellent soldiers.

I have received numerous e-mails and letters from the spouses of some of the soldiers in my constituency about the quality of health care services locally. They have informed me that they enjoy the quality of life on offer in Pembrokeshire for service families, but are totally exasperated by the fact that they cannot access a dentist. As many hon. Members are aware, Pembrokeshire is a rural, peripheral area of the country where NHS dentistry has been all but decimated over recent years. Some service families moved from areas where there was good NHS dental provision only to find that the service barely exists in Pembrokeshire, which affects their outlook on the military lifestyle.

For some servicemen and women, what counts is access to training and the opportunity to acquire and develop new skills and improve their education, which will help them to get ahead in their military careers or when they return to civilian life. What are we seeing currently in that area? Well, more than 60 training exercises were cancelled last year out of a planned total of 548 separate exercises, which means that one in nine training exercises were suspended as a result of general issues associated with overstretch in the armed forces. Those cancelled exercises and courses represent lost opportunities for service personnel to develop vital skills and, for some, it will shape their perception of life in the armed forces, again, in a negative way.

Our armed forces have a superb track record in getting on with the job no matter what circumstances they face; they do not moan, whinge, or down their tools—there is no British Leyland tendency in the armed forces. More than anything, they want to be valued and properly resourced to do the job that they are asked to do. Recruiting and retaining high quality personnel in our armed forces is a serious and growing problem, and a significantly under-strength Army is being asked to operate over and above the level for which it was designed. That situation can only be maintained for so long before real pressures emerge that will cause lasting damage to the institution, and we are getting dangerously close to that point. I look forward to hearing the Minister explain how such problems can be effectively addressed.

9.49 am

Tony Baldry (Banbury) (Con): I want to make four points. My hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) has made an excellent speech and I do not wish to repeat anything that he has said. However, as a starting point, I must state that it is true that the Ministry of Defence is having to recruit in a tight labour market. I joined the Territorial Army back in 1970—35-plus years ago. At that time, the armed forces were "benefiting" from structural unemployment around the country. Heavy industry was changing, coal mines in south Wales were closing, manufacturing industry in the west midlands was being lost, and men saw opportunities and better long-term careers in the armed forces. Today, even with the pay increase, a new recruit—a private, a gunner or a sapper—will earn not much more than £11,000 a year, or just short of £12,000. That is not a lot of money. The Minister looks at me quizzically, but I visited a Pioneer regiment in my patch the other day and was told that recruits earn about £11,000.

[Tony Baldry]

Out there in the labour market, one can earn more than that. In my constituency, where there is practically zero unemployment, one wonders what attracts people to the armed forces. Everyone must recognise that the MOD will be competing in an increasingly tight labour market.

Following on from that, many of those whom one would recruit as private soldiers at 18 will have left school at 16. It seems to me that there are two years that go gash there. One hears commanding officers having to explain that many of those recruited need to work to improve their educational standards, and our armed forces are obviously becoming increasingly technical, so why do we not recruit at 17? I appreciate that recruits cannot fight at that age, but we used to have a good junior leader scheme from which half of those recruited became lance-corporals and corporals.

Why does the MOD not recruit younger people, and use that first year on education and training, and getting guys up to standard, so that when they reach their 18th birthday they already have a head start? Otherwise the danger for the MOD is that those who might want to join the armed forces will have left school at 16, taken up other employment and become involved in other jobs and will be lost to the armed forces. That is particularly so if they have taken up employment that pays them as much as, if not more than, they are likely to earn in the Army.

I know of a good place where the Army could set up a new education school, and I hope that the Minister will agree. I know that the MOD is thinking about having super-garrisons. Bicester in my constituency—as the name suggests, it was a Roman garrison—became a garrison for the British Army at the time of the first world war. It had a huge footprint because it was built to resist Zeppelin attacks. It was thought that if the Zeppelins managed to hit one part of the depot they would not hit the others. It covers a huge area.

It has some enormous hangers and storage sheds, which must be among the wonders of the world. In one of them—it is an incredible sight, and I am sure that the Minister will have seen it—is the Bowman conversion for the new radio system. The set-up includes classrooms, and it is like going into a university. When the Bowman training at Bicester is over, I hope that the Army will find another good purpose for it. I believe that it would be an ideal place for a super-garrison, where apprentices and young soldiers, both men and women, could be trained. It would ensure that they found their trades at the earliest possible opportunity.

The point is that we should be recruiting earlier. We should use the time to enhance people's education and training in trades and skills, particularly if, as my hon. Friend the Member for Preseli Pembrokeshire says, they have less time for training or to acquire skills because they are being deployed so frequently.

My next point is about housing. My hon. Friend made the point that families will be pretty disillusioned if the quality of housing is not good. Ambrosden in my constituency is a large village just outside Bicester that once had within its borders almost a village of MOD housing. A road that goes through Ambrosden once had MOD housing on both sides. Some time ago, the Ministry sold off the housing on one side of the road to Annersley Housing, which then sold it on to the private sector. In other words, it is now owner-occupied; people have done up their houses, refurbished them and remodelled them. On the other side of the road, the housing is traditional; I do not say this in a pejorative sense, but it is bog-standard MOD married quarters, in which little has been invested. It is pretty depressing.

I speak for the Army because I do not have so much experience of the Navy or the Air Force. It needs to recognise that if it wishes to retain soldiers it must also retain their wives and families. And the wives and families will stay only if married quarters are of a good standard; they do not want to think that they are being prejudiced by having to live in sub-standard accommodation.

There is a further issue. I have seen the problem in my constituency, but I do not pretend to have the answer. Twenty or 30 years ago, a staff sergeant or warrant officer leaving the Army with a gratuity could probably put a deposit on a home. It is now difficult for people leaving the armed forces to get on to the housing ladder. I do not know the answer, but it behoves us to ensure that the quality of housing while in the armed forces is good and that when people leave the services they have access to social housing should it be needed. I hope that the Minister can give us an undertaking that whichever defence estate is involved, it is giving active consideration to upgrading married accommodation.

The third point that I wish to raise was not mentioned by my hon. Friend the Member for Preseli Pembrokeshire. It is something that I genuinely do not understand. Anyone who has had any involvement or connection with the Army or the armed forces knows that the regimental system works to look after those in the regiment. It has always done so because most regiments rightly see themselves as a family so I genuinely do not understand why barely a week goes by without a surfeit of articles in the press about soldiers being neglected.

Last week's edition of *The Week* magazine included the headline "Wounded soldiers: a shameful neglect". *The Mail on Sunday* of 18 March carried an article headlined "Soldiers wait years for MOD payouts". Sub-headlines in that article included "Government admits 7,000 wounded soldiers have not received their war pensions—many more are not even told of their entitlement"; "I may never have kids, but I've had no money"; and "I thought I'd die. Now I can't afford hot water". *The Sunday Times* of the same date had the headline "MoD 'deserts' teen soldiers scarred by Iraq". It is a litany of neglect. It must have a corrosive effect.

As my hon. Friend said, parents are loth to support their children if they express a wish to join the armed forces. I genuinely do not understand why that is. If there is a system in place or if unit welfare officers are available, I do not understand how people can get lost in the system. One of the lessons that we should have learned from the first Gulf war is that it cannot be beyond the wit of man and officialdom to ensure that every wounded, injured or discharged soldier leaving our armed forces has some dedicated support, even if it comes through the Soldiers, Sailors, Airmen and Families Association or other organisations, to ensure that people are not left alone. What is coming through many of these stories is that people being discharged from the Army feel that they have been left on their own. I cannot believe that our uniformed institutions should get so much bad press. It must have a corrosive effect on

recruitment. That is apart from the fact that each story is a matter of concern in itself—I am sure that the hon. Members who represent the individual soldiers affected will seek to raise those concerns in Adjournment debates if they feel it appropriate. The situation reflects badly on the Army and on its duty of care.

My final point is on access to military personnel. The armed forces are in a changing world, and each and every member of them is an elector. Serving soldiers are our electors. Yet, curiously, it is easier for me to get through to a closed convent than to serving personnel. If I want to go and see serving soldiers—my electors—in their garrison, including in Bicester garrison, I have to write to the Minister of State to ask permission.

I do not wish to tease anyone, but that situation might well go back to the days when half the Labour party were rabid members of CND, and Lord Heseltine was concerned that if they were allowed into barracks and garrisons they would cause mayhem by demonstrating and chaining themselves up. However, time has moved on. We should ensure that all soldiers are on the electoral roll where they live. I understand that the position has now been changed so that, if they register, their registration counts for three years rather than one. Nevertheless, there is a difference between Members of Parliament visiting installations—regiments per se—to talk about operational issues, deployment and so forth, and Members of Parliament visiting soldiers' quarters and married quarters, and having contact with soldiers as electors. The latter type of visit gives us confidence that we as MPs have first-hand information about what is causing concern in the military and about what is good.

As my hon. Friend the Member for Preseli Pembrokeshire said, what soldiers tell us is often good. When I went to Afghanistan last year with the armed forces parliamentary scheme—along with a detachment of Labour MPs whom the Chief Whip had clearly wished to lose for the purposes of a key vote—we took time out to ask soldiers what they thought of their kit. Every one of them said, "We like our kit. We no longer have to buy any other kit." Coming from Bicester, where the Defence Clothing and Textiles Agency is located, I was genuinely glad to hear that. Soldiers are candid—they are up front in saying what is good and bad. At the beginning of the 21st century we should have new protocols for Members to have access to and contact with those of their electors who are members of the armed forces.

Allow me to summarise my four points. First, we should be recruiting earlier and training younger. Bicester should be a super-garrison because it would be an ideal location for an army education centre—not least when Bowman training goes. My second point was about housing. Thirdly, I just do not understand why so many soldiers who leave the armed forces, or who are wounded or injured, feel neglected. Finally, MPs should have much better access to soldiers who are their electors.

10.4 am

John Smith (Vale of Glamorgan) (Lab): I welcome the opportunity to take part in the debate, albeit briefly. I congratulate the hon. Member for Preseli Pembrokeshire (Mr. Crabb) on securing it—the subject is important and I agree almost entirely with the content of his speech, which was a good one. I agree also with much of what was said by the hon. Member for Banbury (Tony Baldry).

The final point made by the hon. Member for Banbury was about access to service personnel and establishments. It is the constitutional right of every US Congressman to visit any military establishment and speak to any military personnel, not just in the United States but anywhere in the world where US forces are serving. I am not necessarily suggesting that we adopt that practice in its entirety, but that right is an important one, because it allows legislators to gain access and to know exactly what the issues are in the three services.

I should like to speak briefly on an important subject that I believe crucially affects recruitment and retention—the recruitment and retention of ethnic minorities in the United Kingdom's armed forces, which is a matter of concern. I approach that issue from the perspective of the pressure caused by the scale of the current operational tempo, and the fact that the armed forces are stretched as opposed to overstretched.

One has to be a little bit careful with the figures, but it is utterly unacceptable that there is an ethnic minority population of roughly 10 per cent., or just less than that, in today's United Kingdom, yet the current figure for the recruitment of ethnic minority military personnel in the three services is 4.9 per cent. Sadly, there are also indications that such recruitment is in decline.

Since 1997, the Government have taken a number of welcome initiatives to address the problem. Between 1997 and 2001, there was early success in increasing recruitment among ethnic minorities, but those welcome efforts have clearly not succeeded in the longer term. There is a problem in the UK armed forces that involves barriers to recruiting from ethnic minorities.

The situation of our closest ally, the United States of America, is completely different. Again, we need to be careful with the statistics, because there are varying versions. However, even on the most conservative estimate, it can be argued that the ethnic minority population of the US, excluding Hispanics, is between 10 and 12 per cent. At the same time, that population's recruitment into the armed forces in the US averages between 15 and 18 per cent. So not only does the US achieve the objective of being colour blind, and of recruiting at least the same proportion of people from ethnic minorities as in the community, it recruits half as many again. We should be doing the same for the simple reason that ethnic minorities in the United Kingdom, as in north America, tend for a host of cultural and historical reasons to live in areas where recruitment to the forces occurs at a much higher level. We should be attracting more people from ethnic minorities into the armed forces, but we are not.

For socio-economic reasons, ethnic minorities invariably find themselves in less favoured positions in society, and I know from personal experience that the military offers people a wonderful opportunity—often a second chance—to pursue a career and make a life for themselves. It is wrong that our military clearly does not offer that opportunity to ethnic minorities.

The hon. Member for Preseli Pembrokeshire was right to refer to the situation of the Muslim community. There is a particular problem relating to the Muslim community, because the levels of recruitment of members of that community to the three services are almost statistically insignificant. In the United States of America, however, members of the Muslim population are recruited to the armed forces at a level that reflects the size of that population within the country at large.

[John Smith]

The same applies to Afro-Caribbean recruits. We struggle desperately in this country to be able to recruit enough Afro-Caribbean service personnel. In the United States of America, however, members of the Afro-Caribbean community are recruited very successfully. Moreover, the chair of the joint chiefs of staff in the United States of America, General Colin Powell, was of Afro-Caribbean origin. I state here today quite openly and categorically that that would be impossible in today's forces in this country, because of the bars to recruitment. We must do something about that. Ten years after the Government's gallant but, I have to say, failed attempt to address the problem, we can no longer afford to ignore it, given the pressure that our armed forces are under.

Our total military personnel establishment is just over 200,000, of whom fewer than 10,000 come from ethnic minorities. If we recruited at a level that reflected the proportion of people from ethnic minorities who live in the community, we would have at least another 10,000 personnel to draw on. If we recruited at the same level as the United States of America, we would have another 10,000.

Mr. Mark Harper (Forest of Dean) (Con): The hon. Gentleman is making a powerful argument. In his analysis of the issue, which he has obviously taken a great deal of trouble over, what are the barriers in the British armed forces that the Government have failed to remove? Why does he think that we have not been as successful as the United States of America?

John Smith: I thank the hon. Gentleman for raising that point, because it is the very one on which I shall finish. I do not think; I know what the barrier is. As an ex-serving airman myself, it saddens me to say this, but there is no doubt in my mind that the single largest barrier to recruitment within our armed forces is institutional racism. It has to be, because there is no other explanation. We are talking about a uniformed disciplined service, structured by authority. We should be able to break down any barriers that exist in the service. Why have the Americans achieved that and why have we failed? Quite simply, the Americans, back in the 1960s, took positive action. They said, "It is unacceptable that we do not give the ethnic minority communities access to our armed forces." I am not saying that individuals in our armed forces are racists. I have no knowledge of that. I am saying that the armed forces are by definition, de facto, institutionally racist and it is about time that Parliament did something about that.

10.14 am

Mr. Mark Lancaster (North-East Milton Keynes) (Con): I hope that, over the next few minutes, I do not betray the fact that I had no intention of speaking when I came into this Chamber. Having listened to the debate, and as one of, I think, just two Members of Parliament who still wear a uniform, I think that it would be remiss of me not to make a contribution.

I congratulate my hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) on securing the debate, which has been excellent. I shall make three brief points, if I may. First, I shall touch on operational welfare. Secondly, I shall touch on an area that has not been mentioned at all, which is recruitment and retention in the Territorial Army. Thirdly, I shall add to the debate on the recruitment of people from ethnic minorities.

As hon. Members realise, I had the honour to spend last summer in Afghanistan, fighting alongside our soldiers, and it was a fascinating experience, but I took home with me, among other things, the genuine concerns held by our soldiers and servicemen about the extent of their welfare package. To be fair to the Government, the welfare package for people on operations has improved in recent years. I had served twice before on operations—in Kosovo in 1999 and in Bosnia in 2002—and there is no doubt that over the years the welfare package has improved. I remember having to queue for 40 minutes in Kosovo to get on to the single Ptarmigan telephone in Pristina to ring home for my 10 minutes once a month. That was a thoroughly depressing experience.

There are still great areas in which we can make improvements, and telephones are one. It was quite depressing to find in Kabul that although we are now issued with a 20-minute phonecard, soldiers could buy what is called a banana card from the German PX or post exchange, which would allow them to make limitless phone calls home for a very low price—£2 or £3. Soldiers used that system rather than the issued card. It says a lot that when soldiers looked at the Ptarmigan card, they said, "Well, this is a waste of time. I'm going to use a banana card." There were also complaints that those in the platoon houses were having to pay up to five times more to buy the extra units for the mobile satellite phones than they were for the landline, so ironically the closer people were to the front line, the more expensive it was for them to phone home. That was fundamentally wrong.

I have touched before in the House on my experiences of the air bridge and I do not intend to go over that ground again, but it is right to say that one of the things that we owe to our troops is to ensure that they receive their full rest and relaxation entitlement. I am sure that the Ministry of Defence would argue that R and R is not an entitlement but a privilege, but I would argue the opposite. If we send our troops on operations for six months, the very least that they can expect is their 15 days off. More importantly, when they get their 15 days off and they are due to come home, they should not have to lose three days of their time off because, for one reason or another, the air bridge is failing. That means, apart from anything else, that it is simply impossible for people to plan time off with their families when they come back from an operational tour. If they have no guarantee of getting back home on a certain day, they simply cannot book a holiday. That was a major bone of contention and I am pleased that the Government seem to be tackling it; I give them credit for that.

I want to touch on Territorial Army recruitment and retention. I have great concerns about the direction in which we are heading. I had the honour to command a Royal Engineers TA squadron just up the road in Holloway. I think that, by the time I left, of the 119 men and women on that establishment, 104 had been mobilised on to an operational tour at some point or another. That is a tremendous rate. We have clearly reached the point at which the Territorial Army is no longer being used as a reserve; it is being taken for granted. It has been taken for granted that the establishment of the Territorial

Army will be there the whole time to support our regular forces. Indeed, I think that between 10 and 15 per cent. of our armed forces on operations at the moment are serving in the Territorial Army.

The point has not been grasped that that is simply not sustainable. Members of the Territorial Army join and are delighted to be mobilised to go on operational service. There is no doubt about that. People volunteer time and again, as indeed I have. I was amazed this morning to receive a text message from a very good friend of mine who at 44 is very excited about the fact that he is going off on an operational tour to Afghanistan for what will be the fourth time.

The problem, which the Government have not really grasped, is that members of the Territorial Army are not prepared to sacrifice their primary career for their secondary career. Under the Reserve Forces Act 1996, the jobs of members of the Territorial Army are protected, so that when they come back their employer is obliged to give them their job back. However, the employer is not obliged to promote them. Let us say that someone has had six months away. There is no guarantee that within the next four years, he will not go away again. The employer will look at their two employees and think, "Well, this chap has been loyal. This chap has been away for six months. What he learned over that six months has been very valuable, but I have no guarantee that he will not be sent away again for another six months." So who will the employer promote? Whom will he tell, "I can rely on you"? Whom will he tell, "I value your time in the TA, but your being away is difficult because this is a small company"? Again and again, members of the TA who have been given their jobs back on their return realise that that they may well lose them if they stay in the TA and run the risk of repeated mobilisations. They are simply not prepared to do that.

Tony Baldry: Years ago, when members of my generation joined the TA, we knew that we would all mobilise as a unit following an Order in Council. To echo my hon. Friend's point, however, it became clear to me when I was an honorary colonel of a Royal Logistic Corps unit that people were happy to do one six-month tour, but that a second such tour was almost too much for their employers or their families. Once people have done a six-month tour, therefore, their effectiveness in the unit will be very limited if the same demands continue to be made on them.

Mr. Lancaster: Absolutely. My hon. Friend sums up the point far better than I did. Indeed, the situation is worse than that because people are not allowed to train with their TA unit during post-operational tour leave—they are literally not allowed to go in. I should be fascinated to see the figures for the number of soldiers who have resigned from the TA after they have come back from their first or second operational tour.

The point that I am attempting to make is that the Government have still not got the message that the TA is there to be used and wants to be used. We should remember that the TA is rather like a shotgun: we can fire one barrel and then the next, but it will take an awfully long time to reload.

Let me touch now on the debate about ethnic minorities. As I mentioned, I commanded a TA squadron in Holloway and I think that it was the most multiracial in the British Army—soldiers who were not from the ethnic minorities were in the minority. We had a tremendous record of recruiting ethnic minorities, simply because we had that gravity in the unit. Members of the ethnic minorities who came to recruitment evenings found that there were already significant numbers of ethnic minorities in the unit, so they felt comfortable with it.

When I was a regular soldier, I was the ethnic minority in many ways, because I served in a brigade of Gurkhas, which was a fascinating experience. We shall need to look carefully at how we organise our units, however, if we are to make the most of such situations. I am not suggesting for one second that we should have ethnic minority units—far from it—but there are advantages in having such numbers, because they give entirely the right impression that the British Army is not—to be controversial—a white man's army. That is certainly not what it is, and the TA units in London that are recruited from their local area are good examples of how the recruitment system can work.

When I served in Afghanistan, I had the honour of sharing a room with Corporal Charlery, who was recruited from Antigua. He is part of a growing cohort of foreign and Commonwealth soldiers in the armed forces, but there is great unease among its members, who feel let down by the Ministry of Defence. When Corporal Charlery was recruited in Antigua, he was told that he would be allowed to apply for a British passport within five years of service. That was absolutely not the main reason why he joined the British Army—like so many others, he wanted to serve the Commonwealth—but it was a factor. When he went on operational service, however, he discovered that his time on operational service would not count towards residency in the UK, and nor would his time in Germany. That was a major demotivating factor—he felt very strongly about that. To the Government's credit, the issue was looked at towards the end of 2006, but I should be grateful if the Minister could confirm that it has now been fully addressed and that time on operational service counts towards residency when Commonwealth soldiers serving in our armed forces apply for a British passport.

Hywel Williams (in the Chair): Before I call the hon. Member for Colchester (Bob Russell), let me remind the Front-Bench spokesmen that they should each take up to a third of the remaining time so that we can have a full reply from the Minister.

10.24 am

Bob Russell (Colchester) (LD): I note your comments, Mr. Williams. I congratulate the hon. Member for Preseli Pembrokeshire (Mr. Crabb) on securing the debate. I also congratulate those hon. Members who have taken part on the way in which it has been conducted. I look forward to the Minister's response.

Retention and recruitment are two sides of the same coin and include issues such as the conditions and care of personnel, the standard and quality of equipment, the provisions available in conflict zones, levels of training and preparedness and the needs of soldiers' families.

To follow up the point about ethnic minorities, it is interesting to note that 10 per cent. of the British Army is not British, with one in 10 soldiers belonging to one of

[Bob Russell]

57 other nationalities. That must be because there has been a decline in the number of young British men and women who wish to join Her Majesty's armed forces, although I welcome the increase in the percentage of young ladies who join the Army, in particular.

Fiji leads the way on this issue, providing 2,000 of the 6,700 soldiers who come from the Commonwealth countries. In one sense, we should rejoice that so many people from other countries wish to join our armed forces, but what percentage does the Minister think that the British Army can go to given that the figure is already 10 per cent.? What is being done to encourage young men and women from this country to join Her Majesty's armed forces?

As I said, Fiji leads the way with about 2,000 soldiers, but the A to Z roll-call of countries with citizens in the British Army goes from Australia, with 75, to Zimbabwe, with 565. There are also 660 soldiers from Ghana, 975 from Jamaica and 720 from South Africa. Even tiny countries such as St. Lucia and St. Vincent have provided 225 and 280 recruits respectively. Two weeks ago, I visited Bassingbourn as a member of the armed forces parliamentary scheme and had lunch with three young men—one from India, one from Ghana and one from Nigeria—and the members of their cohort were predominantly Ghanaians.

What incentives are there for joining the armed forces? Although the higher ranks seem to be doing quite well, there appear to be limited incentives otherwise, and the basic rate of pay for privates and recruits is not in line with that for other professions. I do not usually quote Williams Rees-Mogg, but he recently reported in *The Times* that the average Army recruit is paid £10,000 less than a Metropolitan police recruit.

It could be said that the conflicts in Iraq and Afghanistan have proved more challenging and often more hostile than anticipated. It is also fair to say that the impact of the Iraq war and our intervention in Afghanistan is taking its toll on the retention and recruitment of troops. It is therefore important that our troops feel valued and supported in their missions; after all, they are the backbone of our fighting forces. The Government therefore need to prioritise their welfare, fair treatment and conditions of service. Regiments and individual soldiers are being asked to do too much too often without proper regard to their welfare needs.

If we send our troops overseas, they will obviously need to be well prepared and protected. At home, however, the situation may be little better, with nearly half of armed forces accommodation considered substandard and the quality of medical care at times questionable, as recent reports have indicated. Those are just prominent examples, but there are others.

We also need to focus on the needs of armed forces families and the issues facing them to ensure that they get a good deal and are looked after while their loved ones are away, and I shall return to that in a minute. There is also a link to issues such as education for armed forces children.

Another issue is tax. It is ludicrous that men who are deployed to Iraq and Afghanistan have to pay council tax back home.

Married quarters often leave a lot to be desired. There is also the issue of the time that families do not spend together because of increasing deployments. Overstretch means that troops are spending longer away, and anybody who says that overstretch is a myth is not living in the real world.

I pay tribute to all those who provide Her Majesty's armed forces with welfare and medical services. However, they are in short supply, and we have already heard about dentists. I had an Adjournment debate on education for armed forces children a few years ago, and I invite the Minister and his officials to look at what was said and at what the then Minister promised in response to see whether it has been delivered.

Welfare is important for the well-being of families back home, particularly when troops are serving overseas, but also when they are on training schedules elsewhere. We pay tribute not only to the Soldiers, Sailors, Airmen and Families Association, but to others including the Royal British Legion.

On schools, I have the great privilege of representing one of the super-garrison towns, and we have several garrison schools. However, the turbulence factor is not taken into account in the funding of those schools. Indeed, it has got worse in recent years because the hot-school-meals service that those schools used to receive has been withdrawn by Essex county council. It is fair to say that in many parts of the country things have improved dramatically for single men, not least in Merville barracks in Colchester, where the accommodation is superb. However, that is not the case everywhere, and certainly not the case with family housing.

As an aside, the number of MOD police has been cut by 40 per cent. in my garrison, and I believe that there have been cuts in other parts of the country as well. That is related to welfare and the feel-good factor. If there was a 40 per cent. cut in the police service in a neighbourhood, it would be noticed. That is exactly what has happened.

I said that I would concentrate on the housing side of the matter. I appreciate what the hon. Member for Banbury (Tony Baldry) said about housing, but let us go back to 1996, when the previous Government sold the entire MOD housing stock—57,428 houses—for £1.66 billion. Interestingly, they have ended up in the ownership of Annington Homes, which has made quite a financial killing. I shall come to that in a minute.

I have tabled parliamentary questions about the decent homes standard and, in reply, I was told that the MOD has even higher standards—the standard for condition, bands 1 to 4. That is the good news. However, then we discover that all is not well. Indeed, I raised that matter previously and received a letter from the chief executive of Annington Homes in which he informed me that the MOD

"directly benefits from our sales due to a profit share arrangement which formed part of the original transaction to buy the MoD homes in 1996. To date the Treasury has received over £145 million from Annington."

My question to the Minister is: why has that £145 million not been ploughed back into increasing the housing stock? A very illuminating passage in that letter informed me:

"You are perfectly entitled to call for the standard of accommodation for all Service personnel to be improved, a sentiment shared by many, but you know that Annington is not involved in how and when the MoD do this. The MoD chose to retain its responsibility for the management and maintenance of the properties it leases from us and, naturally, makes its own decisions about its priorities."

Annington is saying that the ball is very firmly in the MOD's court. I ask the Minister to dwell on that.

I shall quote from an article in the current edition of *Private Eye*—a magazine that we all read fondly—under the headline: "All MoD cons". That is one of the best headlines that I have seen in relation to this story—the words "MoD" and "cons" slip nicely off the tongue. It reads:

"Meanwhile the company that bought the housing in 1996, Annington, continues to do very nicely. When the forces no longer want to rent houses from Annington the company sells them, with the MoD recouping a share of any profit on the property it paid for in the first place. But the taxpayer only gets 22 percent of the gains, and since 1996 has recouped just £140 million."

Now, there is a bit of a variation there, but the general picture is the same and virtually confirms what Annington said. It continues:

That means that in the same period Annington, controlled by Japanese investment bank Nomura, has bagged £500m".

Let us bear in mind that the 57,428 houses were sold for £1.66 billion. One does not have to be a mathematician to work out that Annington has made a fantastic financial killing already.

The article continues by stating that that £500 million

"would have come in very handy in the defence budget, not least for the dirty work of maintaining and upgrading the housing that remains the public sector's responsibility). And there's plenty more bunce to come: the MoD's share of future gains, expected to be large, soon drops to 10 per cent. and disappears completely in 2011."

I invite the Minister, his colleagues and the Government in general, to look again at what went on and what can be done to retrieve the biggest rip-off, I believe, of all the privatisations under the previous Government.

Much more needs to be said, but I appreciate that the clock is moving on. I hope that the Minister will take very seriously the housing issue because it is very important to retention, along with welfare, education and MOD policing. I hope that he will also look at what is not working in recruitment because quite clearly it is not right that 10 per cent. of people serving in the British Army are not British. However much we welcome members of the Commonwealth serving in the British Army and, to a certain extent, Air Force and Navy, the simple fact is that something is not right if we cannot encourage a sufficient number of our own young men and women to join Her Majesty's armed forces.

10.36 am

Mr. Mark Harper (Forest of Dean) (Con): Thank you very much, Mr. Williams, for calling me to speak. It is a pleasure to serve under your chairmanship. I congratulate my hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) on securing this debate and for the excellent opportunity it has given us. We have heard contributions from my hon. Friends the Members for Banbury (Tony Baldry) and for North-East Milton Keynes (Mr. Lancaster) and from the hon. Member for Vale of Glamorgan (John Smith) which touched on a number of important issues.

The root problem, which a number of hon. Members have identified, with the difficulties in recruitment and retention and the general overstretch of the armed forces comes down to a central question. In 1998, the Government did a good piece of work on the strategic defence review, out of which came the defence planning assumptions, which underlie the size and shape of the armed forces. Those assumptions were that we could undertake a certain level of operational activity, but, as the NAO has noted, we have exceeded that level in each of the past five years.

As far as I can tell, there is no sign that that is going to change in the near future. I know that we only signed up to a three-year Afghanistan operation, but it is clear from talking to NATO planners and from the state of that country that realistically we will be there for a decade or so. It is also clear from recent announcements on the Iraq deployment that although we have been able to reduce troop levels, we are going to retain several thousand troops, again, probably for the medium term. We will continue, therefore, to run our armed forces "very hot" to quote the phrase of the Chief of the General Staff, which will bring with it a continuation of the problems with retention and recruitment.

I have raised that matter because, as we all know, this summer, or possibly, autumn, the Chancellor will announce the comprehensive spending review settlement for the MOD, which will set out the spending plans for the next three years. It would have been sensible for the MOD to review its defence planning assumptions ahead of the comprehensive spending review in order to make the case to the Chancellor for the appropriate budget settlement. It is disappointing that that review will not be concluded until next year. If those defence planning assumptions are that we will be running at the current level and that we will have to recruit and retain more members of the armed forces, it is going to be a bit late if the funds are not in place to do so.

That can be seen clearly from looking at our current manning levels. The Government's own requirement for the armed forces is 183,950 personnel, and the latest figures are that we have only 178,610. On the Government's own figures—a requirement based on defence planning assumptions that themselves are too low—and based on the level of commitment, we have a shortage in the armed forces of more than 5,000 personnel.

The situation is getting worse, because the level of exits from the armed forces is exceeding the number of those recruited, which will increase the problems with recruitment, retention and the level of deployments in both the regular forces and the Territorial Army, which we have heard about. Indeed, the Chief of the Defence Staff recently told the Select Committee on Defence that the most important thing for the armed forces was to achieve full manning—to get to the required level set by the MOD. Given the figures and trends and what hon. Members have said, that does not strike me as being at all likely. Will the Minister confirm that the Government intend to get back to that manning requirement level? How does he plan to do that?

As my hon. Friend the Member for Preseli Pembrokeshire has said, the most worrying thing with recruitment is that although there has been some increase—last year was the second-worst year in the past five for recruitment, rather than the worst, so there has been some progress off a very low base—there has been an increase in what the MOD spends on recruitment. Army recruitment costs have increased by 34 per cent. and now run at £89 million. The cost per recruit has also gone up: in 2001-02, we were spending just under £4,500 per recruit,

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but we are now spending about £7,000 per recruit, because recruitment has not risen in line with the budget.

The MOD has a central defence schools presentation team that does excellent presentations in schools across the country. The Minister himself has said:

> "These presentations are extremely well received and do allow us to get our messages over about the importance of defence. Almost all schools ask for a repeat visit the following year which has lead to a yearly increase in presentations. Civilian and military staff are seen as excellent role models and there are consequently significant benefits for future recruiting." —[*Official Report*, 7 February 2007; Vol. 456, c. 922W.]

That shows that there are benefits both in recruiting and in communicating to the wider world. It also relates to a point made by the hon. Member for Vale of Glamorgan about presenting the armed forces as an attractive career prospect to ethnic minority populations, thus bringing a double benefit.

Unfortunately, having said all of those fine words, the Minister has also announced that the defence schools presentation team is being wound up. Those presentations will no longer take place, but will, I am afraid, be replaced by an on-the-web solution. However good the penetration of the internet is, particularly with younger people, it is no replacement for having men and women from our armed forces physically going into our schools and doing all those excellent things that the Minister has acknowledged.

I want to pick up the points made by the hon. Member for Vale of Glamorgan about recruiting from our ethnic minority populations. When I pressed him in an intervention, I was genuinely trying to understand what some of the barriers are. I know that the MOD has taken steps in the past few years to try to recruit more widely from ethnic minority populations. My hon. Friend the Member for Preseli Pembrokeshire has mentioned recent efforts to recruit from our Muslim population. It is clear that we have not been as successful in recruiting from those groups as we had hoped, but at the end of the hon. Gentleman's speech, I was not much wiser. I do not find the phrase "institutionally racist" at all helpful, and I am still completely unclear about what he believes we need to change in our armed forces. He has simply cast a slur on them. I know that he said that individuals in the armed forces are not racist, but simply branding the whole organisation as racist is not very helpful—it is an insult and it does not take us any further forward.

John Smith: This is a short debate, and perhaps I did not make myself clear. The hon. Member for North-East Milton Keynes (Mr. Lancaster) has suggested some possible solutions. We have to positively discriminate to get rid of this unacceptable anomaly, which we have not done up to now. That is what I propose.

Mr. Harper: We have a great deal of difficulty with recruiting, but I am still not quite sure what the hon. Gentleman is saying. Is he saying that people are coming forward to join, but are not being recruited, because the evidence does not seem to bear that out? I absolutely agree with the comments of my right hon. Friend the Leader of the Opposition on this. He has said that we must ensure that the armed forces are clear that there is absolutely no place for racism.

I want the armed forces to be seen to recruit from across the whole population. I believe that they do so, but they need to be seen to recruit and promote on merit. That is the direction the Government want to go, and it is certainly what I want, but the problem is moving from that aspiration to specific policies. I am still unclear as to exactly what needs to be changed, but, as the hon. Gentleman has said, we do not have time to go into that in great detail. Will the Minister touch on some of the things that the Government are doing?

Moving briefly to retention, medical treatment has been mentioned. To be fair to the Government, the recent problem at Selly Oak was about not the clinical and surgical treatment that members of our armed forces receive, which is generally acknowledged to be very good, but the environment in which they recover and recuperate, which is a slight difference on which I hope the Minister will elaborate. The Chief of the General Staff has said that his aspiration and expectation for when that hospital is redeveloped in three years' time is that there will be dedicated military wards on which armed forces personnel can recover.

At Prime Minister's questions last week, however, the Prime Minister said that it would be wrong to have a military ward with empty beds that could be used by civilian patients. There is a problem here: if we want a dedicated ward on which our armed forces personnel can recover with comrades who can understand what they have been through in combat, we have to accept that that ward cannot be used as an overspill for the busy district general hospital in Birmingham. Given that the comments of the Prime Minister and the Chief of the General Staff are not reconcilable, will the Minister tell us which of them has the position correct, because I am unclear about what the Government are aiming for?

Finally, we need to return to the general issue of commitment, resources and what we ask our armed forces to do. The Government need to review their defence planning assumptions and consider what they require our armed forces to do and how large the forces need to be. They should then set proper recruitment targets and consider the whole package, including issues that we have discussed today such as housing and the operational welfare package—there has been some improvement with that, but there is more to do. If we do not get the big picture right about what we are going to ask our armed forces to do and what size they should be to do it, regardless of how well all the other things are done and policies are implemented, we will have the central problem of running the armed forces too hot and having very little "left in the locker", as the Chief of the Defence Staff has said. In that case, we will find ourselves up against those problems time and again, and we will be unable to solve them.

In the 1998 strategic defence review, the Government said:

> "We must also deal with the underlying problems of undermanning and overstretch…A crucial test will be whether we can solve these problems."

So far, the Government are failing that crucial test.

10.48 am

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): I congratulate the hon. Member for Preseli Pembrokeshire (Mr. Crabb) on securing this important debate, which has given us a

good opportunity to go through several issues of recruitment and retention. Unfortunately, because of the time, I shall not be able to deal with all of the issues that have been raised, but I shall write to hon. Members about specific issues, not least regarding their constituencies or experiences.

I welcome the debate on this complex and challenging business. As hon. Members have said, the problem with recruitment sits against a backdrop of prosperity, high employment and a strong economy. Having to recruit against that backdrop is a challenge. The National Audit Office acknowledged in its report last November that it was wrong to suggest that the armed forces could not secure the right number of people to meet their needs.

I accept that we face challenges. As the NAO commented, we have a

"good understanding of what leads individuals to join the Services and of the increasingly challenging recruiting environment it operates".

Perceptions are also important, so we need to deal with the myths. I shall try to cover most of the main points in the time available, but I shall first discuss numbers for a moment or two.

The combined effects of recruitment, retention and restructuring gave a trained strength for the armed forces of 178,610 at the start of 2007. That figure is 97.1 per cent. of the full requirement—an increase from 96.6 per cent. in October 2006—and is a sign of steady improvement. The Opposition have acknowledged the improvement, but we want to do more.

We must bear it in mind that all three services are being restructured, to a greater or lesser extent, better to meet today's strategic threats. The key point is that the services are striving to achieve a manning balance within 2 per cent. of the requirement by 2008. As hon. Members would expect, the Ministry of Defence is working closely in partnership with the services and continues to use a range of financial, professional and social measures to secure sufficient capable and motivated personnel.

I shall set out what we are doing. The Armed Forces Pay Review Body recommended a good pay award for 2007, as has been generally acknowledged. It includes an above-inflation increase of 3.3 per cent. for all service personnel, with the notable exception of the most junior ranks, who will receive more than 9 per cent. I should tell the hon. Member for Banbury (Tony Baldry) that the relevant salary with the increase from 1 April this year will be £15,677, which represents an increase of 9.3 per cent. For many, this represents an increase of £100 a month and is the largest military pay rise in four years. It is well deserved and a recognition of what our armed forces do. It gives a clear signal of the value that we place on the people who serve in them.

The pay award also specifically recognises those who serve their country on dangerous and challenging operations. Last October, we announced a new operational allowance, which is a tax-free bonus of £2,240 for six months' deployment paid to service personnel serving in specified operational locations. The allowance is accumulated at a daily rate of £12.31 by all regulars, mobilised reserves and those on full-time reserve service for each day that they serve in those locations. It is paid as a lump sum at the end of the tour, giving a welcome and tangible reward for operational service.

Mr. Lancaster: On the basis that I have not been paid my operational bonus from six months ago, will the Minister confirm that soldiers have been paid the allowance?

Derek Twigg: I can give that confirmation, unless the hon. Gentleman knows of someone who has not been paid it.

Mr. Lancaster: Me.

Derek Twigg: You have not been paid it. I shall personally look into the case. I went to Iraq and Afghanistan recently, visiting various bases and barracks, and found from my discussions that this had been paid. I cannot understand why the hon. Gentleman's allowance has not been paid.

Mr. Lancaster: Mine is going to the Royal British Legion, but in any case—

Derek Twigg: I give the hon. Gentleman an assurance that I shall personally look into the matter.

The NAO's report acknowledged that we needed to focus on encouraging people to stay longer in some particularly important areas. That point was raised by Conservative Members. We are focusing on the infantry, the Royal Marines and air crew, where we are using financial retention incentives to encourage people to stay. The cost will be about £17 million, securing a valuable return of service that will contribute directly to operational effectiveness. Of course, we also use a range of other measures.

Recruiting targets have been discussed this morning, and, in general, recruiting has increased. Although the armed forces offer a wealth of opportunities, not least in terms of training and education, the reality is that our recruiters operate in a very competitive environment, as has also been acknowledged. We need about 20,000 new entrants each year across all three services. Young people have more opportunities than ever before, given the strong economy and the Government's encouragement to stay in education.

The hon. Member for Banbury mentioned recruiting younger people. We have been highly successful in recruiting 16 and 17-year-olds, and he may be aware of the Army foundation college in Harrogate. Places are available to school leavers aged 16 to 17 years and one month. He alluded to the fact, of which account is not often taken in the complaints that are made and the issues that we hear about, that the armed forces do a lot to improve young people's education and skills. That leads me on to the specific point that being in the armed forces is a good thing for one's future because it gives the leadership, skills, communications and teamwork that can be taken on when one leaves the armed forces. That is why so many people who leave the armed forces—they receive an excellent resettlement package when they do so—go on to gain a higher level of employment than those elsewhere and contribute greatly to their community.

The issue of the recruitment of ethnic minorities has rightly been mentioned. Although recruitment goals were not reached in 2005-06, the services continue to commit significant effort and resources to engaging and raising awareness among all of the UK's minority groups to encourage their members to consider a career in the

[Derek Twigg]

armed forces. It is important to say that ethnic minorities are beginning to progress through the ranks structure and reach more senior levels. Recently, an ethnic minority officer in the Royal Navy was promoted to rear admiral, becoming the highest ranking ethnic minority officer in the armed forces.

The armed forces regularly review their recruitment strategies and policies, with a view to engaging ethnic minority groups, raising awareness and promoting careers in the services. We have heard about the sums that are being put into recruitment. Recent results have shown an increase in the level of interest in armed forces careers among minority communities. The challenge now is to convert interest into recruitment.

I must tell my hon. Friend the Member for Vale of Glamorgan (John Smith) that I do not accept that the armed forces are institutionally racist. I have talked to the chiefs of staff—the people at the very top. They are very committed to improving the recruitment from ethnic minorities, and much time and effort goes into doing that. I shall not go into the comments made by the hon. Member for Newark (Patrick Mercer). We must ensure that the armed forces are moving on, that there is a clear strategy for recruitment and that there is encouragement of promotion and of the advancement of people's careers.

By 1 January, we had recruited 96 per cent. of our requirement for the financial year. While recruiting is generally up on the previous year, there is still more to do, particularly for elements of the Army. That is why we have introduced recruiting incentives in shortage areas, such as the infantry and Royal Artillery. So far, the signs have been positive; there has been a 30 per cent. increase in potential recruits to the infantry and a 44 per cent. increase in respect of the Royal Artillery when compared with last year. The Army has launched "one Army recruiting" to bring together regular and reserve soldiers. I pay tribute to the hard work, determination and imagination of recruiters in reaching the young people we need. Young people will benefit from service.

I return to the question of retention. A healthy and thriving organisation has people joining and leaving it at various stages of their lives. The armed forces are essentially young organisations. Some people retire at the end of a full career, while others leave early voluntarily. The services well understand voluntary outflow and plan accordingly. Voluntary outflow from the armed forces has varied little over the past decade, and compares favourably with the outflow from the rest of the public sector and from the private sector. We cannot purely rely on transactional measures to secure retention. We also use a range of social and community measures that are aimed at maintaining the morale not only of our serving people but of their families. For the Royal Navy and the Army, the latest attitude surveys show significant improvement in the self-assessment of morale compared with previous surveys, although the Royal Air Force showing was slightly lower.

We have continuously improved the operational welfare package for those serving on operations. The package directly upholds our obligations to our people by providing extra support for their physical and emotional well-being when they are employed on operations. It was clear from the seven-day visit that I made to Afghanistan and Iraq a few weeks ago that morale was high; it was even higher among those involved in the front-line operations. While some issues to do with the welfare package were raised, the welfare package was broadly welcomed by most people. I spoke to hundreds of members of the armed forces during my visit.

The recent improvements made include an increase in the free weekly telephone calls from 20 to 30 minutes, and better internet access. Other benefits include: the free e-bluey, which is particularly popular; free forces airmail; free packages from families to personnel of up to 2 kg over the Christmas period; and up to 14 days' rest and recuperation leave during a six-month tour. That, combined with the new operational allowance, means that there has been improvement. We continue to examine how we can improve the package.

The issue of accommodation was rightly raised by the hon. Member for Colchester (Bob Russell) and others. I had the pleasure of visiting Colchester a few months ago, where I met the Paras and saw the new accommodation that has been built. I readily acknowledge that we need to do more in this area. There is a legacy of underfunding, but we must ensure that the right and proper accommodation is in place for our service people. It will take some time to deal with this issue. As I have seen on my recent visits, new accommodation for both families and single personnel is coming on stream all the time. In this financial year, we spent more than £700 million on accommodation and have upgraded many service houses. We plan to spend about £5 billion over the next 10 years, but there are no quick fixes because we need to address a legacy that goes back many years. We must continue our improvement in this area. Opening up the opportunities for home ownership is a part of our strategy.

I have gone on the record many times in recent weeks and months about the health service issue. Our people are getting the best world-class care possible. When people come back wounded from operations they receive first-class care in the Selly Oak facility and in the national health service; I have spoken to many service personnel and their families, and they all praise the care and treatment that they are receiving. There is also an excellent rehabilitation centre at Headley Court. We can always do more. One area in which we need to do more is mental health, and we are examining that as part of a partnership with the NHS and Combat Stress.

London's Economy

11 am

Mr. Andrew Dismore (Hendon) (Lab): I am pleased to have secured this important and timely debate on London's contribution to the UK economy. The number of unsolicited bu: helpful briefings that I have received emphasise the importance of the debate. There is not time to do them all justice, but I am grateful to everyone who wrote to me from a wide variety of organisations that I did not even know existed. That shows how topical the subject is.

In many respects, London is the great success story of the past few years. Its strengths are that it is a diverse, vibrant, open and outward-looking city. Hon. Members may have seen the prominent story in *The Times* last Tuesday which suggested that London is overtaking New York as a financial centre and is overtaking Paris as a cultural centre. That was not the first straw in the wind to that effect. London's business and financial services, creative industries, retailing and tourism are all growing. World-class businesses have gathered in London to contribute to our high-growth economy. Forty per cent. of the UK's export growth in 2000-04 came from London, mainly from the financial sector.

What benefits London also benefits the rest of Britain. Some estimates have placed London's annual net tax exports to the rest of the country at £8 billion at the bottom of the range and other estimates are as high as £20 billion or more. The capital accounts for 15 per cent. of total UK employment and 18 per cent. of its gross domestic product, with productivity 27 per cent. higher than in the country as a whole. London produces far more in tax than it ever receives in state funding, benefits and services.

David Taylor (North-West Leicestershire) (Lab/Co-op): Does my hon. Friend recognise that the midlands of England are larger, have a greater population, make a bigger contribution to the economy, and are more significant in academic, cultural and sporting terms, so the special pleading for London that is about to start does not ring true to midlands ears? We must rebalance UK society away from the metro-centricity of which this speech is typical.

Mr. Dismore: I was about to say that I thank my hon. Friend for his contribution, but I do not think I can, because I do not agree with what he said. He has not yet heard my speech and he is prematurely off the mark. The fact remains that the statistics speak for themselves: London is the economic powerhouse that drives this country.

The continuation of London's success and the scale of its contribution to the rest of the UK cannot be taken for granted. We are reminded every day of the growing economic strength of the emerging economies of China, India, Russia and now Brazil; nor can we assume that historic competitors such as New York will not respond effectively to London's success.

In an increasingly competitive global environment for investment, London must stay one step ahead of the game. That requires significant and continued investment in those areas in which the city is weakest: transport, housing and skills. It is also essential that resources are available for the capital to respond to emerging problems and their consequences, such as the challenging security environment and the real threat of climate change.

Mr. Mark Field (Cities of London and Westminster) (Con): I shall not reprise the comments of the hon. Member for North-West Leicestershire (David Taylor), but I agree with everything that the hon. Member for Hendon (Mr. Dismore) has said so far. However, is there not also an issue—he may want to develop this—that London's power is becoming almost overwhelming? In many ways, it is something of a city state within the UK, which I suspect is an issue that might be in the minds of his hon. Friends from other parts of the country. Could he explore that, as well as doing the right thing by the bankers of NW4 and the lawyers and accountants of NW7, who make up an important part of his constituency?

Mr. Dismore: I simply say that although parts of my constituency are wealthy, some are very poor, and I shall refer to them shortly. The hon. Gentleman makes an interesting point. I certainly do not advocate a return to the city states of ancient Greece, nor a London nationalist or separatist movement, but London's problems are unique in many ways and require special solutions that do not necessarily match with national policy across the board.

The starting point must be public transport, because the contribution of its network to London's economic viability, and therefore the nation's, is undeniable. London businesses consistently cite transport constraints, such as delays and overcrowding, among their greatest concerns. There are significant cost implications when people are late for work, because loss of productivity and lost business inevitably follow from unreliability. People arrive at work, or at home after the working day, stressed out from their journeys on public transport. In 2005, the cost of transport delays to central London workers and businesses was estimated to be £1.2 billion a year.

Sir Rod Eddington's study, which was published last December, emphasised the importance that transport plays in supporting a strong and growing economy. His report stated:

"There is clear evidence that a comprehensive and high-performing transport system is an important enabler of sustained economic prosperity"

and that

"the strategic economic priorities for long-term transport policy should be growing and congested urban areas and their catchments".

Mr. John Horam (Orpington) (Con): I congratulate the hon. Gentleman on securing this debate, and, so far, I have enjoyed what he said. However, he touched a raw nerve when he mentioned overcrowding on public transport, and I am sure that he is right to bring that issue up early in his speech. There have been complaints about increasing overcrowding on journeys from Orpington, and the solution is not, as is sometimes said, more and more high-level investment. The Secretary of State for Transport recently promised another 1,000 carriages by 2014. That is an amazing promise, and went down like a lead balloon in Orpington. Short-term, relatively cost-free improvements can be made simply by running more carriages and having a licensing and franchise system

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that encourages licensees to do that. I would like the Government to pay attention to that short-term arrangement, rather than just to the long-term farragoes.

Mr. Dismore: The hon. Gentleman's comments are interesting. I do not know the particular problems of travelling from Orpington to central London, but I shall refer generally to the south-east and mainline rail links. He makes some important points, and I shall refer specifically to Thameslink, which serves my constituency, because similar issues arise.

The Eddington report supports my case, because London can certainly be described as growing, congested and definitely urban. Around 1 million people use public transport to get into central London on weekday mornings, and 6 million people use London's buses on any given day. Last December, the tube carried 4 million people on a single day, which was a record for the network.

It is blindingly obvious that increased investment and consequently more reliable services with greater capacity would make a real and fundamental difference to the ability of London's transport network to support the economy as a whole. Bus use in London uniquely has increased by 40 per cent. since 2000. The congestion charge has cut traffic and congestion, and a seventh carriage has been added to every Jubilee line train. Those improvements alone have contributed to a 5 per cent. shift from private car to public transport. That is unprecedented elsewhere in the world in major cities like London.

Much more must be done, however, to provide for the population and job growth that London will experience over the next 20 years. There will be an extra 1.1 million people and 900,000 jobs on top of the 760,000 increase since 1989, which is equivalent to absorbing the population of Leeds already, with Sheffield to follow. Public transport demand will increase from 10 million journeys a day to 12.8 million by 2025.

Transport for London has carried out an extensive analysis of this, and recently published "Transport 2025" on a transport vision for a growing world city. Unless London's transport system benefits from increased, sustained funding over the coming years, the limitations of the current transport network will subject London's economic development and its vital contribution to the country's economy to slow and inevitable strangulation.

"T2025" sets out the priorities for London's transport network. The current position with the vital Crossrail project seems to be positive. The recent meeting in Downing street and the Prime Minister's unequivocal support is encouraging, but it is essential that the funding package needed to deliver this robust and costed scheme is agreed as quickly as possible to prevent further hold-ups for this long overdue plan. It is vital that the House appreciates both the project's benefits and its urgency. It is estimated that Crossrail will generate £31 billion in additional GDP, which in turn will yield around £12 billion back to the Exchequer. That investment in London will generate substantial benefits for the rest of the economy.

In the global competition for financial and related services, we must provide location options. Businesses want to locate where they can expand, and they will soon choose not to come here, or to anywhere in the UK, without Crossrail. They will decide instead to go to another global financial centre. In the meantime, central London office rents will continue to rise, and new offices will be refused planning permission because of the absence of any transport links. The costs of delaying Crossrail are estimated at £4 million each day, or £1.5 billion a year. It is vital that all elements of the scheme, including financing, come together, so that construction can get under way as soon as possible—perhaps even as early as 2008.

On the underground network, the public-private partnership must be made to deliver for Londoners. The full public-private programme can and will deliver significant benefits—not only modernised stations, but almost 30 per cent. additional capacity. The Northern line, which serves my constituency, will have a new signalling system and more of its track will be replaced, but it will be a number of years before the project is completed.

Last summer, I visited the maintenance crews working on the night shift, and the conditions in which they have to work—the heat and the dust—and the heavy labour that they undertake are amazing. What they are able to deliver—unseen and underground when the network is closed—is a real benefit to Londoners, and we ought to pay tribute to their work. I was very impressed by what I saw—by their commitment and hard work down there, unseen by anyone else. As problems have been resolved, however, new difficulties have arisen from, for example, the train maintenance contract. The trains were new 10 years ago, but the contract has tied up their maintenance in red tape, and the work is not done as well as it should be.

For Londoners living away from the Tube network, as some of my constituents do, dependent as they are on Thameslink, mainline rail is a vital part of the picture. The Thameslink 2000 scheme is vital to opening up the suburbs, and it must be funded when the comprehensive spending review is announced this summer. In the meantime, improvements can be made to the network, as the hon. Member for Orpington (Mr. Horam) said. One of our problems has been the loan of the special trains that are needed for the Thameslink service to other parts of the network, because if we had them back, its reliability and the service in general would significantly improve. We have had one train back so far, but 12 others should be returned.

There are a high proportion of national rail passengers in London and the south-east, and further spending must reflect their desperate need for extra capacity. Sir Rod Eddington's report on transport spending priorities strongly supported that view. The T2025 programme should reduce journey times by 10 per cent., and when the wider economic benefits are included, its overall cost-benefit ratio will be 9:1. It is essential that the Government make the necessary commitment to that project and to projects that support it, so that London's transport system can continue to play its key role in supporting London's growing economy.

It is no secret that London faces a severe housing shortage throughout all key sectors: social housing, affordable housing and intermediate homes. Owing to the absence of urgent action, the shortage is becoming a crisis, blighting the lives of hundreds of thousands of Londoners who are condemned to live in homes that are temporary, overcrowded, unfit for habitation or, in many cases, all of the above. On top of the damage that such

conditions inflict on the quality of life and on the health and the life chances of people living in such accommodation, they are seriously detrimental to the economic competitiveness of London. The shortage of suitable housing decreases the attractiveness of the city to inward investment, and it is pricing many key workers out of London.

The figures are stark: two thirds of UK households in temporary accommodation live in London. The 150,000 London households in overcrowded conditions represent more than half the national total. London has suffered more than any other region in the country from the failure—identified in the Barker review—to provide a new supply of homes to meet a rising population and decreasing household size. It has been exacerbated by the failure to refurbish and renew London's housing stock, which is older than the average for the rest of Britain. I am constantly criticising Conservative-controlled Barnet council—the local authority for my constituency—about its snail's pace progress with major regeneration schemes such as Grahame Park, West Hendon and the Spur Road and Stonegrove estates.

In the London plan, the Mayor of London proposes radical action to address the housing shortage. The plan shows that the capital has sufficient land capacity to build more than 30,000 homes each year during the next decade, and if the Mayor's targets were hit, more than 10,000 would be social rented homes and 4,500 would be intermediate homes, almost doubling the current annual output of social and affordable housing. In making decisions on the allocation of national funding for housing, the Government must recognise the pressing need for investment in London's housing stock, compared with the rest of the country. Nowhere else is there such a concentration of the problems of shortage of supply, unaffordable homes, overcrowding and unfit accommodation.

Unless London's severe housing issues are tackled, the Government will be unable to meet their national housing targets. The Mayor has the political will to make progress, but without desperately needed additional resources from national Government, he will be unable to make real progress in tackling effectively the appalling and unfair housing conditions in which many Londoners are forced to exist.

Housing and transport are two key areas in which a Government commitment to support is urgently needed to guarantee the continuation of London's vital contribution to the UK economy. However, there are other areas in which Government engagement is essential, and tackling poverty, low skill levels and high worklessness in the capital is one of them. London has the lowest working age employment rate in Great Britain at 69.7 per cent., compared with 74.4 per cent. nationwide, and worklessness in London is concentrated in households with children. In 2005, just 68 per cent. of London's parents with dependent children were in work, compared with 78 per cent. in the rest of the UK. That situation contributes significantly to London having the highest child poverty rate in Great Britain. Some 39 per cent. of children—52 per cent. in inner London—live in poverty, compared with 27 per cent. nationally, and the rate is getting progressively worse compared with the country as a whole.

Some people see the suburbs as prosperous, leafy boroughs, as the hon. Member for Cities of London and Westminster (Mr. Field) said, but in my outer London constituency in 2005, 7,700 children—33 per cent. of all children in the constituency—were living in households dependent on benefits. Between 2000 and 2005, the number of children living in families receiving benefit in Hendon rose by 1,100.

Mr. Mark Field: I recognise—I hope that the hon. Gentleman will, too—that in my inner-city constituency, areas of great poverty exist alongside affluent areas. It obviously applies to Hendon, too. However, does he not recognise that in part, the benefit system's complications, which have become manifoldly worse during the past decade with tax credits and the like, ensure that many parents find it difficult to return to work, because they know that they will lose their benefits? Housing benefit in particular makes such an important contribution to household income in London, and more so perhaps than in other parts of the country.

Mr. Dismore: The hon. Gentleman makes a fair point, and I should not typify all his constituents by comparing them to people who live in Mayfair. Throughout London, the pattern is repeated whereby wealthy people live side by side people in extreme poverty.

The hon. Gentleman's main point was his concern about the benefit system, but the system is not so much complicated as unable to recognise the London effect. Although the system has been effective at alleviating poverty in the rest of the country, owing to features that are particular to London, such as the high cost of living and, for those in work, the high wage structure, tax credits have not alleviated poverty as they should have. However, he is right to highlight the problem that tax credits have not delivered for London as they have for the rest of the country.

Furthermore, housing benefit can prove a barrier to people finding work because they fear losing their home as a consequence of being unable to pay the rent. However, I am concerned that some proposed reforms to housing benefit may work to the detriment of Londoners rather than to their advantage. The benefit system must be tweaked to reflect problems that are particular to London, and one could make a case for adding London weighting to the old-age pension. I shall not go down that route today, because it is not the main thrust of my argument, but London pensioners incur a higher cost of living compared with the rest of the country.

The policies that increase London's employment rate support social justice and economic efficiency. Moving into work is the best escape route from poverty, and unemployed people represent an unused resource for London's economy. Properly designed training programmes can help to tackle worklessness in London and, by improving the skills of people already in work, they can help people to progress in the labour market.

By addressing London's high levels of worklessness, we could help to reduce poverty in the capital. To that end, the resources, targets and structure of Jobcentre Plus in London should be reviewed to meet London's special economic requirements—so different from the rest of the country—as part of both the comprehensive spending review settlement and the Mayor's skills and employment strategy.

[Mr. Dismore]

We will not see real progress on the Government's wide range of national policies and targets without effective action in London. Investment in London will help to ensure that the capital continues to provide its net contribution of billions of pounds to central Government, benefiting the UK as a whole, attracting resources and increasing the whole country's competitiveness and productivity. London is the country's golden goose. If it is to continue to lay the golden eggs from which the nation benefits, the investment that I have described must continue.

11.20 am

Mr. Mark Field (Cities of London and Westminster) (Con): I congratulate the hon. Member for Hendon (Mr. Dismore) on initiating this important debate. As the Member for the Cities of London and Westminster, it is a pleasure to take this opportunity to highlight the importance of London's contribution to the nation and to make some points that are important to its continued success.

The hon. Gentleman understandably—and quite rightly—did not focus just on London's economic success, but I hope that he will forgive me if my speech is geared towards the importance of the economy. Not only do I have 70,000 constituents, but almost 1 million people come to work in my constituency every day. He made some important points about certain aspects of poverty and the high rate of unemployment in London, which I hope that the Economic Secretary has taken on board. However, I shall focus on the financial services industry and other industries that are so important to the wealth of London and, therefore, to this country's continued economic success.

London now has the highest unemployment of any region in the UK. We also have the largest number of migrants to this country, an issue which it is often difficult to debate in parliamentary terms, who understandably come to the vibrant area of central London. One of the reasons why it is perhaps so difficult to get back into work is that we have quite a large black economy—its size is unknown. A lot of people are paid cash in hand, which is a strong disincentive to employ and train up many people in the indigenous population, who therefore remain unemployed. Also, a lot of people who perhaps lack the skills and aptitude to hold down a job live in social housing. They find it difficult to improve their lives for the reasons that the hon. Member for Hendon has set out and find it easier to remain unemployed if they thereby qualify for the scarce social housing to which he also referred.

There are some major problems in London. I endorse what the hon. Gentleman has said about the need for serious thought about a problem that was thought to be specific to the capital, but which, I fear, now extends beyond its borders. I suspect that many hon. Members with seats in the home counties—for instance, Essex, Kent or Hertfordshire—would recognise precisely the same problem of increasing polarisation. In order to live in many bits of London and the south-east, people need to have inherited property, to work in financial services or a related industry or to be so poor that they qualify for social housing. The group in the middle is for ever being squeezed. That polarisation has been an element of life in central London for many decades, but I suspect that it is now every bit as evident in Hendon, St. Albans and Stevenage. That raises major issues—of social cohesion, apart from anything else—that we shall all have to address going forward.

Hon. Members may be aware of a report commissioned by the City of London corporation entitled "London's Place in the UK Economy, 2006-07". It highlighted the increased importance of London's wealth and its potential to generate tax revenue at a time when the overall UK budget balance continues to deteriorate, a point to which I suspect that I shall return not only today, but at some point in the next few days, as we debate the Budget in the main Chamber. London is widely regarded as a world city; indeed, many see it as "the" world city—the big global capital—and rightly so. However, the capital's current standing across the globe reflects the fact that at its heart is a highly concentrated cluster of international business, whose beneficial effects are felt in many parts of the world.

However, it would be mistaken to forget the important contribution that our capital city makes rather closer to home. To paraphrase the hon. Gentleman, London made a net contribution of £13.1 billion to UK public finances in 2004-05, which is a figure that I believe has increased fairly steadily over recent years. Data published by the City of London corporation suggest that GDP growth in London stood at 3.9 per cent. in 2006 compared with 2.6 per cent. in the UK as a whole. Further data suggest that London as a whole contributes between 17 and 19 per cent. of UK Government revenues, depending on whether residence-based or workplace-based calculations are used, despite London's population making up only one eighth of the country.

Financial and related business services have played a key role in the acceleration of the capital's growth, since London is dependent on financial services to a far greater extent than any other region of the UK. The importance of financial services to London is underscored by the fact that more than 40 per cent. of the country's financial services firms are based in London. Indeed, financial services now account for more than 9 per cent. of the UK's GDP, compared with just 7 per cent. a decade ago and with as little as 5 per cent. in 1980. It therefore appears that the success of London's City cluster goes hand in hand with the performance of the economy as a whole.

The UK fiscal position as a whole, relative to London, has deteriorated sharply since the turn of the millennium. In the fiscal year 2004-05, for instance, the capital's net positive contribution to the UK current account was calculated to lie between £6 billion and £20 billion, so a mid-point estimate implies a net contribution of £13.1 billion, the figure to which I have referred. A strong case can be made that London's tax export to the rest of the UK has helped to mitigate the impact of the increasing UK deficit, which reached £39.7 billion in 2004-05. Without the benefit of that substantial contribution to the Exchequer, the public borrowing requirement would be considerably greater, with stark consequences for public spending as a whole throughout the UK. Furthermore, London imported £110 billion of goods and services from elsewhere in the country in 2005, amply demonstrating that London's success provides essential support to the rest of the UK economy. As the hon. Gentleman has said, if London does not succeed, the rest of the UK will suffer.

London occupies a uniquely competitive position in the UK economy. Its high costs are more than offset by other factors, making it an attractive location for internationally traded services. London's high-value-added economy depends upon providing benefits for its highly skilled work force. London has a strong track record in attracting skilled professional and managerial workers from overseas as well as lower-skilled workers, who have filled potential labour shortages in the retail, catering, transport and other sectors and have consequently helped the UK to maintain a relatively liquid employment market. However, all the caveats that I mentioned earlier must be taken into account. It is a great worry that an increasing number of Londoners are being left behind, notwithstanding the efforts of central Government, London government as a whole and the City of London corporation, which plays an important role in Hackney, Tower Hamlets and Islington, in trying to attract from further afield not only the brightest and the best, but others to make their full contribution to the financial services sector.

In 2005 alone, 32 per cent. of London's work force possessed degrees or higher education qualifications, compared with just over one quarter in the rest of the UK. That picture reflects the fact that London is competing internationally. London is truly a global capital and does not sees its competitors as—dare I say it, given the earlier intervention—Birmingham, Glasgow or Edinburgh, but as New York and Tokyo and, in the decades to come, if not already, Shanghai, Beijing, New Delhi and Hong Kong. London is one of an elite group of cities. New research commissioned by the City of London corporation has for the first time established an index of competitiveness, which tracks 46 of the world's financial centres. That index—the global financial centres index—shows London and New York as the two global powerhouses, ranking well ahead of Hong Kong and Singapore. At present London is ranked ahead of New York in all five areas of competitiveness—people, business environment, market access, infrastructure and general competitiveness. However, the report highlights widespread concerns about the UK tax regime relative to its competitors.

It is also important that we take this opportunity to highlight some of the issues of broader infrastructure. We cannot be complacent about the skills infrastructure, and there are issues of physical infrastructure—in particular the transport infrastructure, to which the hon. Member for Hendon has referred. I should like to make a bid for serious consideration of Crossrail and other aspects of the transport infrastructure, without which London's great dominance, which has been jealously guarded and created strongly in the past two decades, will begin to be undermined. That would be little short of disaster not only for our capital city, but on a broader basis.

Central to London's ability to retain its competitive edge will be its cultivation of the knowledge economy. The capital is well served by its 43 higher education institutions, but more than ever the best universities compete globally for teaching, students and finance. This debate is not simply about higher education, but we must all face that important issue. Some of our very best universities are suffering as a result of global competition—not least for places, given the numbers of graduates from China and India coming through across the country. There is also a significant brain drain of some of the best academics, who are now going to US universities simply because pay and conditions are so much better. I hope that we shall give great consideration to setting free our best universities. Now a fee structure is in place, I should like there to be a much more flexible structure.

Mr. Andrew Love (Edmonton) (Lab/Co-op): I am listening carefully to the cogent argument that the hon. Gentleman is making on behalf of London. Are not the significantly increased costs in London one of the other considerations in respect of students and lecturers in higher and further education? I think particularly of housing costs. I have been involved with a research student, now reaching 30, who has a doctorate and significant experience behind her. Yet she cannot even get on to the lowest rung of the housing ladder in London. Is that not a common problem across the capital?

Mr. Field: It is very common. There are individuals who are happy to give money to their alma mater. As I have mentioned, there are 43 higher education institutions in London as a whole. It is perhaps easier for the better known institutions, such as Imperial college and the London School of Economics—two institutions in my constituency—to find entrepreneurs willing to sponsor junior research fellows in their 20s and 30s, who are some of the brightest and best brains and who will eventually get academic posts. However, the hon. Member for Edmonton (Mr. Love) has made an absolutely fair point, which, I fear, applies not only to academia but to areas such as medicine that are not ancillary to the financial services industry. It is one of the problems that needs to be dealt with, and all on both sides of the House will have great sympathy with the hon. Gentleman's point.

In recent years, 26 per cent. of foreign students were attracted to London to study, bringing with them a contribution of an estimated £750 million a year to the UK economy. Although that is welcome, challenges remain. A high-productivity, high-cost location is not necessarily ideal for a university—for example, King's college, the best placed London institution, is almost six times less well-endowed than Oxbridge. If London universities are to continue to provide the same opportunities for home-grown talent as to overseas students eager for a world-class education, we must ensure that they possess the financial muscle to match the most powerful institutions worldwide.

During my conversations with him, Sir Richard Sykes, the rector of Imperial college, has made it clear that he would like to attract more home-grown talent. However, the phenomenal difference between the fees that he receives from indigenous students and those from students overseas make it, to put it in rather brash terms, a bit of a no-brainer. To make ends meet, Sir Richard has to take on far more foreign students than he would ideally like to.

No debate on the contribution of London's economy should go without mention of the efforts put into the promotion of financial services at home and abroad by the lord mayor of London and the City of London corporation. Their promotional role for the financial services sector is strengthened by the direct representation that City businesses enjoy on the corporation's main governing body, the common council. As you know, Mr. Williams, and as I am sure the hon. Member for Hendon would also point out, the City is the only place

[Mr. Mark Field]

in which businesses participate directly in the electoral process. Understandably, that has been a matter of some controversy. Obviously, I am a democrat—I voted for a fully elected House of Lords. If I did not represent the Cities of London and Westminster, I suspect that I might take a somewhat different view. As it is, I have seen how the system works, and it works well in the City.

As an arch-opponent of the City of London (Ward Elections) Act 2002, which introduced the reforms to broaden the City's franchise, the hon. Member for Hendon may not wish to hear this, but I believe that those reforms have generally been pretty successful. About 75 per cent. of the eligible business electorate now register to vote. In his role as the City's international ambassador for financial services, the lord mayor therefore directly represents the business community. It is worth adding that those activities, complemented by the work of the corporation's offices in Brussels, China and India, are undertaken without any call on the public purse.

Hon. Members will surely agree that London's continued prosperity depends on its infrastructure. City businesses require sufficient support to sustain growth; in particular, the availability of quality office stock must meet the pressures of demand if raising rents and falling vacancies are not to dent London's competitiveness. The position of London as a revenue generator needs to be recognised and proper investment made. As I have mentioned, projects such as Crossrail will facilitate essential access to and business in the City and help to relieve the burden on London's creaking public transport system, making travel into the business centre attractive and efficient. Those concerns must be addressed if London is to deliver an exemplary 2012 Olympic games worthy of the whole nation and, more importantly, if we are to build an infrastructure legacy that will ensure not only a spectacular show for three weeks in the summer of 2012—I am sure that it will be—but great benefits beyond then.

In conclusion, London is an asset to the UK, the European Union and the global economic world. At its heart, the City of London is the engine of the capital's growth. We must ensure that the benefits of London's success continue to be felt throughout the whole UK—particularly here in the capital—and we must keenly resist any threat to its prosperity.

11.37 am

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I congratulate my hon. Friend the Member for Hendon (Mr. Dismore) on securing this debate. He rightly highlighted issues of housing, skills and transport as key to the future of London's economy. Most of us would agree with most of the comments made by the hon. Member for Cities of London and Westminster (Mr. Field), who gave such a clear exposition of London's economic position from his unique position as a representative of the heart of London's economic and financial centre.

I want to highlight not only what London contributes to the UK but, as the hon. Gentleman intimated, the fact that it has a much wider role internationally. In London, productivity is 20 per cent. higher than in the UK as a whole. In inner London, which includes my constituency, productivity is 38 per cent. greater than in the UK as a whole. London provides 15 per cent. of the UK's work force with jobs and nearly 20 per cent. of UK output.

We need to consider London in the international context; it really is a world city in every sense. As the Member for Hackney, South and Shoreditch, in which the Olympics will partly be based, it is important that I should mention investment in the Olympics, a significant contributor to the future and regeneration of part of east London, which we hope will create hundreds of thousands of jobs and housing places—in fact, we know that it will; the finances were pinned down last week. There will be investment in housing, jobs and skills for my constituents and many others in London and the UK. Although it is true that my constituents have benefited particularly from the Olympics, given that every £1 that they spend will be matched by £3 of taxpayers' money and general investment in the area, business up and down the country will also receive a huge boost, as other sites are chosen to become training centres for the Olympics and other businesses up and down the UK get ready to bid for the many contracts that come out of the Olympics.

When we bid for the 2012 Olympics, it was clear that during previous Olympic bids there had been a debate about whether Manchester or Birmingham should also be allowed to bid. The International Olympic Committee made it clear that only a bid from London would be considered. That is a living example of the pull of London and reflects its position among other world cities. I do not decry the cities represented by other hon. Members, present or not. Other cities clearly have a role to play, too, but nothing can replace the pull of London. Sadly, my hon. Friend the Member for North-West Leicestershire (David Taylor) left before he heard me say that; perhaps I have saved myself some grief.

Much is rightly made of London's financial clout and its role as a financial centre. The hon. Member for Cities of London and Westminster said everything that needed to be said on that. However, London's creative businesses have not been mentioned so far, and they are a huge area of success and growth in our city and the country. My constituency is a hub of creative talent for individuals and businesses. We believe, although it is difficult to prove, that we have more artists in Hackney than in any other European local authority area. Some of the artists I deal with, both as a trustee of SPACE and otherwise, have suggested that there should be a tax break for artists. The mayor of Hackney, knowing the number of artists in Hackney, was not keen to reduce the local council tax and I am sure that the Government would not want to follow that route. However, there are other ways in which we can support creative businesses, which all add to London's value-added status, as mentioned by the hon. Member for Cities of London and Westminster.

I refer the Economic Secretary to a report by the Mayor of London's economic think tank, which was called "Creative London". It highlighted a wedge from Shoreditch, in my constituency, out towards west London and Oxfordshire that shows all the things that make a creative city. I refer hon. Members to the work of the US academic Richard Florida and to his book "The Rise of the Creative Class", which highlights the ingredients that are needed to make a fully creative economy. London has those ingredients. It has diversity—in my constituency,

more than 300 languages are spoken. It has tolerance built on that diversity across the city. My hon. Friend the Member for Hendon can speak about that in his constituency, where he plays such an important role in community relations. London has 43 centres of academic excellence, which are also a major contributory factor. Good transport links, through airports and other means, help to make London that hub. Whatever other cities want to achieve, they will not take a long time to catch up with London's regional status. However, London needs to remain internationally competitive if it is to remain a cash cow for the UK economy.

London is growing. By 2016, an additional 500,000 will live in London and it will be home to 8.1 million people. We are living through that growth. When we have difficulty getting on a tube or a crowded bus, that shows the strain on our infrastructure that the growth that we are trying to house in the London boundaries creates. If we want to see London retain its status as an international city, competing with New York, Frankfurt and other centres, we need the investment in housing and transport to continue.

I want to touch particularly on transport and talk a little about housing. Transport for London has proved to be one of the best elements of governance of London by Londoners. Investment in buses has seen London as the only city in the UK where bus use has increased at the same time as car use has decreased. It is important for the Economic Secretary to recognise that TFL has an AA rating and is a prudent financial manager. It is a body that has proved by its track record that it can invest and can raise finances to invest, as well as spend public money wisely. TFL's 2025 plan—I shall not go into it in detail, as my hon. Friend the Member for Hendon has done so—has projected the impact of population growth in London. Under its current investment plan, which runs to 2010, we will see London going only so far. Thereafter, we must have a seamless transition to the next wave of investment, both from the Treasury and from private markets, as TFL has proven capable of obtaining such funding, or we will go backwards.

When I go to get on the tube in the morning, I often have to let three trains go past. That is because we are living through growth. That cannot continue if we want to see London compete.

Mr. Mark Field: The hon. Lady has just pointed out the wondrous record of Transport for London. Its iconic policy, the congestion charge, has been anything but a financial success. Indeed, the biggest criticism has been that it has raised some £900 million in the five years and one month since it was set up, but that most of that has gone on capital and administrative costs. It has not in any way been a great success, but rather a great disappointment in respect of the amount of money that might otherwise have been secured for other transport projects.

Meg Hillier: I do not want to digress too far on the congestion charge. We always knew that the congestion charge was an attempt to address many issues. Congestion was one; pollution and climate change were another. It was not intended to be a quick fix. It is a longer-term plan in respect of the money that it might raise and whether it will break even than something that will make or break in a short time. However, that is perhaps for another debate.

In order for London to maintain its competitiveness, we need continued investment in transport. Crossrail is particularly key. It would cut through 10 boroughs just outside my constituency, but it is nevertheless important to my constituents. We need to see full and proper extensions to the docklands light railway, which has, we would all agree, been one of London's great successes. We need to do so not only because we need the transport improvements but because we need to see a proper tackling of climate change and CO_2 emissions. We ought to be thinking ahead of the game. How seriously are other cities around the world taking climate change? London is beginning to gear up to tackle that issue, and it will become more of an issue as businesses locate here and consider their carbon footprint and the ethical nature of their business with a modern, savvy consumer.

Such issues are important for the rest of the country, too. A high percentage of rail journeys begin and end in London, and so all improvements benefit other citizens of the UK. We must not be seen to be saying all this as little Londoners. Clearly, my constituents will benefit from any further investment, but it will benefit individuals from the rest of the UK in their regular contact with London, too.

Another issue that has not been raised is the high population turnover in London. In parts of my constituency, it is up to 40 per cent. a year, with a general average of around 30 to 35 per cent. depending on how it is measured. We see that in other parts of London, too. We need to keep people in London. Census data clearly shows a flight approximately at the point when families need an extra bedroom and/or when their children reach the age of 11. Our schools are improving significantly to tackle that. Without making a point against the hon. Member for Cities of London and Westminster, I recall that in 2005 Hackney's school results outstripped those of Westminster. We still have some way to go.

Mr. Field: In that case, one might ask why the hon. Lady's parliamentary neighbour, the hon. Member for Hackney, North and Stoke Newington (Ms Abbott), chooses to send her son to one of the constituency schools in my area—into the private sector, no less.

Meg Hillier: I never get between a mother and her son, and I would never comment on colleagues' family matters.

In Hackney, we have seen an improvement in GCSE results. Six new city academies have either been built or are under way. We still have some way to go, as we do across London, but thanks to the investment of the Government in London and elsewhere we are starting to make a difference.

Housing is key. Two thirds of the UK's households in temporary accommodation are in London. More than 150,000 London households are overcrowded, including 8,000 in the borough of Hackney. I see Hackney as the Ellis island of London, and possibly of the UK. People arrive from all corners of the globe and the UK and we need to keep those people in Hackney and in London if we are to see our city stabilise.

Mr. Love: One of the most startling features of recent years has been the increasing decline in the number of new lettings available in the social sector. Does my hon. Friend agree that the only way to respond to that is significantly to increase the supply of new affordable accommodation in London?

Meg Hillier: My constituents would be keen to see that, particularly in respect of family-sized housing. I cite the example of Thomas Fairchild primary school in Hoxton, in the heart of my constituency, which is surrounded largely by dense council estates. I went to visit in July 2005, just after the general election. Of the year 6 group that was leaving the school, less than 20 per cent. had been there since reception. The people living around that school were not middle-class people with houses that they could sell to buy elsewhere. They were finding other ways to leave. Many were aspirant, keen to buy and to move to areas such as the constituency of my hon. Friend the Member for Edmonton (Mr. Love) where they could afford a home, but could not afford to buy a home in my constituency. We must ensure that we take every step we can to keep people in London, whether they are indigenous or immigrants, whether or not they work for big City firms.

I shall not repeat what my hon. Friend the Member for Hendon said about skills, but I endorse every word that he said. There are huge issues in Hackney, South and Shoreditch, but, given the time, I shall not go into all of them. Twenty-two per cent. of the residents of Hackney as a whole are aged under 16, and one third are under 24. The youth and energy of those people are key potential contributors to London's future growth and stability, if we can keep them in London. I hope that my hon. Friend the Minister has heard what we have said today and will consider London kindly in the spending review.

Several hon. Members *rose—*

Hywel Williams (in the Chair): Order. Two hon. Members wish to speak. May I appeal for concision so that both can get in?

11.50 am

Mr. John Horam (Orpington) (Con): I thank the hon. Member for Hendon (Mr. Dismore) for his excellent introduction of this debate. I was pleased that he mentioned that London has some of the poorest areas of the country as well as some of the most affluent. My hon. Friend the Member for Cities of London and Westminster (Mr. Field) made the point that some areas of London have the highest unemployment, as well as obvious wealth.

I vouch for what the hon. Member for Hackney, South and Shoreditch (Meg Hillier) said about London's creative talent. I had the pleasure last Thursday of being present at the launch at the Hackney Empire of the English Touring Opera's season, which certainly justified her claim of there being a high proportion of creative talent in Hackney. The English Touring Opera, which will go around the country, also makes the point that London is not a metro-centric body. It is a generous capital—it exports its talent to other parts of the country. The hon. Member for North-West Leicestershire (David Taylor), who, sadly, has departed—perhaps in good time, from his point of view—might bear that in mind.

The issue that I want to return to—very briefly, Mr. Williams, in view of your remarks—is transport and the point that the hon. Member for Hendon made about overcrowding. It is extremely distressing to stand out in the open, particularly in this weather, on a platform in, say, Orpington or any other station in south London, to find that the eight-coach train that one is expecting does not have eight coaches but six or even four, or that it is cancelled altogether and two lots of people have to get on one train. That causes problems.

The problem is the same in reverse when people are going home in the evening. We have heard about road rage, when people lose their temper on the road because of congestion. I have seen rail rage—or platform rage—at Charing Cross, when trains are cancelled and people are not told what is happening. Understandably, they are absolutely furious, and sometimes they take it out on each other and on the poor platform staff.

That does not mean that trains are not often punctual and very satisfactory, but problems occur far too often. If from time to time Members speak, as I obviously do, to people who work in the House of Commons, they will find that the constant complaint—the biggest complaint of all—is overcrowding and the conditions that people have to put up with to get to and from work. That is a dreadful state of affairs in a city as affluent as London is at present.

As we know, the situation led to an excellent campaign in the *Evening Standard* called "A seat for every commuter". Unfortunately, as is usual with the Government, they responded not to the people but to the media. We had a response from the Secretary of State for Transport, who, as I said in my intervention on the hon. Member for Hendon, came out with a statement about 1,000 more carriages by 2014. My good friend Mr. Brian Cooke, who is the chairman of London TravelWatch and also a constituent—and therefore knows about commuting at first-hand—calculated that 1,000 extra carriages, apart from being seven years away, will provide only 80,000 extra places. I hesitate to say "seats", because we know that these days "places" does not mean seats. One does not often get a seat on a commuter train. As he pointed out, given the expansion of London at the present rate, another 325,000 people will have come into London by then, so the plans of the Secretary of State for Transport are for overcrowding to get markedly worse. The promise is not for a golden future but a rather bleak and distant one. It cannot be taken at all seriously, and it is certainly no comfort to my constituents.

My plea to the Minister and his colleagues in the Department for Transport is for some short-term, quick-acting measures to alleviate the situation in the near future. The hon. Member for Hendon mentioned the fact that there is now a seventh coach on some underground trains. That improvement was effected fairly quickly. It is perfectly possible to change the licensing and franchising arrangements so that operators are incentivised to bring in more coaches when necessary. The arrangements can be changed. They were changed only a year ago, so it is not an excuse to say that they were inherited and cannot be changed, or anything like that. Furthermore, if there is a problem with platform lengths, it is also possible to do something about that fairly quickly.

I am not a fan of Transport for London, but its experts on the matter, which I clearly am not, have told me that short-term measures could be taken within a year or two to alleviate the situation that commuters in south London face. I am telling the Government that unless something is done fairly quickly, I and no doubt many of my colleagues will continue to nag them about this disturbing, everyday problem of life in London.

11.56 am

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): I, too, shall try to be brief, Mr. Williams. I congratulate my hon. Friend the Member for Hendon (Mr. Dismore) on securing this debate and giving his usual comprehensive account of the issue. Having tried previously to speak after him on a Friday, I am glad that he has left me at least four or five minutes to do so today.

I am also glad that there appears to be—we have yet to hear from the Liberal Democrats—a broad measure of support for my hon. Friend's comments. I hope that the Minister in his response will echo the proposition that he made. We must put the uncharacteristically churlish comments of my hon. Friend the Member for North-West Leicestershire (David Taylor) down to second-city, or second-region, envy.

Mr. Dismore: Third-region envy.

Mr. Slaughter: It could now be third-region envy. My hon. Friend the Member for North-West Leicestershire is not here to bait, so I shall confine myself to saying that if Birmingham and the midlands wish to be Barcelona to our Madrid, they will have to improve the food and the football somewhat. I would add that the other difference, of course, is that Catalonia actually pays for Castile, whereas in this case London pays for the rest of the United Kingdom.

I do not want to anticipate my hon. Friend the Minister's response to the debate, but I am sure that he was aware, before my hon. Friend the Member for Hendon spoke, of London's contribution to the UK economy. His response may be in part, at least to Labour Members, that our party is still a redistributive party. I do not know whether that is true, but certainly the London Labour party continues to believe that to some measure, perhaps because we are more aware of the great inequalities of wealth that exist in the capital.

In the brief time that is available to me, I shall not repeat points that other hon. Members have made but say that the consequence of what is happening at present is that redistribution is not working. The example of child poverty that was given earlier is perhaps the clearest instance of that. Fifty-two per cent. of children in inner London—39 per cent. in London as a whole—live in poverty, compared with 27 per cent. in the UK as a whole. That one stark statistic shows that the money that is generated by the capital is certainly not being redistributed within it. Beyond that, it is not economically efficient to run a capital city or any region on that basis.

The problems cross the whole of the Government's social and economic policy, but I wish briefly to mention three issues. The first, which has already been dealt with extensively, is transport. From a parochial perspective, it is necessary to deal with the scenario set out in the Transport for London 2025 document of a possible increase in demand at peak time of 30 per cent. That could happen in terms of bus, overground and tube services and, of course, Crossrail, all of which affect my constituency. I have the pleasure of travelling every day on the District line and the set-up at Earls Court station, with Bakelite telephones and flashing Christmas tree lights, is more like a fighter command than a modern railway network. It is sometimes a wonder to me how the tube functions at all. Investment over the next 10 or 20 years is not just an optional extra, but essential if London is to continue to function on a daily basis.

I do not have time to say everything that I wish to say about policing, but it is a truism to say that London has additional pressures not only because of anti-terrorism measures and major events, but because of the general cost of policing, salaries and other costs, which are not reflected in the figures. We often have to fall back on the Mayor's precept yet the Opposition hypocritically demand additional policing, while at the same time condemning every increase in precept made by the Mayor. To a large extent, that is because of a lack of fair funding from central Government to the capital.

My hon. Friend the Member for Hackney, South and Shoreditch (Meg Hillier) dealt with the issue of housing quite clearly and therefore I will briefly conclude by referring to that. Housing is the single issue that London Members would like the comprehensive spending review to address by providing an increase in funding for the supply of affordable homes—as my hon. Friend the Member for Edmonton (Mr. Love) said. The figures are eloquent in themselves: London has two thirds of households in temporary accommodation and half of the total national figure for overcrowding.

We are at a tipping point in London and if we wish it to continue to be a city in which rich and poor can live together side by side, as they have done over the centuries, it needs investment, particularly in housing and in the needs of the population in constituencies such a mine. That is the plea that we make to the Minister today.

12.2 pm

Dr. Vincent Cable (Twickenham) (LD): You have missed a good debate, Mr. Hancock, led by the hon. Member for Hendon (Mr. Dismore), who has set out a case that almost all hon. Members have echoed. He made two central points. First, that London makes a wider contribution to the national economy and secondly, that the basic elements of its success are its openness to trade, investment and migrant labour, and the ability to develop clusters in relation to financial services and culture.

I happen to disagree with the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) about the rather pungent but brief contribution of the hon. Member for North-West Leicestershire (David Taylor) on metro-centricity. Although brief, it was an important contribution, which reminded us of what everyone else may be thinking. I was reminded of that last week when I travelled outside London the day after the statement was made about the Olympics. The provincial newspapers were dripping with venom about the amount of money that must now allegedly be contributed to London. We need to be aware of that dimension to the debate.

I agree with the broad thrust of the arguments, but we need to be a little more self-critical about what is said on London's behalf. I read the Oxford economic forecasting study on London's fiscal contribution and it does not actually say what several hon. Members said it did about a net contribution of £13 billion. It says something rather different: that there are a wide range of estimates from £5.8 to £20 billion. The figure would be at the lower end of that if we looked at London residents as opposed to people who work in London and live somewhere

[Dr. Vincent Cable]

else. All sorts of heroic assumptions are made in the report about how to allocate public expenditure and, clearly, there is a net contribution, but let us not dwell on that issue too much. When I lived in Scotland for some years, I was lectured on how Scotland supported the rest of Britain through north sea oil. I do not think that we should become drawn into the same kind of syndrome.

The second qualification to the argument is that we need constantly to remember is that there are vast disparities within London. It is not simply a matter of London versus the rest of the UK, as emphasised by the hon. Member for Hackney, South and Shoreditch (Meg Hillier) and other hon. Members. There are two kinds of disparities. The first is the co-existence of extreme poverty and affluence in and between boroughs. Indeed, in parts of east London, there is the extraordinary phenomenon of high levels of unemployment existing a mile or so from the most successful financial centre in the world. As someone who has lived in developing countries for a number of years, that situation strongly reminds me of the enclave economies of such countries where mines and commercial agriculture sit alongside impoverished areas. London has many of those characteristics.

Ms Karen Buck (Regent's Park and Kensington, North) (Lab) *rose—*

Dr. Cable: I would love to take an intervention, but we are already behind schedule.

Secondly, differences within London exist in the enormous variations in funding support for different parts of London. There are parts of London that because of their deprivation quite rightly attract reasonable levels of grant, but as someone who represents a suburban area, parts of London at the other end of the tail of funding distribution also have a combination of private affluence and public squalor because of the lack of support for local government. When we talk about London versus Britain, such qualifications must be borne in mind.

Following on from points made by hon. Members, there is a danger of the institutions of London becoming excessively dependent on what I would call mega-projects. First, on public transport, I entirely agree with the hon. Member for Hendon and others who have spoken about the importance of Crossrail, which is extremely desirable for London. None the less, there is a real danger that a fixation with one massive project is overshadowing the large numbers of incremental projects that can be done quickly on the suburban network and on the London transport underground system, as the hon. Member for Orpington (Mr. Horam) rightly stressed. Such projects are relatively low cost and, in many cases, have no costs attached as they simply provide an extension to a franchise and give greater security to investors. I hope that Crossrail can co-exist among all that improvement, but there is a danger that the fixation of people in London government with one big prestige project that may happen in many years to come will crowd out the more mundane, but equally important improvements.

A second example is in relation to London airports, which is an issue of major concern in my part of London. Many of my constituents are airport workers and many residents are concerned about the environmental side effects. I am always being told that continued and large-scale expansion of London airports is essential to the London economy. Frankly, I doubt that. Slots for aircraft are allocated inefficiently and aircraft are often highly underutilised. Large numbers of people who pass through London are transit passengers and are not from other parts of the UK, but other parts of the world. It is obvious to me that such demand is as it is presented. There are massive environmental side effects such as noise, pollution and ground pollution. Most of the boroughs—Conservative, Labour and Liberal Democrat—in the relevant parts of London are actively campaigning against expansion. We need to bear that in mind when arguing for the constant expansion of infrastructure and facilities.

Thirdly, the hon. Members for Cities of London and Westminster (Mr. Field) and for Hackney, South and Shoreditch referred to the Olympics in positive terms. I do not disagree with that broad tone, but we have reached the point when the debate is becoming rather sour. One group of people are asking why we bothered with the games in the first place and another group are denouncing the others as professional cynics. That is not helpful. There are two propositions of which we need to be aware. The games could be a great boost to London or could be a disaster. It is not altogether clear that they will turn out positively and we need to focus in a practical sense on the difficulties. For example, it appeared this week that the London borough of Newham has produced a major report questioning many of the gains of regeneration, of which that area is supposed to be the main beneficiary. We need to consider what the problems are and why the design does not fit what was expected.

The other issue is that we made a bid for the Olympics on the basis of costs that were wholly unrealistic and that have been revealed to be much higher. Since the Economic Secretary is here, I will say that, at some point, the Treasury will have to explain why it signed off and gave a financial guarantee on the basis of such wholly unrealistic costs. We now have the real practical problem—not just general pros and cons—that London taxpayers do not want to pay more council tax. People have a strong and entirely understandable resentment against paying more through the lottery. Another good example was the chairman of the National Opera saying yesterday that it will result in cuts in the arts and therefore in culture, which is central to London. Taxpayers in other parts of Britain are saying that it is not right for them either. So who is going to pay? It is a real bottleneck.

The one lesson that has to be learned is that a tougher approach must be taken on the question of funding and on the venues that are chosen, including the media centre. It may seem a trivial example, but I heard the other day of a proposal—it is part of a package—to create a shooting range at Woolwich at a cost of £18 million that will be demolished three weeks later for a further £8 million, yet we have perfectly good international ranges within a few miles of London. Such extravagance is envisaged on a large scale. Someone—the Treasury is certainly involved—has to get a grip on it; otherwise there will be a complete draining away of confidence. That will do great harm to London and to sport.

With those qualifications, I thank the hon. Member for Hendon for saying what many think. I speak not so much a national spokesman but as a London MP. I am proud of the city. It has achieved much, and we want it to continue to succeed.

12.11 pm

Mr. Mark Hoban (Fareham) (Con): I congratulate the hon. Member for Hendon (Mr. Dismore) on securing the debate and on the way in which he opened it. I am the first Member representing a non-London seat to speak, so I may not seem so metro-centric as others.

I want to touch on some of the themes raised by hon. Members in this brief but important debate. The hon. Member for Hendon set the scene well when speaking about London's transport problems. Its transport infrastructure is a constraint on the growth and development of London as a major employer and as a place to live. My hon. Friend the Member for Orpington (Mr. Horam) commented on some of the stresses on suburban rail services caused by the growth in passenger traffic into London. It has a ripple effect not only into and out of London, but even as far south, Mr. Hancock, as your constituency and mine. Long distance commuters from Portsmouth and Fareham travelling into London face increasingly cramped conditions because of transport developments and increasing demand in outer London as well as in the centre.

The hon. Member for Hendon was also right to mention London's housing problems. Anyone who lives in London, even those like me who live here only part-time, is acutely conscious of the pressures caused by house prices and the affordability, availability and quality of housing stock. He also spoke about unemployment, which I shall return to later.

The hon. Gentleman highlighted a point which was also raised by my hon. Friend the Member for Cities of London and Westminster (Mr. Field). He spoke about the tremendous paradox that London has a high level of unemployment—higher than any other part of the United Kingdom—but also a high level of inward migration. Society faces the risk of polarisation with extreme wealth and extreme poverty living cheek by jowl. The hon. Member for Hackney, South and Shoreditch (Meg Hillier) has referred to the issues around social cohesion that flow from that.

My hon. Friend the Member for Cities of London and Westminster has rightly paid tribute to the work of the lord mayor of London and the City of London corporation in promoting London's financial services sector. They promote not only the financial services sector in London, but the sector outside London, and they act as ambassadors for the sector on a global basis. It is important to recognise that London, as a global city, needs to build strong links with other parts of the world. We need to attract business into the UK as well as people into the UK. In debates about London, it is important to look outwards and to recognise that other cities and capitals are trying to attract the same business. We need to consider London's competitiveness as a city and international financial centre and how it shapes up and compares with other centres in the world. I shall return to that subject in a moment.

First, however, I want to say a little more about unemployment in London. At 7.9 per cent. in the mid-point of last year, it exceeded the national average. It seems a contradiction that although London's economy is growing faster than the UK economy, London is seeing such high levels of unemployment. Certainly we are seeing inward migration, as we heard from my hon. Friend the Member for Cities of London and Westminster, and anyone who has spent time at any of the international banks based in the City or in Canary Wharf will have seen the rich and diverse pattern of employment.

We need to consider the causes of London's unemployment. One factor highlighted by the report commissioned last year by the City of London corporation was the skill levels of people in London. It found that the proportion of graduates living and working in London is much higher than in the UK as a whole. It was also evident from the report that the proportion of Londoners with few or no qualifications also exceeded the national average. I suspect that that low level of skills underpins the high level of unemployment in the capital. If we are to tackle the mismatch between wealth and poverty in London, we need to consider the skills of the population as a whole.

The report also highlighted the fact that the number of adults receiving training in London was below the national average. We clearly need to focus on improving the skills set of people who work in London, but we must also raise the aspirations and attainments of young people there. I have visited the City of London academy in Southwark, and I am sure that its programme will play just as important a role as city technology colleges, the forerunner of academies, in raising levels of attainment in parts of London.

Mr. Love: Will the hon. Gentleman accept that one problem is the continual shedding of manufacturing and construction jobs in Greater London, and that the people who lose jobs in one industry desperately need to be retrained for the new jobs that are coming to the capital?

Mr. Hoban: It is a pattern that we see throughout the country, and it is not limited to London. We have seen a decline in the manufacturing sector, and if people are to find employment, they need to be retrained. That focus is particularly needed in London given the relatively high level of unemployment.

I return to the competitive position of London vis-à-vis other world capitals. It has been a long debate and most, if not all, speakers have touched on transport infrastructure. I am sure that, like me, the Minister has heard the lobbying of employers in the City of London and Canary Wharf—and of hon. Members today—about the importance of Crossrail to London's transport infrastructure. However, my hon. Friend the Member for Orpington and the hon. Member for Twickenham (Dr. Cable) were right to point out the importance of relatively small projects that could help unlock transport capacity.

The other factor that we face in maintaining London's competitiveness and its contribution to the UK economy is the competitive threat posed by other financial centres across the world. For example, in the run-up to the Budget a number of business organisations commented on the lack of competitiveness of the UK tax system. When businesses are wondering where to locate their international operations, they will consider the competitiveness of the tax system. We have among the longest tax codes of any developed country, second only to India. In 1997, we had the third lowest rate of corporation tax in the European Union, and we now have the seventh highest. Such factors have an impact upon people's perception of London as a place to locate.

[Mr. Hoban]

Another issue, which is close to my heart and that of the Economic Secretary, is the competitiveness of the regulatory system of the financial services sector in London, and how it compares with other sectors worldwide. We need to be continually vigilant, because there are territories and locations that offer advantages and attractions to financial services businesses, if those businesses locate outside London. To the extent that that happens, or to the extent that such businesses locate themselves outside the UK, there is a detrimental impact on the UK economy as a whole. We might not be able to redress all such differences, but unless we are vigilant as to the tax and regulatory risks posed by other jurisdictions that seek to attract financial services business, London's premier role as a motor for the UK economy will be under threat. We should be conscious of the threats to London's status as a leading economic powerhouse not only in the interests of Londoners but in the interests of people across the UK.

12.20 pm

The Economic Secretary to the Treasury (Ed Balls): I congratulate my hon. Friend the Member for Hendon (Mr. Dismore) on securing the debate and I appreciate the wide range of points that have been made. A common theme has run through most speeches, perhaps with the exception of that by the hon. Member for Twickenham (Dr. Cable), from whom qualifications seemed to come across more strongly than support for the importance of the London economy—though I may just have misheard him.

As has been said, London is vital to the UK economy as well as to the lives of people who live and work in it. It is right and proper that the Members of Parliament for London continue to make the case for it, but it is also right that the rest of the country appreciates its vital role both in job creation and investment and in its contribution to public finances, which I acknowledge.

It will be impossible in the limited time available to respond fully to all the points that have been made. I shall start with the comments made by my hon. Friend the Member for North-West Leicestershire (David Taylor), who gave some important context. We are indeed concerned with the national interest and with the jobs and prosperity of people across the country. In my view, the stability of the economy during the past 10 years has been an important contributor to the turning round of the employment situation throughout the United Kingdom. The narrowing of regional income differentials between London and the rest of the economy during the past year, as shown in the latest figures, is a strength for the economy and for society. The northern regions are catching up. However, an important part of the reason for that is London's strength as a motor for growth and job creation, which benefits the rest of the country.

As a constituency MP in Yorkshire and as a former member of the steering group, "The Northern Way", I acknowledge and support 100 per cent. the role of the London economy in the prosperity of the UK as a whole. As the Economic Secretary, I fully understand the important role of London and of the City in delivering jobs, investment and tax revenues. Like many MPs from different parts of the country, I have lived in London for more than 15 years, and I see myself in part as a Londoner. I fully appreciate the diversity and dynamism that is London today. My children go to a primary school that has fewer than 200 children but at which more than 28 languages are spoken—a small fact that testifies to London's huge variety.

We have a capital that delivers £180 billion of economic activity—more than the economies of Sweden and Russia. Median weekly earnings are £540 a head—a fifth higher than for the UK in general—and the higher level of earnings is reflected in the job creation of the past decade, with 300,000 more Londoners in work, the biggest proportional rise in employment for any UK region. It is seen also in the growth of the City and in higher education in London. At the same time, as my hon. Friend the Member for Hendon pointed out, there is substantial disadvantage in London. It has the highest worklessness rate of any region.

Ms Buck: The borough of Westminster has the ward with the lowest proportion of people on workless benefits but also four of the wards with the highest proportion of people on workless benefits, in one of which a staggering 83 per cent. of children are in families on benefit. That is a mile or two from the west end. Whatever we are getting right, which is a lot, we are clearly not managing to get right all our employment strategies for families on benefit and in poverty in inner London. That needs urgent review, and I hope that the Economic Secretary will reflect on it.

Ed Balls: Given the shortage of time, I shall reflect on that point in detail after the debate. The point that I was going to make was related to the degree of worklessness, the fact that more children live in poverty in London than elsewhere in the country, the fact that there is more overcrowding, and the coexistence of those conditions alongside prosperity. That is a source of concern to any of us who care about cohesion and inequality. It is also partly an explanation for why London benefits disproportionately from public spending compared with other parts of the country. There is greater need, which results in greater delivery of public spending resources.

My hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) mentioned employment policy. There is no doubt that our employment policy and our skills policy, which is now strategically directed by the Mayor, need to be more finely tuned so as to tackle the issues that she raised. I hear the concerns of the hon. Member for Cities of London and Westminster (Mr. Field) about employment, but he should reflect on whether the abolition of the new deal employment policy is really the right way. His rhetoric was probably genuine. However, if he wants a serious discussion on solutions, he should recognise that an active employment policy enables us to meet the concerns of my hon. Friend the Member for Regent's Park and Kensington, North.

The point that was made about housing is well taken. Building more social housing must be a priority for the spending review, as must tackling homelessness and lack of affordability, which have been mentioned by a number of hon. Members including my hon. Friend the Member for Edmonton (Mr. Love). It is also important to continue to invest in transport, as the Government have been doing over the past decade. Let me say to the hon.

Member for Orpington (Mr. Horam) that transport is not an area in which a quick fix is easy. Extending platforms and building new trains or lines takes a substantial time. Part of the reason why his constituents face overcrowding issues is that it will take time to turn round the substantial under-investment deficit with respect to the railways, the buses and the tube that existed for a number of decades. We have been trying, and we continue to try, to rectify that.

I recognise the points made on Crossrail by my hon. Friend the Member for Hendon. As the Minister with responsibility for the City of London, I have heard the arguments many times and I understand and appreciate them. The Government are committed to taking the Crossrail Bill forward and to doing everything we can to try to meet the challenge before us. My hon. Friend and others will understand that the project is a major one that will cost many billions of pounds. Finding a way to finance it that is affordable and sustainable is a chalicnge and would be so for anyone in government, including for us. Nevertheless, we take that challenge seriously and we understand the long-term consequences for London if the issues raised by Crossrail are not addressed.

My hon. Friend the Member for Hackney, South and Shoreditch (Meg Hillier) urged recognition of the important role played by Transport for London in meeting transport investment needs, and of the fact that TFL is now AA-rated. That is exactly why we are enabling TFL to borrow to such an extent to finance its transport plans. She is right to laud the Mayor for his leadership on transport, including public transport, and on the congestion charge. I was surprised that the hon. Member for Cities of London and Westminster criticised the congestion charge, given the achievements that I believe that the Mayor has delivered over the past few years.

As a former resident of Hackney, I agree with my hon. Friend about the dynamism and vibrancy of south Hackney and Shoreditch, which are well known. I am sure that they contribute to the productivity and performance of the London economy, both directly and indirectly.

I shall end by agreeing entirely with those hon. Members who stressed the importance of being vigilant in continuing to support the City of London's competitiveness. The fact that in a recent survey from the City of London, London was ranked above New York as the financial centre of the world is not only a source of great pride for London and the UK, but a reason for us to be vigilant—

Mr. Mike Hancock (in the Chair): Order. I am sorry to interrupt you, Mr. Balls, but we have to move to the next debate.

Academic Freedom

12.30 pm

Dr. Evan Harris (Oxford, West and Abingdon) (LD): I am pleased to have the opportunity to raise this important issue, which I have already raised briefly in oral Education questions with the Minister whom I am pleased to see will respond to this debate. It is my contention that there are more and more attacks on and, in addition, threats to academic freedom in our universities, including the freedom to research topics of one's choice, the freedom to lecture and give academic treatises on subjects of one's choosing within one's academic field, and the freedom of expression in and of itself on university campuses.

We have seen recently the incident at Leeds university, in which an academic's speech was cancelled by the university. We have seen the personalised attacks on a professor at Oxford university, in my constituency, on the basis of his political views, and the calls for his tenure to be somehow affected by them. We read in *The Times Higher Education Supplement* that some tax-funded institutions of higher education that one would think were subject to the rules about academic freedom qualified their provisions on academic freedom by reference to religious ethos. Then there is the question, which I raised with the Minister in oral Education questions, of no-platform policies on university campuses.

What I want from the debate is an acknowledgement by the Minister that he recognises the importance of academic freedom and freedom of expression and that he supports the existing legislation, which was introduced by a previous Government and which I believe was steered through the House in part by previous political opponents of mine, but which has stood the test of time. I want the Minister to say that the Government's clear position is to respect freedom of expression and academic freedom, and I want him to say whether he will take action to make it absolutely clear that Parliament, the Government and the institutions that govern the way in which universities receive taxpayers' money—that is why we have a particular interest in this issue—are interested and keen to ensure that there is no restriction on freedom of expression within the law in universities.

I do not argue that freedom of expression should be absolute. Clearly, we have, except in this place, libel laws. We have rules about matters that are sub judice. We have rules about incitement to violence and incitement to criminal offences. I support those rules. We also have rules about incitement to racial hatred even if those involved do not themselves incite criminal offences. So clearly there are limits, but beyond those limits, which I think should be limited and clear, we need to ensure that we protect freedom of expression, especially in the area of religious discourse. In fact, I would argue that it is incumbent on us to challenge religious views, whether that be in academia, in politics or in general speech.

It is also vital that we recognise the importance of academic freedom in the sense of freedom to research and publish without constraint from the funder of the research. I shall not go down that road, but I wanted to acknowledge those issues, and I am grateful to the University and College Union, a trade union, and to Universities UK, which represents vice-chancellors, for the briefings that they have given me for the debate.

[Dr. Evan Harris]

The issues that I want to raise in detail include the campaign against David Coleman of Oxford university in my constituency. That has stemmed from a petition to the university of Oxford, although the university told me that it had not actually received any petitions. The petition is from Oxford Student Action for Refugees—STAR—which is a national organisation with which I have worked closely. It notes:

"David Coleman has been Professor of Demography at the University of Oxford since October 2002."

It claims that he is also

"a consultant and spokesperson for Migration Watch."

It says that he

"is a member of the Eugenics Society, now called the Galton Institute",

and that he

"is acquiring a public image in the ongoing...debate about immigration, and...is using his status as a university professor to legitimise the views and reports produced by Migration Watch."

The petitioners believe that Migration Watch

"masquerades as an independent non-partisan organisation, but in fact has a strong anti-immigration bias."

The petition continues:

"Through his many media appearances Professor Coleman is bringing the university into disrepute by associating it with the views of Migration Watch...We the undersigned call on the University to: Ask Professor Coleman to refrain from using his academic title when appearing on behalf of Migration Watch in the media",

and to

"Consider the suitability of Coleman's continued tenure as a Professor of the University, in light of his well-known opinions and affiliations relating to immigration and eugenics."

That would be laughable were it not so outrageous in what it is seeking to do. The organisation has the right to free speech to make those ridiculous claims, but it ill befits members of Oxford university to attack other members of Oxford university and, indeed, their tenure, income and position simply because they disagree with them.

I have spent 20 years in politics as a subscriber to "Searchlight" and campaigning against anti-immigration views and I yield to very few people in the strength with which I have taken issue with some of the claims made by Migration Watch. However, to argue that someone who is a professor cannot describe themselves as a professor when giving their views is preposterous. David Coleman had never claimed, as far as I can tell, to represent the university but in fact spoke on behalf of Migration Watch, and none of his personal views has any direct impact on his ability to do his job in respect of research or teaching. If students object to being taught by him, that is their lookout. It is unacceptable to seek to hound a man, through a boycott or through the sort of criticism and petitioning that I have described, out of academic life.

I am very disappointed at what has happened. My view is that such a petition and such an approach are counter-productive, because they create a victim—David Coleman is a victim in this respect—out of someone who, when it comes to the arguments on immigration, should be debated with or ignored, not given credibility and victim status. However aberrant David Coleman's views—they are debatable—as long as they are legal and delivered lawfully, he has, in my view, every right to express them without fear of retribution from his employer. As long as he does not claim to speak on behalf of the university, he is at liberty to set out his academic background.

The price of all of us enjoying academic freedom and free expression is that we provide those freedoms to people with whom we disagree. The campaign against Professor Coleman is illiberal and counter-productive. The reference to "eugenics" in the petition, based on the history of the Galton institute, is plain silly. We cannot stop debate about genetics and population just because someone says, "Ooh, boo hiss, eugenics." It is an ill-founded campaign and I hope that it has no further impact.

Something that clearly has had an impact is what happened at Leeds recently. A talk by Matthias Kuentzel at Leeds university was cancelled by the university at short notice. The university claims that that was not done on the basis of complaints from, perhaps, Muslim students or other members of the university or the wider Leeds population about Matthias Kuentzel's talk, which was initially titled "Hitler's Legacy: Islamic Anti-Semitism in the Middle East", but was changed to "The Nazi Legacy: the export of anti-Semitism to the Middle East". The university claims that it did not cancel the meeting due to complaints. Again, that would be censorship. It is peculiar, though, that I am told through the Community Security Trust that the academics called to a meeting with the university were told that there were complaints and that was why they had been called to the meeting, but the university later claimed that the talk was cancelled for administrative reasons because of a lack of notice, even though posters had been up.

We have a choice. One scenario is that there were complaints that the talk was offensive, in which case it is not for the university to censor the speech as long as it is lawful. Indeed, some of the most important dialogues relating to religion, particularly extremist religion, are bound to be offensive. People on both sides of the matter who are propagating their strongly felt beliefs are easily offended, it seems to me. That does not mean that we should be restricted in what we say.

The alternative is that there were threats to people's safety. If there were, it is the job of the university authorities and the police in a free society to provide safety and to police events, rather than censor them. If they do censor events, there is a good chance, whenever anyone makes a threat, that meetings will be cancelled on safety grounds or because the risk assessment is not up to date. That just feeds the idea that events and speeches will be cancelled if threats are made, and a stand must be taken on that. I thought that we had a police force to protect our liberties, not to make concessions on the spurious basis of administrative grounds. It is extremely unfortunate that they have done so, because more complaints and threats may well be made, which would add to the problem.

A further example of the increasing trend towards attacking academic freedom was highlighted last week in *The Times Higher Educational Supplement*. The paper has been running a series of articles exploring threats to academic freedom, and I commend it on doing so. The article mentions Canterbury Christ Church university's article of governance, which refers to academics' "freedom to question"—that wording is taken from section 202 of the Education Reform Act 1988 which states that academics

"have freedom within the law to question and test received wisdom, and to put forward...unpopular or controversial opinions"

without fear of sanction. According to the newspaper, the university's article of governance says:

"academics' freedom to question received wisdom is subject to a qualification: that they do not undermine the institution's ethos as a Church of England college or its code of conduct."

Apparently, the university of Chester

"also asks its academic staff not to undermine the institution's ethos and social values based on that ethos."

One either has academic freedom and the ability to question received wisdom in one's academic work or one does not—it is not a question of saying, "Yes, there is academic freedom, mainly." The bodies that I mentioned receive funding organised by the Minister through the Higher Education Funding Council, and I should be interested to hear whether he thinks that such restrictions on academic freedom are acceptable.

I turn now to no-platform policies. It is worrying that such policies have been allowed to proliferate through student unions and the National Union of Students and that, until I recently raised the issue with the Minister, the Government had made no comment as to the fact that they are unlawful. It is interesting that the report by the all-party group on anti-Semitism, which contained several otherwise very good recommendations and comments and which a large number of hon. Members published in November 2006, stated without criticism:

"Individual student unions are responsible for passing No Platform policies. A student from University College London...submitted that the university has not done this and it has resulted in an inability to deal with extremist elements on campus."

I put it to the Minister that extremist elements on campus who break the law need to be dealt with by the police, not by self-appointed kangaroo courts and no-platform policies that determine, by means of prior restraint, what is unlawful.

The report goes on to say that the student referred to in the report commented in 2005 that

"spokespeople for Hizb ut-Tahrir were invited to the campus to give presentations. Although UCL has an equal opportunities policy, without a No Platform policy the University was unable to prevent them from speaking."

The report made no mention of whether that was appropriate. However, such provisions are not lawful. If the Government, having looked into the matter, have decided that Hizb ut-Tahrir is not outside the law, it is not for individual universities to ban its speeches.

Paragraph 199 of the report goes on to say:

"Although they are banned from most campuses under the NUS No Platform policy, Hizb ut-Tahrir have reappeared under a number of aliases."

The group is not banned from universities under the NUS no-platform policy—an unlawful attempt may have been made to seek to ban it under that policy. I am disappointed that the report's authors did not make that clear.

The Minister will be aware that section 43 of the Education (No. 2) Act 1986 states that higher education institutions must take reasonable steps

"to ensure that freedom of speech within the law is secured for members, students...employees"

and visiting speakers. That duty includes taking reasonable steps to ensure that the use of the institution's premises is not denied to an individual or group on the grounds of the views or beliefs of the individual or group or the policy or objectives of the group. That requirement should also apply to the Government, who should tell student unions that it is inappropriate to have no-platform policies because they would be unlawful if they were successful. Universities should also make that clear.

If we do not make the position clear now, there will be increasing extremism on both sides of the argument. In that respect, I have had supportive representations from both the Council for Arab-British Understanding and Jewish organisations about the need to secure freedom of speech on the one hand and to avoid a boycott of Jewish academics on the other. That boycott was also discussed by the parliamentary report on anti-Semitism, but this time it argued against censorship and boycotts, which was inconsistent. With increasing extremism on both sides, however, we are in danger of stifling debate, and it is far better that we have lawful debate than a restriction on freedom of speech. I urge the Minister to send a signal today that he will do something to secure academic freedom, which I hope he and the Government also believe in.

12.46 pm

The Minister for Higher Education and Lifelong Learning (Bill Rammell): I congratulate the hon. Member for Oxford, West and Abingdon (Dr. Harris) on raising these important and timely issues, which I know from discussions on the Floor of the House he takes extremely seriously.

Let me start by making it abundantly clear that the Government believe in the concept of academic freedom. We certainly support previous legislation on academic freedom on campus, and we respect freedom of speech and academic freedom within the law. As I am sure that the hon. Gentleman is aware, higher education institutions are autonomous, and university autonomy is one of the key features that has made UK higher education such a success. The autonomy of our institutions is one of our greatest strengths, and I welcome diversity in the sector, be it in the student and staff population or the range of provision on offer. I would not seek directly to intervene in the individual governance arrangements, ethos or mission statements of higher education institutions, which are rightly responsible for determining their own academic and administrative affairs.

I am therefore limited in what I can say in detail about the specific cases that the hon. Gentleman has raised. He has mentioned the case of Professor Coleman at Oxford, which can be said to highlight the fact that academic freedom is a matter of constant debate and concern in the higher education world. However, I am sure that he understands that it would be inappropriate for me to discuss individual cases relating to specific higher education employees, particularly when I am not familiar with all the background and circumstances.

From reading and informing myself about these cases, however, I am aware that Professor Coleman's university, as his employer, has acted in accordance with its own policies and procedures on academic freedom and staff behaviour, and that it has backed the academic in question. From the evidence that I have seen, that is in accordance with the institution's governance arrangements. In those circumstances, its actions were absolutely right.

[Bill Rammell]

On the Leeds case, the decision was taken in accordance with the institution's governance arrangements. Without being privy to the individual factors concerned, it is difficult to say more, but if the hon. Gentleman raises specific concerns with the vice-chancellor, I am sure that there will be a response.

I also note the hon. Gentleman's reference to the governance documents of two institutions.

Dr. Harris: In general, does the Minister recognise my point that if threats to public order arise from an otherwise lawful academic treatise, it is the job of the authorities and the police to allow an event to go ahead safely, rather than to take the easy way out and call for the event to be cancelled? Otherwise, we will have more cancellations, rather than more protected free speech.

Bill Rammell: That is an important point. I shall not comment on what happened at Leeds, because I am not aware of the detail, but, in general, if someone is advocating a lawful view, the university authorities have a responsibility to do whatever is possible to facilitate the discussion or meeting. There is one important caveat: university authorities must be responsible for the safety and security of people within their environments. That might be one countervailing factor, but as a general principle, I agree with the broad thrust of the hon. Gentleman's remarks.

The hon. Gentleman has referred to the governance arrangements of two institutions, Canterbury Christ Church university and the university of Chester, where it has been asserted that academic freedom is qualified with the expectation that staff and students respect the ethos of those institutions and adopt a code of conduct based on that ethos. I am aware of his concerns about those institutions' articles of governance. Those documents must, rightly, be read and applied within the context of the overarching legal framework. I hope to make it clear in the short time available to me that academic freedom is clearly enshrined in law and that that overarching legal framework upholds freedom of speech.

I am sure that we all agree that higher education, by its very nature, is concerned with free debate, challenging established principles and pushing the boundaries of conventional thought. Higher education institutions have always been places where people come together from different backgrounds to explore ideas and exchange experiences. I think that the freedom to engage in robust but civilised argument and the willingness of people to have their ideas challenged and changed are at the heart of the educational experience.

I believe that it is vital to both our economy and society that higher education continues to be at the forefront of intellectual inquiry and discovery. It helps us to progress as a forward-thinking and outward-looking nation and as individuals. Academic freedom is a fundamental principle of our higher education system. It goes wider than freedom of speech, because it includes freedom to pursue research and to publish—actions that play a significant part in academic endeavour.

Academic staff must have freedom within the law to question and test received wisdom, to put forward new ideas and to voice controversial and sometimes unpopular opinions without placing themselves in jeopardy. That protection is articulated in higher education institutions' instruments of governance, post-92 staff contracts and key pieces of legislation. The definition of academic freedom setting out this principle is included—rightly, in my view—in the model instruments of governance for both pre-92 and post-92 higher education institutions, and it was initially set out in the Education Reform Act 1988 in relation to pre-92 institutions. It is the Government's expectation that all institutions should include a provision protecting academic freedom in their governance documents.

Section 43 of the Education (No. 2) Act 1986 requires governing bodies of higher education institutions to

"take such steps as are reasonably practicable"

to ensure that freedom of speech within the law is secured for members, students and employees of the institution and for visiting speakers. The duty requires institutions to have a code of practice setting out the procedures to be followed in connection with the organisation of meetings and other activities that take place on their premises, and to take steps to ensure that the code is complied with. Higher education institutions are protected from Government interference in academic matters under the Further and Higher Education Act 1992.

It is therefore clear that a definite framework for supporting academic freedom exists within our universities. I am a firm believer in the principle of academic freedom. However, it is important to say, as the hon. Gentleman has acknowledged, that that is not an absolute. Indeed, section 43 of the 1986 Act states that academic freedom within the law is what is important. The freedom to speak openly must be balanced with the rights of others and the need to take responsibility for one's words and, indeed, their consequences, such as actions to which they might lead.

That does not override the bar on incitement to racial hatred or unlawful discrimination on the basis of race, religious belief, or sexual orientation. Governments have, of course, made it clear in domestic legislation that it is unacceptable to discriminate against people on those grounds. Article 10 of the European convention on human rights also makes it clear that freedom of expression may be qualified by the need for the protection of the rights of others. The higher education sector's own guidance on intolerance and hate crimes is helping institutions to deal with those issues.

I shall briefly say a few words about the relevant guidance that my Department issued some months ago for tackling violent extremism in the name of Islam. Freedom of expression is a cornerstone of our democracy. A valued aspect of the right to freedom of expression in the UK is that individuals have the right to criticise, disagree with and campaign against the Government on any issue of foreign or domestic policy. It can be entirely legitimate to hold a view that is radical or extreme on the political spectrum. However, it becomes unacceptable when individuals develop extremist views that lead them to espouse, advocate or even undertake or facilitate violent acts that deliberately undermine good campus and community relations, using their extremist viewpoint as a justification for their actions. Our guidance targeted that dividing line.

The hon. Gentleman also raised some important points about so-called no-platform policies, which have been pursued from time to time by student unions. It is true

that a blanket no-platform policy is not consistent with the principles in the 1986 Act, which support freedom of speech on campus within the law, and it is right and important that we uphold those principles. Nevertheless, reasons relating to security or supporting equality might mean that a university, on a case-by-case basis, could act to ensure that a platform is not offered to certain groups or individuals through the use of its premises of resources. We have to be clear, however, that those judgments must be made in the context of the overall legal framework and the circumstances of the event and that they must be taken on a case-by-case basis. For example, we could not condone a university hosting a proscribed organisation.

The key point, however—I hope that this will reassure the hon. Gentleman—is that it is for the university authority, through the office of the vice-chancellor and the governance arrangements, to make that decision, not student unions. Universities should consider the nature of speeches or groups and the risk of an offence being committed under the Terrorism Act 2000 or other legal provisions, and make decisions on such matters.

Dr. Harris: The Minister has referred to equality, but I am not sure what he means. Is he saying that a university could ban in advance someone from coming to speak for fear that they might say something that does not respect equality, even though it is not unlawful and does not risk breaching the law with regard to terrorism? Is he saying that universities have the right—in individual cases where they are confident—to ban in advance lawful speech, because it is offensive in some way?

Bill Rammell: No; that is emphatically not what I am saying. I am saying that there is a clear legal framework within which a university must operate to ensure that speakers do not advocate breaches of the law. They must make judgments—rightly so—about the security of a speech or event taking account of local circumstances. However, as a general principle, if someone is advocating a view that is legal and that they have the right to advocate, in my view the university authority should do everything that it possibly can to secure the ability of that view to be put forward. It is difficult to strike a balance between freedom of expression and protecting people against hatred or incitement to violence. Many of the pressing debates on higher education involve those arguments about freedom of speech and the freedom to offend.

The hon. Gentleman has referred to academic boycotts. The Government have consistently made their view clear: we are against the principle of academic boycotts and have stated directly, for example, that we are firmly against any academic boycotts of Israel or Israeli academics. The complex issues surrounding Israel and the Palestinians must be subject to open discussion and debate, and it does not benefit anyone to target academics.

We need a reasonable approach to academic freedom within the context of a civilised pluralist society. A balance must to be struck between an individual's right to freedom of expression, the rights of others and the protection of our civil society. However, I agree that we need to be constantly vigilant in ensuring that academic freedom is protected. A free exchange of ideas is the bedrock of academic engagement and has consistently proved beneficial to moving our society forwards. Those are important issues, and I rightly congratulate the hon. Gentleman on securing the debate. It is important that we continue to uphold the importance of freedom of speech and academic freedom within the context of the overall legal framework.

HMRC Offices (Chesterfield)

1 pm

Natascha Engel (North-East Derbyshire) (Lab): I am pleased to have secured the debate, which is my first in Westminster Hall, and am especially pleased that the Paymaster General is taking part. Given that tomorrow is a big day with the Budget, I am extremely grateful to her for being here.

The closure of the Chesterfield offices is part of a much wider national consultation to rationalise the use of offices and people following the merger of the Inland Revenue and Customs and Excise. My concerns about that process fall into two broad categories, the first of which is the consultation process and particularly the way in which it has been managed. Secondly, I am concerned about the proposed closure of the Chesterfield offices and how that will affect many of my constituents.

My hon. Friend the Member for Bolsover (Mr. Skinner) and I recently met two representatives from the workforce change team at the national offices of Revenue and Customs. It was made very clear to us that the consultation was about achieving efficiency savings by reducing the number of both offices and staff. It was also pointed out to us that neither of our constituencies have Revenue and Customs offices. That may be true, but many of the people who work in the Chesterfield offices live in Bolsover, North-East Derbyshire and Amber Valley. All the Members of Parliament who represent constituents who work for Revenue and Customs should have an equal say in the consultation, and their concerns should carry the same weight as those of hon. Members who have HMRC offices in their constituencies. However, I want to put it on record that the workforce change team and the national office have been extremely helpful since that meeting. Any information that we asked for, we have received, and I am grateful to the workforce change team for that.

The starting point of the rationalisation was to draw a circle of 25 km around each of the urban centres, which are based mainly in the big cities. The proposal is to close all the smaller offices within those circles and to move most of their staff to the urban centres. In our case, that means closing the two Chesterfield offices at Dents Chambers and Markham House and moving the staff who work there to Sheffield. As all that has been mainly a paper exercise, issues such as transport links, the complexion of the local labour market and the individual circumstances of the people who work in those offices have not been adequately taken into account.

In theory, and as the crow flies, Sheffield and Chesterfield are not a million miles apart, but to get from one to the other, one has to cross the county boundary between Derbyshire and South Yorkshire. That has huge implications, especially in relation to transport links. We have had a detailed look at what impact the move would have on people who live in North-East Derbyshire, Bolsover and Amber Valley, all of which are very rural parts of the country. The way in which bus, train and tram services connect will make it extremely difficult for people to use public transport to travel to Sheffield. The journey time from rural villages into Chesterfield added to the journey time into Sheffield would make it almost impossible for people to work there, even with flexi-hours. The additional journey time would often make the working day extremely long for people who currently work in Chesterfield.

All that is before one takes into account the large number of women and part-time workers who work at the Chesterfield offices. Government policy is, quite rightly, to place great emphasis on enabling mothers to return to work, but the proposals would have exactly the opposite effect in Chesterfield. They would force mothers who are in the labour market out of work. I know from first-hand experience, as does my right hon. Friend the Paymaster General, how difficult it is to arrange one's working life around children's nursery and school commitments. They have to be dropped off and picked up at very defined times, and we all know that schools do not work on a flexitime regime. Many of the parents who work in the Chesterfield offices, and those who have caring responsibilities, simply could not adjust their working day and already tight timetables. They would have to give up work, and not only would their skills and experiences be lost, but more people would drop out of the labour market.

Judy Mallaber (Amber Valley) (Lab): Is my hon. Friend concerned that we will end up having no Revenue and Customs offices at all in Derbyshire under the proposals? Is she also concerned for her constituents who work in the Alfreton office? Of the staff at the Alfreton office, 47 per cent. work part-time, 86 per cent. are women and 84 per cent. have caring responsibilities. The consultation document stated that no jobs would be lost as a direct result of the proposal, because it is assumed that staff can relocate. Will my hon. Friend urge the Paymaster General to reconsider the proposals for offices that have a particularly high proportion of women, part-time workers and staff with caring responsibilities, who will lose their jobs regardless of their experience and how long they have worked there?

Natascha Engel: I thank my hon. Friend for that intervention. Those are the key elements of our concerns. In rural constituencies such as ours, mothers who work part-time and those with caring responsibilities are particularly concerned. The same applies to areas such as Amber Valley and Alfreton, where the difficulty of redeploying women, parents and people with caring responsibilities is an additional problem. I hope that all that will be taken fully into account when decisions are made about which offices to close and which to keep open.

I have focused heavily on the move from Chesterfield to Sheffield because that is where the people who work at the Chesterfield office will be moved. Of course, many of my constituents work in the Alfreton offices and would be expected to move to Nottingham, which would be a massive additional journey for them.

I want to discuss the local labour market in Chesterfield. In spite of recent, high-profile company closures and serious job losses there, it is still a thriving manufacturing and service-based town, but civil service jobs are not so easy to come by there. As my hon. Friend the Member for Amber Valley (Judy Mallaber) pointed out, it will be very difficult to find alternative employment for people who will effectively be forced out of their jobs. We hope to see an explosion in the number of jobs in and around Chesterfield in the next 10 years with the expansion of

the Markham Vale employment growth zone, which is commonly known as Skinner's junction because it falls mainly in the Bolsover area. There will be a huge amount of new businesses and we expect there to be between 5,000 and 6,000 new jobs in the next decade. All those businesses will have Revenue and Customs requirements, so it makes no sense to me that at a time of growing local need, we are talking about closing offices and reducing the number of people who work in them.

Tax office workers and VAT-men and women may not be the most popular workers in the world, but we must not forget that they also work on tax credits, which are the single best way to boost the incomes of families in work. Tax credits are a key, flagship policy of the Labour Government, but I know from my constituency casework that there are still problems with their administration. Those problems often come down to the huge number of people applying for tax credits. Reducing the number of people who administer tax credits cannot be helpful or the best way to improve that key service.

I come to the consultation process itself. This is a very uncertain time for people who work in all Revenue and Customs offices up and down the country. Everyone appreciates that changes will take place, but the way in which the consultation has been conducted has not helped the process. The Paymaster General knows that I held a dedicated surgery on this issue, because such a high number of my constituents were coming to my surgery about the proposed closures. That surgery was extremely well attended despite being held late on a Friday evening when the snow outside was knee-deep.

One of the main areas of concern at the surgery was the consultation process itself. The way in which it worked was that proposals on the Sheffield urban centre had been published, plans to close both of the Chesterfield offices and move things to Sheffield had been outlined, and anyone wanting to take part in the consultation was able to e-mail a dedicated mailbox. There was no way of knowing whether an e-mail had arrived and, if it had, what account was being taken of it. In addition, people were not able to ask questions.

The consultation process could have been used to help to reassure people, to work with them on alternative arrangements and to keep them informed. However, it only made people more anxious about their livelihoods. As a result, I pulled together a lot of hard-copy material and personally delivered it to the consultation's head office. Yesterday, I received an acknowledgement of receipt.

I am here to propose a compromise. Although I would love both Chesterfield offices—Dents Chambers and Markham House—to stay open, it would be great if Markham House at least were to stay open and if staff were redeployed to that office; Jobcentre Plus is based there, in the centre of Chesterfield, so it is easy to access.

I urge the Paymaster General and the chairman of HMRC to consider the points that I have made when they come to make their final decision and to ensure that at least one of the offices remains open in Chesterfield. The Paymaster General will have the awful task of making the final decision on which offices will remain open and which ones will close. I hope that I have made a strong enough case to ensure that at least one of the Chesterfield offices will remain open.

1.11 pm

The Paymaster General (Dawn Primarolo): I congratulate my hon. Friend the Member for North-East Derbyshire (Natascha Engel) on securing her first Adjournment debate in Westminster Hall. I know that my hon. Friend the Member for Amber Valley (Judy Mallaber), who has made an intervention, also follows these issues closely.

Regrettably, a lot of myths exist about what goes on in tax offices in Chesterfield and elsewhere, and I should like to deal with those. One big myth is that the work of everyone in them is relevant to the local area and/or that they have local contacts and are a resource, which is rarely the case. I am pleased to have the opportunity to explain exactly what the Government are undertaking.

I have a sense of déjà vu: as a Minister, I am being criticised for having decided to consult fully, but had I not consulted and simply taken decisions, I would also have been criticised, which demonstrates the difficulty of what needs to be done in this case.

The first point that I should like to emphasise is that the senior management team in Her Majesty's Revenue and Customs have not announced a decision to close the Chesterfield offices—there has been no such announcement. What has been announced is a proposal to rationalise work and office space in the Sheffield urban centre, of which Chesterfield is a part. Consultation on that proposal has been completed in the past few days. I am grateful to those who have contributed to the process, including my hon. Friend the Member for North-East Derbyshire, who has made submissions.

Neither the Government nor the management of HMRC approached the issue on the basis of arbitrarily drawing a 25 km radius around an urban centre and then saying that all the small offices within it are up for closure. The point about 25 km is that it is, and has always been, in the contracts of all civil servants working for the department in respect of what is considered to be a reasonable distance to travel to work.

I should emphasise a point that needs repeating: a decision has not been made on the future of HMRC's Chesterfield offices or on the future of any of its other offices in the east midlands, Yorkshire or Humberside. I will see all the recommendations before they are announced. All the information that has been provided, alongside the remarks made by my hon. Friend today, will be considered before any announcements are made. The consultation process will be published, which will include who said what and why, and the department's view.

I understand the concerns of local people working in the Chesterfield office and elsewhere and the concerns of wider stakeholders, particularly in relation to the following: the extra travel time involved; the availability of transport links from people's homes; the environmental consequence of more journeys by road; and the impact on the local community if the jobs are relocated. As my hon. Friend has rightly identified, all those circumstances need to be taken into account, and I can tell her that they will be along with the care responsibilities and the likely impact on the local labour market.

For those reasons, and others, I asked the senior management team at HMRC to undertake the process of consultation in each office and to assess the impact of proposals on customers, staff, local communities and diversity. Throughout the process, the senior management

[Dawn Primarolo]

at HMRC are committed to being open with staff, to explaining the options available to individuals and to exploring how their expectations can be matched with the need to make HMRC's operations more efficient.

I should make it clear that this is not an easy decision. Such decisions can be taken only once all the facts are known. We are talking about not only the management view on the most efficient way of running the business, but what the local communities, the staff and the local stakeholders are saying. We must also consider why this needs to be done. Members of Parliament cannot implore the Government to ensure that departments are using resources efficiently in order to eliminate unnecessary expenditure so that it can be transferred to health, education or other front-line services, but then say, "Do it somewhere else."

The fact is that the department has more accommodation than it needs. The position varies across the regions, but, generally, it has 40 per cent. more office accommodation than the staff need, which represents a substantial drain. Through the consultation, I am honestly trying to get the department to say, "This is the number of staff that will work in an urban centre. This is the number of staff that the department will employ in 2008. We can distribute those staff according to business needs in a particular way." I shall come on to discuss how the department runs itself. What we want to do in each area is to consult people, taking on board precisely the points that my hon. Friend rightly makes about assessing which concerns are legitimate in deciding where staff are located.

We must also recognise that significant changes have taken place in the way in which taxpayers choose to communicate with the department. Such communication is increasingly done by telephone or by the internet, and e-filing is becoming more and more common. The amount of letter processing and manual processing is inevitably decreasing, so it is right to consider how operations can be run efficiently. Some work is best done in concentrated areas and larger units where the processes can be more streamlined; in other areas, smaller units or a more mobile work force is seen as the best solution. The final outcome must balance staff, the local area, efficiency and the best service for taxpayers, which is what I am trying to do.

HMRC's efficiency savings are ahead of the projections, and the department has already been reduced by 9,000 posts through a combination of natural wastage and voluntary early retirement. I am trying to balance all the issues that my hon. Friend has rightly raised, but I want to be clear about an extremely important point that she has referred to. I must emphasise that when there is face-to-face contact with taxpayers through inquiry centres, those centres will stay. They are protected, so public inquiry facilities will stay, regardless of other considerations. I shall give an example, which is not the case in Chesterfield, of a recent inquiry centre in a building on which the lease came to an end and from which the landlord required us to leave. The department then found another location in the same town to replace the service like for like. There is absolutely no question of taxpayers losing the access that they now have to contact with the department.

The decisions are difficult, and the work that my hon. Friend has undertaken, and the assiduous way in which she put the case and gave the pros and cons of the debate, is an example to other MPs of how actively she has pursued it. She is offering a solution, but I cannot comment on whether that solution is necessary. I certainly cannot reply to her today, because I am sure that she would expect me properly to reflect on all the points that have been made in all the contributions to the consultation.

I feel a little torn. My hon. Friend has made a powerful case, but it may not need to be made. We shall see, but I want to make it absolutely clear that I have not made a decision.

Natascha Engel: I was merely trying to highlight some of the concerns about smaller, rural offices. As a representative of a rural constituency, I feel that the issues for people who live in rural areas and work in smaller towns are often overlooked, because those who live in the big cities shout louder.

Mr. Mike Hancock (in the Chair): The hon. Lady has managed very well in her speech.

Dawn Primarolo: My hon. Friend has shouted very loudly, and I compliment her on her presentation today. Her point is important.

We want the outcome to be the best possible network for the department's offices, which does not mean that a decision has already been taken to concentrate all the work in the larger urban areas. For all my hon. Friend's points, the matter depends on opportunities in the local labour market. I am not saying that this is the case in Chesterfield, but if a rural office is small and the local labour market is not very buoyant, the proportionate effect of the department not having that smaller office is greater. Those are difficult issues, which I am trying to weigh up.

I congratulate my hon. Friend not only on securing this debate so close to the Budget—I am not about to give any highlights—but on the fantastic amount of work that she has done on behalf of her constituents, and the tenacious way in which she continues to pursue the matter. I do not want to discourage her from continuing to pursue it, because it is important, and I hope to reflect on all the points that she has rightly raised.

Mr. Mike Hancock (in the Chair): I hope that the Paymaster General has a more relaxing afternoon. I am sure that she does not have a lot on!

Aylesbury Vale

1.26 pm

Mr. David Lidington (Aylesbury) (Con): I am grateful to Mr. Speaker for giving me this opportunity to discuss the impact of the Government's growth policies on the Aylesbury vale district, particularly the town of Aylesbury in my constituency and the area immediately around it.

The background to the debate is that the Government's sustainable communities plan has classed Aylesbury as part of the so-called Milton Keynes and south midlands sub-regional growth area. For Aylesbury vale, that means that the Government require the district council to plan for 21,200 additional homes between now and 2026. The Minister will know that that does not take account of any possible overspill into Aylesbury vale district from the growth planned for Milton Keynes and the Leighton Buzzard-Linslade growth area just across the border in Bedfordshire.

It is fair to say that when the Government's plan was first announced, it was not greeted with champagne and roses by local councillors in my constituency. However, it is also fair to say that both Buckinghamshire county council and Aylesbury Vale district council decided early on that, as the plan was declared Government policy, they would work with the Government and their agencies to ensure that the policy was delivered in a way that best suited the interests of the local people whom they represented.

I want to concentrate today on some of the detail of the unspoken bargain between local authorities and the Government. The local authorities undertook to work with the Government to deliver their housing targets, but there was an expectation, reinforced by numerous comments and speeches from officials and Ministers, that the Government would ensure that the relevant infrastructure and public services were provided to meet the needs of the forecast large number of additional residents. I want to talk about jobs, infrastructure and public services, but before that I want to touch briefly on two aspects of the planning system's operation.

First, the Department for Communities and Local Government is carrying out a review of the local delivery vehicle, Aylesbury Vale Advantage. There is a case for slimming down the agency's board and operations, especially given that Buckinghamshire county council and the district councils have applied to the Government for pathfinder status under the new proposals for the structure of local government. However, it would be remiss of me not to bring to the Minister's attention my concern about hints from Government bodies that the Government may replace the current vehicle with a Government-appointed agency to take local planning decisions, which has already happened in Milton Keynes, or even give planning decisions affecting Aylesbury to the Government body that operates in Milton Keynes, rather than set up a separate Government agency for Aylesbury.

Secondly, the Minister knows that I have written to her about planning policy statement 3, which has a direct impact on the subject that is under debate. Historically, a large proportion of housing completions in Aylesbury vale have been on windfall sites—largely brownfield former industrial or office sites—that have become available, although it has not been easy to anticipate the timing of their availability. Over the past two years alone, permission for more than 1,000 homes has been granted on five large brownfield sites in Aylesbury, and they are now being built. The problem with the Government's latest version of PPS3 is that it stops local councils from counting those significant windfall housing gains against their overall housing targets, which the Government set. If the Government persist with that approach, the inevitable consequence will be more building on greenfield sites, because brownfield sites—certainly the large sites—tend to be windfall gains.

The local authorities in my area estimate that 3,000 extra homes could be built on greenfield sites in the vale of Aylesbury if, through PPS3, Government policy is pursued. It is a back-door method of subverting the planning system without the Government taking the unpopular step of raising housing targets by means that everybody can see, and I hope that the Minister will reconsider the matter.

All parties in the House share the common ground that if one plans large-scale housing development, one must plan for employment, otherwise one will create the opposite of a sustainable community. About 17,000 people already commute daily from Aylesbury to their place of work elsewhere, and the road and rail systems around the town cannot cope with much more. I welcome the development of the new Aylesbury Parkway station, which has now been approved, but although it will enable residents of the new Berryfield development to reach the town centre easily, it will not provide any extra capacity on the trains that run to Marylebone station.

The south-east draft plan proposes for Aylesbury one new job for every new home, which is, frankly, the minimum that is acceptable. The Minister is the last person to need a lecture from me that in most couples, both partners work. If two adults live together in one of those new homes, they are likely to need two jobs to deter them from choosing or needing to commute. I hope that we have seen an end to the practice—ongoing a year ago—whereby regional officials pressed the local delivery vehicle and local authorities to open up areas such as the new Aston Clinton business park site, which was designated for commercial development, for extra housing, because it would help in meeting housing targets more quickly. It would have done so at the expense of vital employment land, and the key to sustainability is achieving the right mix of jobs and houses.

When businesses decide whether to locate to Aylesbury or anywhere else in the south-east, one consideration is whether the town has a decent transport infrastructure, which is important for customers, suppliers and people who work for the enterprise. However, Aylesbury's roads are increasingly clogged, and the A41 Tring road in Aylesbury is in breach of the atmospheric pollution limits set by European law. I see no change to that problem unless action is taken to improve the road network around the town. There are similar problems in the north of the town on the A413 Buckingham road near the Watermead development, and in west Aylesbury on the A418 Oxford road. The Oxford road queues are a deterrent to people coming to Aylesbury to shop or to trade, and they cause real problems both for residents around Roland way and Fowler road, and for the new Fairford Leys development in the constituency of my hon. Friend the Member for Buckingham (John Bercow).

[Mr. David Lidington]

The traffic generated by building in Aylesbury is not the only problem. The Government have determined that there should be major new development in Milton Keynes, Dunstable, Leighton Buzzard and Linslade, and as a consequence, additional traffic will funnel through Aylesbury on its way to the M40 and M4 corridors and to the growing towns of the Thames valley. Chiltern Railways provides a good railway service, but its capacity is limited and the scope for improvement is restricted because the Mayor of London and Transport for London control the track and signalling inside Greater London. Neither the council nor Chiltern Railways has the power to determine that situation, but I hope that the Government will ensure that measures are taken to add to Aylesbury's transport capacity in line with growth projections.

John Bercow (Buckingham) (Con): There is certainly the threat of damaging gridlock for residents of the southerly villages of my constituency, consequent on the development in and around Aylesbury, and, looking to the future, in the north, for reasons of the Milton Keynes expansion, which my hon. Friend rightly describes. Given that the Government have shown no sign of agreeing to finance or to find a way of financing the estimated £713 million cost of the required infrastructure, and that even the Minister, when she talks about the planning gain supplement, has in all conscience to acknowledge that it will be top-sliced and that its proceeds will not go exclusively to our area, are our constituents not amply justified in fearing that sustainable development does not seem likely, and that development that is unsustainable seems substantially more so?

Mr. Lidington: My hon. Friend is spot on. Roger Tym and Partners conducted an independent study that put the cost of new infrastructure and public services in Aylesbury alone at £768 million. Although I welcome the Government's contributions, such as £6 million to help fund the new Aston Clinton business park, such relatively small contributions must be seen in the context of that much greater bill. Of course we should look for developer contributions, too, but I fear that the Government are expecting too much out of that pot. Is it realistic to assume, as the Government sometimes appear to, that developers will subsidise roads, railways, GP's surgeries, schools and parks, as well as pay for the cost of social housing into the bargain? I see no evidence that the sums of money needed will be forthcoming from that source, whether under section 106 agreements or the proposed planning gain supplement.

It is not just in transport that we have infrastructure problems. There are difficulties, too, with electricity and water. I should like to make a plea for the Minister's Department to talk to other parts of the Government about a more joined-up approach. Demand for electricity is projected to start outstripping existing capacity by about 2012. The problem can be solved. However, as the electricity supplier to Aylesbury, EDF Energy, said in a paper presented to the South East England regional assembly in September last year:

"the regulatory framework discourages or precludes the utility from investing speculatively in anticipation of future growth. The inability of utilities to carry out advance provision of services is...a barrier to delivery of planned levels of growth."

Thames Water has made a similar complaint, saying that the capacity in the existing sewer network in Aylesbury is extremely limited. Indeed, current growth of water consumption and the impact of infill development has already led to some controversial proposals for the upgrading of the sewerage system in the Bedgrove area. However, looking to the future and the Government's housing plans, Thames Water has said that the expansion of Aylesbury sewage treatment works is critical to accommodating the growth at Aylesbury and that the "costs will be significant". There is no provision in the current quinquennial round approved by Ofwat for investment in water. If the Government want the new houses built, it is essential to ensure that those new homes and businesses are provided with a proper electricity supply and proper water and sewerage services. I have yet to see any clear evidence that that joined-up thinking is taking place.

Finally, I should like to touch briefly on public services. I shall confine myself to the NHS, largely because we have some evidence on which to assess what is now happening. Just over two years ago, the NHS trusts and primary care trusts in the Milton Keynes and south midlands area commissioned a study from Hedra consultants about the impact of planned growth on the demand for health and social services provision. That report was published in March 2005. Hedra predicted on current trends that Aylesbury vale as a whole would need 489 acute hospital beds by 2031 or 142 additional beds, provided that there were major changes in the configuration of services in order to provide extra community care beds, more day surgery and more domiciliary support for patients discharged to be looked after and supported in their own homes. The same study predicted on the basis of the Government's housing targets that Aylesbury vale would need 84 more community beds and 56 more community day places, and the capacity to make 100,000 more accident and emergency visits, 3,000 more 999 calls to the ambulance service, 1,100 more first contacts with a district nurse and more than 200,000 more GP consultations by the end of the growth period.

However, the reality is that the NHS in Buckinghamshire is not planning for growth. The Buckinghamshire PCT is in a desperate struggle to contain its deficit. The very community services that the expert study said had to be developed and improved are now being squeezed and cut, largely because they are not subject to a Department of Health target. There is an issue for the Department for Communities and Local Government to take up with the Department of Health, which does not seem to share the Minister's priorities.

There is a further problem. As new residents move in, NHS capitation payments to the Buckinghamshire PCT will inevitably increase. However, as the Hedra report said, it is essential to ensure that services can be provided in parallel to population growth, rather than lagging behind it. That means early agreement on land, capital and revenue requirements, but at the moment that is simply not happening. If anything, the reverse is true. My local GPs tells me that even when local residents move into an area, under the Department of Health's so-called normalisation procedure, it can take as long as 18 months before the extra money finds its way to the primary care trust and through to the GP practice. That is a year and a half during which there is additional

demand for health care, yet the capitation payment that is supposed to fund it is not made. I hope that the Minister will take that up. Indeed, I have read speculation in the press over the past few days about the Minister being the next Secretary of State for Health, so—who knows?—perhaps the advice that I am giving her will be especially constructive and helpful.

I conclude with this comment. It is in the interests of all my constituents that, if the Government's policy of growth is to be implemented, it should be implemented in a way that makes present and future residents of Aylesbury confident that they live in a community that is both dynamic and sustainable. To do that, we need greater evidence of Government strategic planning and more co-ordination between different agencies and Departments in Whitehall than I believe is yet happening.

1.47 pm

The Minister for Housing and Planning (Yvette Cooper): I congratulate the hon. Member for Aylesbury (Mr. Lidington) on securing this debate on the important issue of housing growth in Aylesbury vale. He and the hon. Member for Buckingham (John Bercow) will know that the proposals on the level of housing growth in Aylesbury vale and throughout the south-east of England are currently being examined by the independent panel, which is conducting an examination in public of the proposed south-east regional spatial strategy. The panel is also considering infrastructure, and economic and environmental assessments. The hon. Member for Aylesbury will therefore appreciate that there is a limit to what I can say while that process is continuing. However, I shall attempt to address the points that he has raised in as much detail as I can.

The hon. Gentleman will, of course, know the background to the additional housing needed in the area. More than 200,000 new households are formed each year—in fact, the latest figures suggest that more than 220,000 a year will be formed over the next 20 years. That is a result of the ageing population and, in particular, more people living alone. According to the latest figures, we currently build around 170,000 new homes a year. That is a significant increase from 140,000 new homes a year, but it is nevertheless clear that new demand is increasing faster than new supply. As long as there is that long-term shortfall between household growth and additional homes being built, we shall see long-term pressure on house prices, growing pressures on first-time buyers and social housing waiting lists, and overcrowding for families on low incomes.

For all those reasons, it is only fair that we take decisions now about the long-term need for additional housing across this country. If we do not, we will be deeply unfair on the next generation. Our research shows that if we simply carry on at the current rate of house building, the proportion of two-income, 30-year-old couples able to afford their own homes from their incomes will drop from more than 50 per cent. today to nearer 30 per cent. in 20 years' time. Faced with those figures, the South East England regional assembly has proposed a reduction in house building in the south-east that is simply unsustainable. We have to increase the numbers of homes that we build for the sake of those future generations, and it would be deeply wrong of us not to. That means that we must have a serious debate about where those homes should be built, the sustainability of new developments, issues of infrastructure and making sure that we build the homes in the best possible way. We are clear that every region, including the south-east, needs additional housing. I hope that the hon. Gentlemen and their party recognise that need.

The infrastructure issues raised by the hon. Member for Aylesbury are important. We take seriously the need for additional infrastructure to underpin the new homes of the future. The growth area assessments done for the wider Milton Keynes and south midlands area and for Aylesbury looked at the need for additional infrastructure and considered issues of transport, of community facilities and of affordable housing, the promotion of urban renaissance, how to attract inward investment, the focus on jobs and employment and delivery issues. I take seriously the hon. Gentleman's points about the delivery vehicle—as he will know, the review is under way.

We are already putting new investment into the Aylesbury vale area, partly to support the additional homes being built. The local authority saw an increase in resources for social housing as a result of the stock transfer of 8,000 homes to the Vale of Aylesbury housing trust last July. That has generated a capital receipt of £30 million, the majority of which, I understand, is intended for the provision of new social housing, which will be important in the area.

We have already awarded £3.5 million for the infrastructure projects in the first round of the growth area funds. Last year, there was a further investment of £25 million for crucial projects to improve infrastructure around the town and the vale. The committed funds in Aylesbury include £6 million for a major new business park to help deliver more than 100 homes, £4 million to enable the development of Circus Field and £1 million for improving green spaces in the vale. Some £14.3 million is being provided for the Aylesbury transport hub, which is designed to promote the use of public transport. That includes bus priority measures around the ring road, which will improve links for buses and pedestrians between the railway station and the town centre, and the complete refurbishment of the bus station. In addition, £8.1 million will go to Aylesbury Vale Parkway, which is a new railway station adjacent to a proposed housing site of 3,000 homes. That station, with its associated track upgrades, will go along the proposed east-west rail route. However, we are clear that that is only the start of a long process. The investment in growth areas is about pump-priming the delivery of growth and the need to lever in investment from private-sector partners as well as long-term public sector investment.

The hon. Gentleman has raised issues around railways and capacity. He will know that Buckinghamshire county council is the lead authority for the western section of the east-west rail project, which is being promoted by a consortium of 35 local authorities along the entire route. We have committed Government money to looking at the project and at the Aylesbury-Bletchley link.

Clearly, infrastructure work is already under way. Further work is being done as part of the regional planning process, the local work around the options and opportunities for Aylesbury and the wider Government work on the cross-cutting review of infrastructure requirements, which is being conducted as part of the spending review. Furthermore, work is under way around the Aylesbury

[Yvette Cooper]

area in respect of tariff proposals. The Government have also been considering planning gain supplement proposals.

We are clear that we need the additional homes and that additional homes require additional infrastructure. The question then becomes about how we should finance that infrastructure and ensure that additional homes are properly built in a sustainable way. The hon. Gentlemen seem not to want additional funds to be raised from the private sector through development gains and planning gains locally; they simply want lots of Government cheques to be written for their areas. I appreciate that hon. Members often lobby and call for additional resources for their areas, and the hon. Gentlemen are obviously not the only hon. Members to do so. We have said that additional Government resources are required to support additional homes. However, the hon. Member for Aylesbury will also recognise that he has issues to square with his own party, which is calling for reductions in overall public spending.

Mr. Lidington: I make it absolutely clear: I strongly support, as does my hon. Friend the Member for Buckingham (John Bercow), the idea that developers should contribute. However, our experience of observing the difficulties in negotiating section 106 agreements leads us to think that it is unrealistic to expect that all the infrastructure and public service development made necessary by the Government's proposals will be met from that source. It is not enough for the Government to try to abdicate responsibility as the hon. Lady, at times, seems to suggest.

Yvette Cooper: Perhaps the hon. Gentleman should take that argument up with his own party. As he will know, we have made it clear that additional investment needs to go into areas with additional homes. In fact, we are putting it in through such things as the community infrastructure fund and the growth areas fund. He will also know that his party is rather more hostile to increases in investment than mine—indeed, it has been advocating cuts in public investment. If he is arguing for additional spending from the public sector, he has a few internal issues to resolve and should not accuse us.

We think that we should consider additional investment as part of developing the infrastructure, but it is also right to consider other ways to raise such infrastructure—for example, through planning gain supplement proposals or tariffs such as those put forward by Milton Keynes. I recognise the hon. Gentleman's point: there can be difficulties in negotiating section 106 agreements and they can cause challenges. I therefore presume that he supports a simplified approach through a planning gain supplement, which might get round some of his concerns about the section 106 system.

John Bercow: I am interested in the hon. Lady's brief animadversion a few moments ago to the cross-cutting review. She has teased us about public expenditure and has accepted that some is required. Will she be able to extract a commitment from her Government to the financing of the estimated four new secondary schools and seven additional GPs' surgeries that are thought to be required? If not, does she honestly, seriously believe that they will be financed by the private sector? If so, I am inclined to ask about the pigs that I see flying before her very eyes.

Yvette Cooper: As I have said, those proposals should be put to the hon. Gentleman's party. If he accepts the need for additional housing growth and believes that that needs to be provided with infrastructure, he has to have honest conversations about how that infrastructure needs to be funded. We believe in public sector investment in infrastructure, but it is right to consider additional ways to lever in extra money from the private sector. Additional resources can be levered in from planning gain, often from smaller sites, which can make a greater contribution. It is often difficult to arrange section 106 agreements around smaller sites. Tariffs are another way.

In many areas, additional investment for education and health also results from population growth. Children need school places wherever they live. Children need places and patients need health care funding, which is why we are investing in additional funding for health care and education across the country. We need to keep doing that to make sure that growth areas get an appropriate share of the additional investment to make sure that they have sustainable public services. That is precisely what the cross-cutting review is about, and it is what our wider approach towards housing growth is about.

The hon. Gentlemen cannot consistently support cuts in public spending and investment, and simultaneously ask for additional resources for their areas to support the homes that we all believe we need. We need the extra housing for the sake of affordability for the next generation. We also need to ensure that the infrastructure is in place, not only for Aylesbury vale, but across the country.

Question put and agreed to.

Adjourned accordingly at Two o'clock.

Westminster Hall

Wednesday 21 March 2007

[HUGH BAYLEY *in the Chair*]

Specialist Orthopaedic Hospitals and Services

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Watts.]*

9.30 am

Mr. Andrew Smith (Oxford, East) (Lab): I am pleased to have the opportunity to open this debate and to be able to do so with you in the Chair, Mr. Bayley.

I begin by underlining that we are fortunate to have in this country outstanding orthopaedic hospitals and services, with expert and dedicated consultants, doctors, nurses and staff at all levels. They are rightly held in high regard by patients and the public at large.

What is more, thanks to the additional resources that our Government have put in, there has been remarkable progress in orthopaedic provision during the past 10 years. Waiting lists are down, staffing levels are up, and new facilities are taking shape at many orthopaedic hospitals across the country.

In my constituency, the Nuffield orthopaedic centre is moving into a new £42 million state-of-the-art hospital, which will replace outdated facilities and buildings. The wonderful new facilities include a room-sized open MRI scanner, the first of its kind in the world, a best-in-class hydrotherapy pool, a specialist gait laboratory and expanded sports injury and medicine services. All that is alongside the hospital's Oxford Centre for Enablement, with its specialist services and equipment for long-term conditions, disability and rehabilitation, and the Oxford university Botnar research centre, which is home to the Institute of Musculoskeletal Sciences, and the Tebbit centre.

The hospital and its staff and patients have benefited from substantially increased Government health expenditure and spending on the private finance initiative project that is providing the new building and its servicing, but the fact that the hospital has received significant charitable support from generous donors large and small is also crucial, and reflects the esteem and affection in which it is held locally and throughout the world. During the past 15 years, the Nuffield orthopaedic centre charity has contributed £15 million to the hospital for new buildings, facilities and equipment, including £6.6 million towards the PFI development and £4.5 million for the Botnar research centre.

So we have a remarkable hospital with remarkable staff and remarkable public support. Similar stories can be told about the UK's other specialist orthopaedic hospitals; for example: the Robert Jones and Agnes Hunt Orthopaedic and District Hospital NHS Trust, which came out as one of the top trusts nationwide for standards of care and professionalism; the Royal Orthopaedic hospital in Birmingham, which is an internationally renowned centre of excellence for the diagnosis and treatment of bone and soft tissue cancers; the Royal National Orthopaedic hospital in Stanmore, another great centre of excellence, which trains 20 per cent. of the UK's orthopaedic surgeons, and the Wrightington hospital, which serves the Minister's area and is now merged with the Wigan and Leigh NHS trust.

Those first-rate hospitals, which are committed to providing the best orthopaedic services through the NHS, are at the leading edge of best practice in medicine. We must ensure that they are sustained and developed for the future. I know that the Minister and the Government as a whole want that, but it is such a tragedy, with so much happening that is good, and with such committed staff and public support, that a dark shadow of financial uncertainty still hangs over those centres of excellence because of the failure, over a number of years, to resolve the national tariff question and fairly pay hospitals for the specialist and complex work that they do.

We were able to touch on the issue briefly in a Westminster Hall debate two weeks ago that was initiated by the hon. Member for Wyre Forest (Dr. Taylor), in which my hon. Friend the Minister stated:

> "I understand the situation in which those providers find themselves and the argument that they make about the costs of providing specialist orthopaedic work not being adequately reimbursed through the tariff. I understand that point. The process of payment-by-results will refine and improve as we progress so that there can be a further differentiation between high-value work and work that can be provided at a lower cost. I recognise the need for a sustainable solution."—*[Official Report, Westminster Hall,* 7 March 2007; Vol. 457, c. 496WH.]

My hon. Friend referred to a recent meeting that he and the Secretary of State for Health had with the trusts concerned, and their commitment to work towards finding a solution. I know that he subsequently initiated a consultation on the development of payment by results, including fair payment for specialist services. I welcome that commitment and the consultation, but I want to take this opportunity to underline just how imperative it is, for both the care of patients and fairness to the hospitals concerned, that a solution is found as soon as humanly possible.

The existing top-up funding from the Department of Health, with additional funding for 2007-08 from primary care trusts and strategic health authorities, has provided some respite, but the hospitals are still left grappling with uncertainty about future finances, which is debilitating, demoralising and damaging. I would like to stress some of the key dimensions of that. The exact impacts vary from trust to trust, depending on their combination of standard, specialised and highly specialist work, but common pressures and uncertainties are at work. What is particularly galling for all who care about the hospitals is that the difficulties are not of their own making but arise from the incomplete policy framework within which they must operate.

First, all trusts are obliged to seek foundation status. However, because the specialist tariff question is unresolved, those with a high proportion of specialist work cannot demonstrate future financial stability to meet the criteria. They have been placed in a classic Catch-22 position. The Robert Jones and Agnes Hunt trust has had to delay its foundation application because of that, and the Nuffield orthopaedic centre was turned down in wave 1 of foundation applications for that reason alone.

[Mr. Andrew Smith]

Secondly, much-needed facilities and service improvements are being delayed. For example, at the Royal National Orthopaedic hospital, the business case for replacing its outdated Nissen hut accommodation has been turned down by the strategic health authority—again, because of financial uncertainty arising from the tariff problem.

Thirdly, relations with independent sector treatment centres risk being damaged. The specialist orthopaedic centres have gone along with the introduction of ISTCs and the extra capacity that they have brought on stream, but they now find themselves in the galling position of being paid below cost for complex treatments, which ISTCS cannot undertake, while ISTCs are guaranteed premium payments for routine work that, in some cases, is transferred from specialist hospitals.

I and, indeed, the medical staff at the Nuffield have defended the contribution that pluralism in provision can make, notably to increasing capacity and cutting waiting lists, but there must be a level playing field, and an absolute requirement for parcelling out the more routine work is fair remuneration for the complex work that only specialist centres can undertake. Neither of those conditions has been satisfied at present.

Fourthly, there is a worry that the vital training and education that the specialist centres provide will be damaged unless their financial and operational viability is properly secured. That concern is compounded by the challenge of retaining a sufficiently wide mix of work, particularly the routine and specialist work of the orthopaedic centres, in the volumes that are vital to train surgeons and specialist nursing and support staff properly. Any consultant at an orthopaedic centre will say how worried they are about that issue and its implications for the future.

Several other issues have a bearing on patient care and the economics of health provision, which are relevant to this debate. Specialist orthopaedic hospitals are at the forefront of good practice in limiting infection rates in hospital and reducing unnecessary lengths of stay, which are crucial to patient care and the wise use of resources. We need more of that expertise, not less. Infection rates for knee replacements across the UK as a whole are about 3 per cent. and there are 1,800 such cases a year. As well as the human cost to patients, each of those cases costs about £80,000 to put right, which has a financial cost to the NHS of £146 million a year. If we could get that infection rate down to the average in the specialist orthopaedic hospitals, where it is 0.2 per cent., there would be 120 infected knees a year at a financial cost of £9.6 million, which is a potential saving of £146 million a year. That would also have benefits for patients.

Similarly, the specialist hospitals have a remarkable record on lengths of stay, especially considering that the complex nature of much of their work might be expected to lead to longer than average stays. However, across 18 procedures monitored by the Specialist Orthopaedic Alliance, the percentage of procedures where the length of stay was less than the national average was 83 per cent. at the Robert Jones and Agnes Hunt trust, 78 per cent. at Wrightington, Wigan and Leigh NHS Trust, 72 per cent. at the Royal Orthopaedic Hospital NHS Foundation Trust and the Nuffield Orthopaedic Centre NHS Trust, and 67 per cent. at the Royal National Orthopaedic Hospital NHS Trust. Those hospitals are all examples of good practice and provide real benefits to patients and the NHS.

Lastly, I warn against a merger with district general hospitals as a reaction to the financial uncertainties facing specialist orthopaedics. Such mergers are not a solution to the present shortcomings and financial problems created by the absence of a realistic tariff. A merger in those circumstances would mask rather than resolve the underlying problems. In the case of the Nuffield orthopaedic centre, a merger with the John Radcliffe hospital, which has difficult enough challenges of its own to deal with, would mean either cutting back on specialist orthopaedic treatments, or, given that much of the routine work is carried out by ISTCs, cross-subsidising specialist treatment from non-orthopaedic work. Neither cutbacks nor cross-subsidy would make any sense and would not be in patients' interests. We need to tackle, sort out and get right the underlying challenge of fair remuneration for the specialist work itself.

Infection rates are significantly higher on average in district general hospitals and service integration between specialist orthopaedic centres and district hospitals would raise real worries about the risk of orthopaedic infection rates going up, which would damage patient care and add to NHS costs. If management teams only were merged, the savings would not amount to much as studies show that orthopaedic managements perform well in comparison with acute trusts.

It is conclusive that specialist orthopaedic hospitals play a vital and distinctive role in the NHS. They represent a precious national and local resource that is rightly held in high esteem by patients and the public. Such hospitals will have a crucial role in the future. With an ageing population, people are, wonderfully, able to live longer and healthier lives and are having hip, knee and other joint replacements. Such operations will have to be revised or replaced in the future. Pressure on orthopaedic services will increase, and we will need our specialist centres more than ever. We should value such centres in deed as well as in word, and act now to sort out the tariff, treat those excellent hospitals properly, and ensure that they and their dedicated staff are secure for the NHS and its future patients.

9.45 am

Mr. Richard Benyon (Newbury) (Con): I apologise for being unable to stay until the end of the debate, but I shall make a brief contribution. I congratulate the right hon. Member for Oxford, East (Mr. Smith) on securing the debate and on his fantastic work setting up the all-party group on specialist orthopaedic services and hospitals, of which I am a member.

The right hon. Gentleman spoke about the Nuffield orthopaedic centre in Oxford, which is a facility that serves my constituency in west Berkshire. It is of the highest standard and achieves fantastic outcomes for patients in my constituency and many others in the area, and I am speaking today in order to support it. I want to make one major point: we must resolve the issue of providing trusts with adequate recompense for the work and costs of caring for people with complex orthopaedic disorders. Under payment for results, there

was a simple nationally set tariff. It is clear that for specialist orthopaedic facilities, a nationally set tariff is a blunt weapon and provides a broad-brush approach that simply does not deliver the results necessary for such organisations to survive.

We were told by some of the organisations that we are trying to help today that

"an operation to save the limb of a patient with bone cancer may cost £7,600",

but under the nationally set tariff that

"attracts a payment of only £1,700".

When those figures are spread out across the country, the problems we are facing become clear. Such organisations have also said that an amputation, which costs around £8,500, is inadequately reimbursed under the tariff and that

"A patient with a history of hip dislocation work and corrective surgery, needing a hip replacement in her mid-40s may cost a hospital up to £14,000 for the hip operation but attract a payment of only £5,000."

I hope that the Minister will respond to those points.

One of the consequences of the difficulties faced is that specialist orthopaedic hospitals are unable to plan for the future. Slow progress on resolving the tariff issue is preventing some trusts from making long-term plans to improve their service. We have already heard about the problems at Stanmore, where there are 1940s Nissen huts. There is great concern at the NOC in Oxford about where it will be in four or five years' time. We all know where it wants to be, and as the right hon. Gentleman has pointed out, the services that it provides are of great long-term benefit to the national health service, because they reduce the costs of hospital-borne infections. The NOC is doing exactly the Government's bidding by developing the NHS in specialist terms, and unless we can resolve the problems the uncertainly surrounding its future will not be resolved.

The way forward is to resolve the tariff situation. I know that the Specialist Orthopaedic Alliance is working with the Department of Health, but the negotiations are taking a long time. I hope that the Minister can demonstrate today that he is injecting some leadership into resolving the problem.

I conclude by making two vital points. The first, which was touched on by the right hon. Member for Oxford, East, is about hospital-borne infections. We have heard that the infection rates are much lower in orthopaedic facilities. If that rate can be achieved across the NHS, the Government will have done remarkably well.

The Minister of State, Department of Health (Andy Burnham): It is important to recognise that the hospitals that we are talking about today do not have accident and emergency departments, which is a crucial difference when it comes to managing infection in hospitals.

Mr. Benyon: I entirely accept that. However, unless the problem can be resolved—the future of some centres seems to be in doubt—where would those patients then go for treatment? They would have to go to the district general hospital. The vast majority would probably be treated very well, but the risk of infection would increase.

My final point is that resources have a major influence on the NHS in other respects. As a teaching hospital trust, the Nuffield orthopaedic centre in Oxford provides a large number of placements and fellowships for student doctors, nurses and other health care professionals in training, who benefit from the expertise and experience of some of the most skilled clinicians in the world. It would be a tragedy if a failure to resolve the problem were to result in the loss of that fantastic resource to the NHS.

9.51 am

Mr. Neil Turner (Wigan) (Lab): I congratulate my right hon. Friend the Member for Oxford, East (Mr. Smith) on securing this debate. He raises an important issue and I wholeheartedly support all that he said. He outlined exceptionally well the difficulties that face all such hospitals, especially their financial stability both now and in the future. I fully agree with all that he said.

I turn specifically to the problems at the Wrightington hospital in Wigan. It is somewhat different from the others in that it is the only specialist orthopaedic hospital attached to an acute hospital trust. I shall give a little background information about the hospital. It started as a TB sanatorium before becoming a specialist orthopaedic hospital in the 1950s. It was one of the pioneering orthopaedic hospitals. Indeed, the first ever hip replacement operation was carried out there by Dr. Charnley. For many years it was a stand-alone orthopaedic hospital.

In the late 1990s, the Department of Health made a move to merge the Wrightington hospital with the then Wigan and Leigh acute hospital trust. That was opposed by the clinicians and administrative staff at Wrightington, who felt that it would be better as a stand-alone hospital. The Wigan and Leigh hospital board thought that it was marginally okay to merge, and the hospitals eventually merged in 2001. I emphasise that the merger was made at the request of the Department of Health but that it was opposed by the Wrightington people, and that the Wigan and Leigh people acquiesced under pressure. That is an important point, and I shall give the reasons later.

In the past, the Department of Health expressed a number of concerns about the way in which the Wrightington hospital was being run—rightly so, because many of the hospital's operational statistics were not good. The management and the clinicians sat down together and worked out exactly what they should do and how they should do it in order to ensure that the hospital improved.

The hospital now has additional operating theatres and wards, elective surgery is 16 per cent. better than a year ago, and non-elective surgery is 9 per cent. better. The 11-week out-patient target has been met; next year it will be reduced to nine weeks. The 20-week in-patient target will be achieved by the end of this year. Suspensions from lists—those taken off for non-medical reasons—are down by 75 per cent. A one-stop shop has been opened in the hospital to help ensure that people receive the proper treatment quickly. The wait for follow-up appointments has been dramatically reduced through the use of additional staff. The deficit at the hospital has been reduced from £3.4 million to £1.1 million.

[Mr. Neil Turner]

The trust has been a three-star trust for the past three years, and it has been in overall surplus for a number of years. Therein lies the rub. Because Wrightington merged with Wigan at the request of the Department of Health, and because the trust is in surplus—it had to stay within budget at the Department's request, and rightly so—we do not even get the sticking-plaster that the other four hospitals have. Not only do we have the problem of the national tariff not being sufficient to pay for the specialist work done at the hospital, but we do not get the top-up that has been agreed with the Department that applies to the other four hospitals. The reason is that Wrightington is attached to an acute hospital and is surplus—again, all at the request of the Department. The effect is that Ashton, Leigh and Wigan primary care trust is subsidising other PCTs that use the specialist orthopaedic hospital at Wigan—to the tune of £1.1 million.

We are not profligate in Wigan. As I said, we have a three-star PCT, a three-star acute hospital trust and a four-star council—and we have the best lift company in the country. It is not the Wigan way to be anything other than very proper in the way that we manage our affairs. I know that the Minister is well aware of that. We know how many beans make five. We know that if we have £1, we can spend 19s 11d, and if we have 19 bob, we can spend 18s 11d. The problem at the moment is that someone else is spending our bob for us. We would like to spend 19s 11d, but we can spend only 18s 11d. That is not right. It is not fair. It is the result of the Department of Health's pushing Wrightington into the Wigan and Leigh acute trust.

I remind the Minister that the Wigan PCT is £11 million underfunded in accordance with the Department's formula for health needs in the Wigan and Leigh area. In addition, because we manage to keep our affairs in order, we were top-sliced last year to the tune of £3 million. As well as the £11 million, another £3 million was taken off us to subsidise spendthrift PCTs elsewhere in the country. Again, we are suffering because we carry out our duties properly.

What are the options for the Wrightington hospital? What can the Wrightington, Wigan and Leigh hospital trust do? It could again become Wigan and Leigh; in other words, we could get rid of the Wrightington site, which is very valuable. It is in exceptionally nice countryside, very close to the M6 and not far from Manchester, Preston or Leigh. Best of all, it is close to Wigan. The site could be sold for a lot of money; that would solve the problem of Wigan and Leigh trust's £1 million deficit. The money could be spent on patient care. It would also be a huge capital receipt, which could be used to develop the Wigan site and the Leigh hospital site that the acute trust has.

Clearly there would be a bad downside. For instance, the hospital's brand name would be lost. The work of Dr. Charnley has been continued by many others since, and I have no doubt that the Wrightington hospital has an incredibly good name in the medical profession.

Mr. Andrew Smith: My hon. Friend is making a powerful argument. In all hospitals, but perhaps especially in the orthopaedic centres of excellence, there is a real dedication on the part of the staff. There is also deep and strong affection and support for them from the public. Brand names are not the only consideration; there is a much wider constellation of commitment to excellence. Were that to disappear there would be very damaging consequences for patient care and for staff. Does my hon. Friend agree?

Mr. Turner: My right hon. Friend is absolutely right, and his comments are true of all five trusts. The particular difficulty for Wrightington is that it is part of a general hospital trust, so if it were to disappear, the general hospital trust would not attract the people who come to the specialist hospital trust at present. If it was a stand-alone hospital, however, it would be in the same situation as the other four hospitals in being able to attract those who want to specialise and be at the cutting edge of orthopaedic services. "Cutting edge" might be a particularly appropriate phrase to have used, given the subject of the debate.

It is important to be able to attract such people. Most general hospital trusts do not have that opportunity; they do not have a specialism. Wrightington's status as part of the Wigan and Leigh hospital trust means that the brand name attracts people to the trust, and it obtains not just people who want to work in the orthopaedic field but other doctors and consultants who want to work elsewhere in the hospital. However, my right hon. Friend is right in the general sense.

Another effect is the effect on patients—not just those in Wigan. We should remember that each of the four hospitals serves a huge area. Wrightington hospital serves not only the north-west, but the whole north of England—it is the natural place for people to go for such specialist operations from York and the north-east, as well as from the north-west. It is hugely important for lots of people throughout the north of England. We could let down not just patients in Wigan, who use it for more general work, but people in the rest of the country, and there could be a tremendous effect—a point that was well made by my right hon. Friend the Member for Oxford, East and the hon. Member for Newbury (Mr. Benyon).

If Wrightington went its own way, and was not sold off, it would get the money from the Department of Health, because it would suddenly become a specialist, stand-alone orthopaedic hospital. The sticking-plaster whereby additional money is received because of that status—the other four orthopaedic hospital trusts receive it already—would suddenly come to Wigan. So why do we not get it now? Why do we have to jump through the hoop of dividing up the hospital in order to get the extra money? Why can it not be recognised that the Wrightington hospital is an orthopaedic, specialist trust hospital that has the same problems and financial difficulties as the other four hospitals, and that the money should therefore be awarded now?

The Department of Health has a moral obligation in the matter. It was the Department that pushed the Wrightington hospital into the Wigan and Leigh trust to make it the Wrightington, Wigan and Leigh hospital trust. It was also the Department that—quite rightly—made sure that the trust was in surplus and did not spend money that it did not have. It is basically immoral for the Department then to turn around and say that, because the hospital is part of an acute

hospital trust and because that trust is in surplus, it will not award money that is given to the other four hospitals. I hope that the Minister will seriously reflect on that point. Despite all the other issues that exist, that one would be fairly easy to resolve.

A solution would make a huge impact on the Wigan trust, which will be applying for foundation status in 2008. We applied for it before, and one of the major reasons why the application was turned down was the impact of the orthopaedic specialist tariff on the finances—not just the status of the finances at the time but the uncertainty of future finances. None of that has changed, so all the other things that have been done will have no impact if there is no resolution in that respect. We will be turned down for foundation status for reasons that are beyond the ability of the trust to resolve.

I give 100 per cent. support to everything that my right hon. Friend the Member for Oxford, East said about the national tariff. There is a special case for Wigan, however, and I hope that I have set out that case. I hope that the Minister will respond positively.

10.5 am

Dr. John Pugh (Southport) (LD): I congratulate the right hon. Member for Oxford, East (Mr. Smith) on securing the debate. I know that it is good form to offer such congratulations, but I offer them very sincerely on this occasion, because he brought all his Treasury experience to bear in giving us a competent lesson on the hard facts of health economics, and he presented a rational and persuasive case on an important issue. Essentially we are concerned with the survival of specialist services in the NHS under the new financial regime, which is based on payment by results and on the need for every cost centre to be in balance or to secure foundation trust status. The issues have already been flagged up to some extent in connection with children's hospitals such as Alder Hey. At times there has been a vociferous outcry in connection with that hospital—the tariff has been adjusted under pressure. It is perhaps harder to find champions for the orthopaedic sector, which is a less glamorous area of medicine, so I congratulate the right hon. Gentleman on having forced himself forward as that champion—it is an important role.

Orthopaedic complaints are a massive cause of absence from work. One thinks of the numbers of people who are off work today with back pain, and of the poor quality of life that is endured by people who suffer with such complaints. There are mobility issues as well. Thousands if not millions of people in the country have chronic conditions. Orthopaedics are also important from the point of view of preventive medicine. Just think what might be achieved if a treatment were secured that prevented the early onset of complaints such as osteoporosis.

Orthopaedics are bread and butter medicine, and increasing longevity will mean that there will be no shortage of work for people in the field. The Government have recognised that. Historically they have identified the long waiting lists that have existed, and the big demands that have been made on GP time and hospital time, and on ancillary services such as occupational therapy, physiotherapy and so on. In all, I think that 10 million people are currently affected by orthopaedic complaints in the UK.

There has been a long-standing need for specialist and training institutions in the field. That is a need that is recognised by everyone in relation to complex cases—accident victims, sports injuries and so on. The Government are to be congratulated on having recognised that and on having done some positive things about it. I do not want to overdo my congratulations to the Government, but they have genuinely increased diagnostic and treatment capacity for standard cases. The expert patient initiative has enabled certain chronic conditions to be managed outside of clinics—or at any rate outside of hospitals. If I were really pushed I could also congratulate the Government on a degree of capital investment and on having put in place a new service framework.

That is all good, but in doing it all the Government have created a new problem, as the right hon. Member for Oxford, East suggested: they have financially destabilised the specialist services. That is because the standard cases are often now undertaken by independent sector treatment centres, which in the past allegedly subsidised the complex cases undertaken by certain specialist hospitals; although, in fact, some of those cases are still done by the specialist hospitals and the NHS.

As the health economists and the right hon. Member for Oxford, East no doubt appreciate, the NHS carries the dual burden of competing against ISTCs and at the same time providing after-care for the patients of ISTCs and back-up for those patients when things go wrong. That is not a perfect financial model; in fact, one could say that it is a ruinous one. If one adds to that the move into the community of some services for chronic conditions, one could say that the future of the specialist services and specialist hospitals is in some doubt. Greater efficiency in those institutions can alleviate that only to a degree. As the right hon. Gentleman said, those institutions are graded as pretty efficient at the moment, if not as efficient as they possibly could be.

The key fact is that we need specialist services, and the NHS gives a guarantee not simply to the standard patient but to the non-standard patient who requires such services. We also need the developments and advances in medicine that can only be obtained through specialist hospitals.

I do not object in principle to the separation in treatment terms of highly skilled intervention, of the kind with which the specialist hospitals deal, from lesser skilled, standard interventions that are performed by ISTCs. I shall draw an analogy, although it is not a very helpful one in many respects. If my car just needs its exhaust replacing, I am perfectly happy to take it to Kwik-Fit, but if there is a major problem with the fuel management system, I will go to a specialist outfit. However, that model works only if the highly skilled institutions are appropriately rewarded. The allegation is that they are not, and I share that view. The model works only if the existence of ISTCs and the regime under which they operate do not imperil the specialist provision, and I think that that is possibly happening.

None of this would worry us under previous financial management arrangements, whereby everyone was under the same NHS umbrella and a surplus in one place would simply become a subsidy in another. However, there clearly is at any rate a prima facie case

[Dr. John Pugh]

that specialist provision can be worn down, if not eliminated altogether, unless three things happen, and in my view none of those things is happening at the moment.

First, the costs of running treatment centres need to be fairly borne by them and not offloaded on to the NHS in some covert way. Secondly, payment by results needs to be sophisticated so that it is capable of fairly reflecting the costs of specialist treatments. I am in some doubt as to whether that can be done, but if it can be, it should be, and it currently is not being done. Thirdly, sufficient controls need to be in the hands of local NHS managers to ensure that no matter how complex or straightforward the condition, the NHS guarantees to patients can be delivered on in a seamless, organised fashion.

Those are three fair conditions, and I think that in supporting them I would join the right hon. Member for Oxford, East; I think that we are both suggesting that none of those conditions is currently being met.

10.11 am

Dr. Andrew Murrison (Westbury) (Con): I congratulate the right hon. Member for Oxford, East (Mr. Smith) on initiating the debate and on setting up the all-party group, which is a very positive move. I also congratulate the Specialist Orthopaedic Alliance, as it has informed much of the debate that we have been having today.

In talking about specialist orthopaedic services, we should reflect on the fact that many of the things that we have been debating that relate to the tariff and independent sector treatment centres relate also to many other tertiary services. One of the jewels in the crown of our NHS is the ability to have tertiary services—specialist centres—that focus on conditions that are not routine. If I may say so, the hon. Member for Southport (Dr. Pugh) was a little pejorative in his description of the work load of ISTCs, but there is certainly a world of difference between some of the routine work done by them and the work done by highly specialist centres of the sort that we have been describing today.

We have mentioned the five specialist orthopaedic hospitals in this country. I have a particular affection for the one at Oswestry, because it is where my wife trained to be a physiotherapist. It is important to recognise that, within our specialist centres, a great deal of extra work is done over and above simply treating patients. That extra work has to do with training and research. Much of what is good about specialist centres is that in treating patients with complex disease, there is also the ability both to train people, not just doctors, although doctors seem to get all the attention, but others as well, in a highly specialised environment, and to conduct research that is world renowned. One of the characteristics of our health care system is the fact that we have centres of international repute—indeed, far more than one would naturally expect in a country of this size.

That is worth celebrating in a week that is not exactly full of celebration of the stewardship of the NHS, given that the report published yesterday by the Select Committee on Public Accounts, "Financial Management in the NHS", is very much in people's minds. No doubt the Minister has been scrutinising it. I hope very much that he will have learned some of the lessons in the report concerning management of finances in our health service and getting effective results and clinical outputs from the admittedly large sums of money that the Government have applied to the NHS over the past few years.

Earlier this week, the Prime Minister launched in Hackney the first of his policy reviews of public services. We understand that he wants more competition and contestability and more information for patients. It is perhaps salutary to contrast that with the perverse and somewhat opaque tariff and the lack of openness about ISTCs, which is based largely on the grounds of commercial confidentiality.

We have learned from the Minister, fresh from his "Days out in the NHS", that he wants to inform the public via statements about the cost of NHS services. On the face of it, that is quite a reasonable idea. We shall have to see what the costs of such an initiative would be, but I suggest to him ever so gently that if we are to inform patients in that way, it needs to be done on the basis of accurate information. As things stand, there is no real way in which patients will be informed of the true cost of their treatment in specialist centres, because the tariff on which presumably such a statement would be made would be based on a false premise, which is that people can be and are treated in specialist centres in the same way that they are treated in ISTCs or, indeed, in our district general hospitals. We have heard today that the cost of treatment in our specialist centres greatly exceeds the cost of treatment in ISTCs.

The tariff is, as my hon. Friend the Member for Newbury (Mr. Benyon) said, a somewhat blunt instrument. In the context of describing orthopaedic surgery, the phrase "blunt instrument" can suggest all sorts of things. I am sure that none of the five specialist centres that we have been discussing would ever use a blunt instrument, but the phrase provides a good analogy for describing the use of the tariff in the current situation.

In theory, the tariff is fine. Indeed, if we are to support the notion that funds should follow patients, we must have a tariff. The trouble is that it is very much a guesstimate. It was arrived at by canvassing the views of directors of finance in NHS trusts as to what they felt was the cost of particular health care resource groups. Of course, different finance directors will come up with different figures. The tariff was arrived at by averaging them out. Unfortunately, the cost drivers in different trusts will be different, so there will be losers and winners under such a system. Overall, one would hope that for a hospital it would pretty well even itself out. Although particular parts of the country have particular pressures, one would hope that overall such a guesstimate would enable a hospital to maintain some sort of balance. However, that is not necessarily the case for a hospital that deals exclusively with the sector that we are discussing today.

The Royal National Orthopaedic hospital in Stanmore, Middlesex, for example, receives £1,428 for excising a sarcoma; it thinks that the true cost of that is £8,674. That is a big difference. That is all right provided that service work—routine work—can be used to leaven out

the difference. I remember doing orthopaedics and being, quite honestly, rather bored with much of the routine work that orthopaedic surgeons do. Their work is not necessarily glamorous, as the hon. Member for Southport pointed out, and nowhere is that more the case than in the routine work. Arthroscopies consume a huge amount of time. It is such routine work that ISTCs have scooped up and are doing, based on the tariff, and I suspect that they are doing quite well out of it, but that has removed the means by which specialist orthopaedic services are able to cross-subsidise the more expensive work that I have described.

At the heart of the problem lie two issues. One is the tariff and the other is the advent of independent sector treatment centres. As has been said, most people would not have a problem with ISTCs provided that they operated on a level playing field with other parts of the NHS. The evidence suggests that, at the moment, they do not. In mitigation, ISTCs have not been going for very long. I hope that the Minister will say how he has learned from the first three or four years of the operation of ISTCs and what might be done in the future to level out the uneven playing field. We suspect that at the moment there is a 10 per cent. difference in the costs applying to ISTCs and to the rest of the NHS on a case-by-case basis. That is very big difference indeed. Of course, ISTCs are paid irrespective of whether they actually do the work, and that goes back to the old days of block contracts, with their inherent inefficiencies. As we know, it is difficult to forecast patient throughput, and that causes particular problems in terms of utilising ISTCs to the maximum benefit of the NHS.

Do ISTCs offer value for money? As we have discussed today in the context of orthopaedics, they probably do not. In July 2006, the Select Committee on Health said that it was "impossible" to say whether ISTCs provided value for money, because of poor data. It is extremely difficult to benchmark the success of ISTCs against NHS providers if we do not have adequate data.

In 2003, the Department of Health imposed the first wave of ISTCs, and some primary care trusts felt at the time that they had been dumped with capacity for which they had not asked and which they could not use, but for which they still had to pay. Such a system is not conducive to ensuring good value for money.

Nothing daunted, the Government launched their second wave of ISTCs in May 2005. The Greater Manchester surgical centre has run at less than 60 per cent. capacity in its first six months, but half of PCTs are delaying operations to save money. Why can we not use the excess capacity that we have identified in some ISTCs to treat patients whose procedures are being delayed as we speak?

We must compare quality and outcomes if we are to achieve an adequate comparison of the work done by ISTCs and NHS providers. According to the Healthcare Commission, national data on the quality of ISTCs are

"incomplete and of extremely poor quality"

Ministers should be worried if their purview of what is going on in ISTCs is so insufficient that the Healthcare Commission should have to make such remarks.

The British Medical Association rightly demands a

"robust, peer-reviewed clinical audit that is transparent and not hindered by the issue of commercial confidentiality."

How is that being achieved? The Royal College of Surgeons is unhappy with the evidence of outcomes from ISTCs and specifically cites orthopaedics.

We have talked about research and training in connection with ISTCs and specialist centres, but another externality must be patient choice. I am afraid, however, that such choice is still being overlooked, even though all politicians like to talk about promoting it. We have had the rather bizarre situation of the Department of Health issuing edicts to PCTs telling them that they must use the private sector more, and ISTCs are, of course, encompassed within that. We have heard reports that PCTs have felt obliged to use ISTCs, when patients might choose to use other centres.

On 22 February, the Health Secretary said of orthopaedics that she did

"not want to see any activity that places the well-being of an organisation above the well-being of patients",

and that is particularly pertinent in the context of patient choice and how patients might choose a specialist centre rather than an ISTC.

Simon Stevens, who will be well known to the Minister as an adviser to the Prime Minister, said that

"the time has come to consider vesting NHS tariff construction in an arm's length...technical agency...Given the weight that is to be placed on the tariff mechanism, we need more precision, predictability and permanence in its operation. That's the bottom line".

Does the Minister feel that the time has come to vest the setting of the NHS tariff with an independent economic regulator, given its importance and its relevance to today's debate?

We need to sort out the tariff to safeguard our internationally renowned tertiary centres, and that is the business of the Department of Health's Casemix service. Healthcare resource groups are needed to support the tariff system that underpins payment by results. The current version of HRGs, which has been running since October 2003, is subject to a major review, and we expect HRG4 to be in operation by April. Where are we on that? Will HRG4 be introduced as planned next month? Will tariffs approximate to the reference cost index and thus provide relief for many specialist centres?

In particular, will we have more tariffs? Will the HRGs be narrower so that we can remove some of the bluntness to which my hon. Friend the Member for Newbury referred? We use the tariff system to apportion costs to particular procedures, and sharpening that blunt instrument by narrowing HRGs would give us a solution to many of the issues that the right hon. Member for Oxford, East rightly raised. That is the wish of the Specialist Orthopaedic Alliance, and I very much hope that the Minister is listening carefully to it.

10.26 am

The Minister of State, Department of Health (Andy Burnham): Let me say at the beginning that there is not a great deal that divides us on this issue. I pay tribute to my right hon. Friend the Member for Oxford, East (Mr. Smith) on the way in which he introduced his remarks and, more generally, on the excellent way in which he has campaigned on this issue. As I told him in

[Andy Burnham]

the debate a couple of weeks ago, which he has mentioned, I accept that there are genuine issues here, and we need to work with the five specialist orthopaedic hospitals to get them right so that we have a sustainable solution going forward.

Like my right hon. Friend, I have a great respect for the five specialist orthopaedic hospitals. As my hon. Friend the Member for Wigan (Mr. Turner) has said, my constituency, like his, is served by Wrightington, Wigan and Leigh NHS Trust. I also recently visited the Royal National Orthopaedic hospital in Stanmore. Without a shadow of a doubt, those are first-rate international hospitals with excellent reputations. In all that I do as a Minister, and in all that the Government do to refine and improve the payment-by-results process, we must always have at the forefront of our minds the principle that payment by results must support and nurture that excellence and allow it to continue, which is very much my motivation in taking these matters forward.

I agree with my right hon. Friend that there has indeed been significant progress in orthopaedics in recent years, not least on waiting times, and I shall come to that later in the context of independent sector treatment centres, to which several hon. Members have referred. My right hon. Friend has mentioned the new facilities at the Nuffield orthopaedic centre, which are indeed excellent. Many specialist Orthopaedic hospitals raise funds from voluntary contributions, and I saw the excellent facility at the Royal National Orthopaedic hospital in Stanmore, which has first-rate sports facilities and helps to rehabilitate people and make them more active.

I know, therefore, that our orthopaedic hospitals are being improved through a combination of investment. At Stanmore, however, I also saw some of the outdated buildings and facilities that my right hon. Friend has described. I therefore understand the need to resolve the finance issues, so that those excellent hospitals can plan for the future and bring the necessary investment to the parts of their estate that need it. My right hon. Friend has described orthopaedic hospitals as a precious national resource, and I agree.

May I say a few words about the principles behind payment by results, because it is important that we put them on the record as the context for today's debate? The fundamental principle behind the system is that hospitals should not be paid simply for existing, but for the quality of what they do. That way, people will choose to use their services. I argue strongly that the payment-by-results system has brought transparency to NHS funding and is placing a renewed emphasis on improving and increasing productivity. As I have said, it has brought an emphasis on quality as well.

The hon. Member for Westbury (Dr. Murrison) has asked about financial management in the NHS, on which the Public Accounts Committee touched this week. I hope that he accepts my argument that payment by results and the tariff systems have brought much greater financial rigour to the NHS, which has allowed a spotlight to be shone on finances across the country revealing overspending and inefficiency. That will lead to some uncomfortable questions about the sustainability of certain parts of the NHS estate. I did not hear him question whether the payment-by-results system is wrong in principle—I think he said that it was fine. I point out gently that it is bringing renewed clarity to NHS finances and enabling parts of the system that have traditionally tolerated inefficiency or overspending to face up to that and to take the necessary steps to address it.

Dr. Murrison: I am slightly concerned that there is a degree of complacency implicit in what the Minister has just said. I hope he accepts that the tariff system is by no means perfect. A great deal of this debate is concerned with one of those imperfections.

Andy Burnham: I accept that point, and I think that I began by saying as much. I am surprised that the hon. Gentleman has made no reference to the document that the Department published last week, "Options for the Future of Payment by Results". If he had read it, he would have seen that some very honest and searching questions are being asked about the matters being discussed today. There was a detailed section on specialist hospital services that put forward some options for further refining and improving the tariff structure to address precisely the issues eloquently raised by my right hon. Friend the Member for Oxford, East, my hon. Friend the Member for Wigan and the hon. Member for Newbury (Mr. Benyon). There is no complacency on my part, and I shall address those issues specifically.

I want to put on the record some of the fundamentals of payment by results so that they are understood and that people know why the system is being refined progressively and introduced into the NHS. It would, of course, be impractical to have a price for every single procedure or diagnosis that might be recorded when a patient is cared for by the NHS, which would result in about 15,000 prices. For that reason, we set our price list and the national tariff at a more aggregate level. The main tariff currency or unit of payment are health care resource groups, of which there are about 550. They are designed to be clinically coherent and to contain items of broadly equal value. The price for each group is calculated on the weighted average of the different procedures and diagnoses. In other words, we acknowledge that a group might contain a mix of lower and higher cost procedures.

For a typical provider treating a typical mix of patients, that approach works well. It will make a surplus on some procedures, but a loss on others—to be fair to the hon. Member for Westbury, he said that a moment ago. The price is never exactly right for any one procedure, but the surpluses and deficits even out, so that over a year the provider is fairly rewarded for the mix of services within the group. However, we have always acknowledged that for specialised services the swings-and-roundabouts approach has its limitations. If we took no further action, providers doing more of the complex work would be disadvantaged. We accept that point entirely.

I shall address head on the point made by the hon. Member for Newbury and repeated by his Front-Bench colleague. I think that it is a little unfair to describe the tariff system as a blunt instrument, because there are specialised tariff top-ups for a defined list of specialised orthopaedic procedures and diagnoses. Those are aimed

at health care resource groups that contain a mix of complex and more routine work. Perhaps I can provide examples of such procedures—hip and knee revisions requiring a bone graft, shortening of bones, re-amputation at a higher level, correction of congenital deformity, or shoulder or arm infections owing to internal prosthetics. The top-ups recognising the complex nature of such work are set at 70 per cent., so if, for example, a hip replacement revision required a bone graft, the tariff would increase from £7,185 to £12,215. Those top-ups are paid to not only single speciality trusts, but all trusts that carry out such work. That might reassure my hon. Friend the Member for Wigan.

Mr. Benyon: Does the Minister agree that there is a serious discrepancy in a large number of treatments carried out by such centres that are not catered for by the special top-up figures that he has mentioned?

Andy Burnham: I accept that there are still gaps between the full cost of work and that the current system does not reflect the full cost of some of the more specialist work carried out by the five hospitals being discussed today. As the hon. Gentleman will know, however, transitional arrangements are in place to cover the cost and losses that those hospitals face as a result of doing that work. A general set of transitional arrangements is available to all hospitals under the payment-by-results system. Further to that, a further top-up is available to specialist orthopaedic hospitals, although that is not the concern of my hon. Friend the Member for Wigan. We recognise the point that the hon. Member for Newbury has made.

In a moment I shall come to the question asked by the hon. Member for Westbury about healthcare resource group 4, which will take the system a further step forward and improve accuracy and refinement in the targeting of payments. I hope that that will form the basis of a more lasting and durable solution for the five specialist hospitals being discussed today. We are looking at interim arrangements before moving on to a better solution for those hospitals.

Dr. Pugh: The Minister has objected to the description of the tariff as a blunt instrument and has said that he wants to refine it, but one wonders how long that process of refinement will take. I am not aware of any other society with a similar system where the tariff settles down for good. What is his reaction, therefore, to the suggestion by the hon. Member for Westbury that there should be a permanent mechanism for resolving tariff difficulties, rather than simply responding to Adjournment debates from time to time?

Andy Burnham: I am coming to that point.

A durable solution is needed. Hon. Members have asked about international experience, and I shall touch on that point now. We commissioned a report from the London School of Hygiene and Tropical Medicine to compare the approaches to activity-based funding in eight countries to see what lessons we can learn. The key finding was that there is no single correct answer to which we should all aspire. All the countries in the study supplement their basic tariff payments with funding provided through other means—a kind of top-up or supplementary payment.

Although the terminology and detail differ, there is significant similarity between those approaches. Germany's approach of allowing certain services or specialties to be excluded from tariff if they meet certain criteria is not unlike our pass-through payments, through which commissioners can make additional funding available if certain criteria are met. Those criteria include the use of new technologies or the provision of high-cost services in a limited number of centres.

Some countries pay surcharges, not unlike our own top-up payments, and others provide funding for education and research separately from tariff, as we do in England. The hon. Member for Southport (Dr. Pugh) might want to take a further look at that revealing piece of work, which shows that other countries do not have perfect systems and that many of them are grappling to find a sustainable solution to this problem. However, it provides a basis for a way forward, and some of that is reflected in the document that we issued last week.

I recognise the role that my right hon. Friend the Member for Oxford, East plays as the chair of the Specialist Orthopaedic Alliance. Like the hon. Member for Southport, I believe that he has played an extremely valuable role in bringing these issues to our attention. We have worked with the main providers of specialist services on introducing measures that ensure that their work is fairly rewarded. For the 2005-06 tariff, we worked with the Specialist Orthopaedic Alliance when considering the arrangements for orthopaedic services and agreed procedures for which an additional top-up was payable, some of which I have mentioned. As the top-up was closely targeted on few procedures, it was very high at 156 per cent. The prices of other services within the tariff were reduced pro rata so as not to over-compensate for less complex activity. We also agreed a list of tariff exclusions for treatments that take place at unpredictable intervals or have an exceptionally high cost and cannot therefore be easily priced for tariff purposes. Such treatments are paid for at locally agreed prices.

For the 2006-07 tariff, we again consulted the Specialist Orthopaedic Alliance about how best to ensure that services are fairly rewarded. It advised that we should widen the range of procedures for which top-ups are payable, which led to a reduction in the specialist orthopaedic top-up to 70 per cent. With the alliance's help, we also reconsidered the list of exclusions and consequently increased income for providers of specialised orthopaedic services.

Those arrangements have been rolled forward for 2007-08. We have also explicitly recognised that few NHS providers in England have orthopaedics as a sole specialty, which means that they are unable to spread any of the financial risk of their orthopaedic work across a broader range of services. A few specialist providers of children's services face the same problem. With that in mind, we arranged with the strategic health authorities for a review of the impact of payment by results on the income of specialist providers. The review recommended limiting to 4 per cent. the gap between providers' incomes under previous local prices and their incomes under the current national tariff. As a result, two specialist orthopaedic providers, Robert Jones and Agnes Hunt

[Andy Burnham]

Orthopaedic and District Hospital NHS Trust in Shropshire and the Royal National Orthopaedic Hospital NHS Trust, will receive more than £3 million in additional support in 2007-08, which will be funded by the commissioners of their services.

Dr. Murrison: The Minister has suggested that there are only two groups of specialist hospitals to which those circumstances might apply—children's and orthopaedic hospitals—but will he accept that there are one or two others? The Royal National hospital for rheumatic diseases in Bath is a tertiary centre and faces many of the pressures that we have discussed.

Andy Burnham: That hospital faces many of the issues that we are discussing, and the options section in the payment-by-results document is not confined to orthopaedic and children's services, but research within the Department suggests that the problems that are being aired this morning are felt most keenly in those two sectors. That is why such attention is being paid to those services, but I do not rule out the idea that the problems are felt more broadly across the NHS. The measures that I have described have helped to cushion the immediate issues, but—this should answer the point made by the hon. Member for Southport—we need a payment currency for the longer term that better differentiates between routine and complex work. We need to calculate a tariff that more fairly rewards specialist services and ensures that there is less need for additional measures, thereby nurturing excellence.

Mr. Andrew Smith: I welcome the Minister's commitment to sorting this out, but these problems have been evident for a long time and have not been resolved so far. I urge him not to underestimate the corrosive effect that the constant medium-term black hole that looms ahead of hospitals has on morale and on their ability to plan for the future. He should set a deadline by which the longer-term issues will be sorted out, so that hospitals can look to the future and not have to read bland SHA assessments that simply say that they are financially unviable while another part of his Department assures us that their financial viability is going to be sorted out.

Andy Burnham: My right hon. Friend makes a fair point. Of course, we cannot simply hold out hope that everything will be sorted out and take the approach that, "There's jam tomorrow." I understand his point exactly, and I was about to discuss healthcare resource group 4, which will address whether a permanent black hole exists. An updated version of HRG4 has been developed that offers several potential benefits. There are more groups, so there is greater granularity, to use the jargon, which allows more precise alignment of costs. We had hoped to introduce the new version in 2008-09, but that would not be consistent with our commitment to publish a tariff by December and allow the NHS a period of road testing before tariff publication. We will, therefore, introduce version 4 in 2009-10. That might disappoint my right hon. Friend, but we will continue to work with the Specialist Orthopaedic Alliance in the intervening period to get these matters right. The judgment is always about not rushing to introduce a new system that we might later regret or realise that we should have taken more time over. That was the conclusion of the Lawlor review on the implementation of payment by results: we should take time to get things right.

I come to my right hon. Friend's point about how uncertainty affects the ability of organisations to plan, think ahead and fulfil ambitions. On my visit to the Royal National Orthopaedic hospital at Stanmore, I was truly impressed by the commitment, enthusiasm and professionalism of the people whom I met. They were clear about what they want to achieve for the hospital. I understand the connection between the lack of a durable solution and aspirations for the capital redevelopment—potential private finance initiative redevelopment—of that estate.

That takes me directly to a point raised by my hon. Friend the Member for Wigan about our local trust and foundation status. He rightly pointed out that the issue had an impact on the trust's plans to gain foundation status the last time around. It would not, perhaps, be right to put it any more strongly than to say that it is an issue that the trust has to monitor and prove that it can resolve if it is to pass through the gateway and receive foundation status. I understand entirely the points that have been made about the need to resolve and get some permanence about these issues so that specialist and excellent organisations can continue to develop.

Dr. Murrison: We now understand that HRG4 will not be rolled out until 2009-10, but the supplement that the five hospitals that we have been discussing enjoy runs out in 2008, so that leaves 12 months in which there might be no supplement or prospect of amending the tariff because it relies on HRG4. What will happen in those 12 months?

Andy Burnham: I again refer the hon. Gentleman to the document that was published last week, in which paragraphs 3.33 to 3.40 address the issue directly. It states that, in the light of the delay to the introduction of HRG4,

"we are considering the following measures for 2008/09: further refinement of the relative weights of the specialised top-up payments; basing prices for certain HRGs on the costs submitted from a sample of providers who deliver the highest volumes of activity in those HRGs".

The suggestion was made by a particular specialist provider that the prices for certain groups should be based on the average of the specialist providers rather than on that of a broader community.

Mr. Nell Turner: The hon. Member for Westbury said that the five hospitals receive this top-up tariff. I should point out that only four do—the Wrightington hospital does not. I do not know whether the Minister will come on to that, so will he tell us whether the Wrightington will get the top-up tariff in the interim period before HRG4 is introduced?

Andy Burnham: I was just about to discuss the particular issues that my hon. Friend raises. He tempts me to blur my roles and adopt a constituency hat. There is no doubt about the Wrightington's place in medical history, given the work that he has described,

or the fact that its situation is different from those of the other hospitals that we are discussing. My right hon. Friend the Member for Oxford, East warned about the consequences of merger with a district general hospital, which, as my hon. Friend said, happened in the Wrightington's case. It might be said that there are pros and cons to going down that route.

I understand my hon. Friend's points entirely, but I must speak wearing my ministerial hat on this occasion. He talked about a moral obligation, and his comments will have been heard. He rightly said that the services of the Wrightington are not confined to his constituency or to mine, because it provides specialist work to commissioners in the whole of the north-west and beyond. It is fair to say that particular attention needs to be paid to the individual circumstances of the trust—*[Interruption.]* I hear the hon. Member for Westbury laughing, but I am not making a constituency case. I am merely describing a self-evident truth: the hospital has not benefited from some of the extra help that has been available to the other specialist hospitals. As has been said, the losses incurred have been absorbed by the general income and expenditure of the district general hospital site.

My right hon. Friend the Member for Oxford, East talked about the dangers of mergers with district general hospitals. There is a danger in this debate of ascribing all the difficulties and uncertainties faced by the specialist orthopaedic hospitals to tariff; there is an easy dumping ground, because people can say that everything is an issue of tariff.

Let us be clear that questions of productivity also need to be faced by the specialist orthopaedic hospitals; they should not be insulated from such questions, because the rest of the national health service is not. Difficult questions about productivity, optimum use of facilities and the efficiency of working practices need to be addressed. The big point that I should make to my right hon. Friend is that, although I accept the obligation to help on some of the issues that he raised, a two-way street is in operation, because there is also an obligation on the hospitals to address questions of productivity, efficiency and changing working practices, where that needs to happen.

Mr. Andrew Smith: I take the point that the Minister makes: we are dealing with a wider constellation of issues and challenges. I am not lumping everything on to the tariff, but is there not a particular perversity? Such is the discrepancy between the cost of undertaking the specialist work and the prices that the hospitals are paid for it that the more productive they are, the worse off they will be under this system.

Andy Burnham: The point is well made, and we must have particular regard to it. I was struck by the point made by my hon. Friend the Member for Wigan that, if the merger he mentioned had not happened, more support would be given. I am sure that careful note will be taken of that by those who need to do so. The answer is to work towards a durable solution and take away as many of the imperfections as we can along the route. We need to whittle away the imperfections, while in no way undermining the organisations that are involved.

The question of independent sector treatment centres—ISTCs—was raised by most of those present. The hon. Member for Southport began by describing the effect on people's lives of the orthopaedic conditions that we are discussing. It is important to recognise that ISTCs have reduced the long waits that blighted the lives of those who were told that they had no choice, that there was not enough capacity and that they would have either to go private or wait for a very long time.

One thing that has bedevilled the orthopaedic sector is the lack of capacity around the country. It is sometimes suggested that there is an ideological commitment to saying, "This must be the way that things are done." Nothing of the sort exists; we simply want to put in place the additional capacity to allow people who need access to treatment to improve their quality of life, to remove the blight on life that often exists, and to provide early and ready access to treatment.

In the past, the private sector traded on the back of the failings of the NHS. Waiting times are now coming down quite quickly. In this financial year, I believe that we will see a significant reduction in the waits for orthopaedic procedures as we move towards having an 18-week maximum wait. That is an important part of the role being played by the ISTCs. It is also indisputable that the presence of an ISTC has sharpened consideration of questions of productivity in certain hospitals. That is not a bad thing. It is good for patients, who get treated more quickly, and for the NHS, which is able to question and challenge what it does and improve how it operates. I shall cite an example of that.

Yeovil district hospital, in the south-west, is making huge strides towards delivering the 18-week target, which it confidently says will be hit at some point this year. All its patients will therefore be treated within 18 weeks of a general practitioner referral. It openly says that a large amount of the progress that it has made was kick-started by the arrival of the ISTC at Shepton Mallet, which was seen as an opportunity rather than a threat. Such things need to be borne in mind.

The hon. Member for Westbury raised the question of a level playing field. We are working towards that, but the NHS always spot-purchased from the independent sector and, in doing, so often paid inflated prices for the use of that capacity. I am sure that he knows more than I do about how that may have happened in the past and about how it was not necessarily the best use—

Dr. Murrison: I need to correct the implication behind the Minister's remark. A few years ago, my colleagues were laying into him for the contracts with the private sector—what he termed "spot-purchasing"—that were wasting vast sums of money on his watch, not on mine.

Andy Burnham: I was explaining to the hon. Gentleman that one of the reasons for the ISTC programme was that it brought down the cost. The NHS has always used the private sector in that way, through various waiting list initiatives that occurred under his Government, as well as this one. The programme has enabled those reference costs to be brought right down, as Laing and Buisson recently recognised in their review of the private health care sector market.

[Andy Burnham]

We have had a rich debate on legitimate questions for these excellent national assets: the five specialist orthopaedic hospitals. I give my right hon. Friend the Member for Oxford, East an assurance that I am committed to reaching a sustainable solution at the earliest opportunity. I understand the points that he has raised. I simply ask him to acknowledge that there is another argument in respect of productivity and the need to ensure that the services are as efficient as possible. If the trusts and the Specialist Orthopaedic Alliance work with us on these questions, I am confident that, in a short time—perhaps a matter of months or a couple of years—we shall arrive at the right solution for those important hospitals.

Temporary Accommodation

11 am

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): The Government's initiative to end the use of bed-and-breakfast accommodation for homeless families is one of the achievements of which I am most proud, having served as a councillor in a borough where that was common practice, and where the living conditions that people endured were unacceptable in a modern society. Bed-and-breakfast accommodation has been replaced by reliance on temporary accommodation, which is superficially an improvement because, for the most part, self-contained accommodation is clearly better for families than living in one room in a hostel or hotel.

We have set a target for reducing the use of temporary accommodation by 50 per cent. There are wider policy issues, which I would dearly love to address, but will mention only briefly in this debate. As pressure comes to bear on local authorities to reduce reliance on temporary accommodation, I am finding a number of worrying problems, some of which flow directly from the drive to achieve the target, but others are deeper and arise from management failure to deal with the quality of accommodation.

I want to raise four issues. The first is the condition of the temporary accommodation in which some of my constituents live. There is much disrepair and extreme overcrowding, despite the assurance of the Government and local authorities—in this case, Westminster city council—that contracts with providers for temporary accommodation should at least ensure that people avoid the poor conditions that were a feature of so much bed-and-breakfast accommodation in the past.

Secondly, there is instability in the system as we move towards the target, perhaps as a consequence of some of the factors in the London housing market, particularly the recent strength of buy-to-let. As leases come to an end on temporary accommodation, families are made to move frequently and the casework that comes to me implies that they often have to move out of borough.

Thirdly, I want to spend a couple of minutes on rents and work incentives, and the fact that areas such as mine still face a real problem with work incentives for households in temporary accommodation, which the Government are not willing to address.

Fourthly, I shall spend one or two minutes on the interaction between the homelessness target and broader housing needs.

In essence, we all have—I certainly do—a powerful desire to reduce reliance on temporary accommodation and, in a bigger context, to reduce homelessness. It is a terrible experience for households to go through, and it is an expensive option. We must manage the transition to a reduced proportion of households in temporary accommodation in such a way as to ensure that it is a decent experience for them on their route to a permanent home, and that it does not worsen the situation for other households in housing need. Neither of those objectives is being achieved at present.

The main concern is the poor conditions for people in temporary accommodation, with overcrowding and disrepair. The context is cost. In Westminster at the

moment, 3,064 households are in temporary accommodation, and I believe that two thirds are housed in borough. The rent payable by households through the housing benefit system last year was a flat rate of just over £440 a week, so the cost to the taxpayer is £70 million every year to keep families in temporary accommodation in one borough alone. According to my calculations, that adds up to £1.2 billion a year in London, 90 per cent. of which is funded by housing benefit. Despite that investment, conditions are routinely so appalling that it beggars belief that it constitutes value for money. I shall run through a few of the problems.

The first is overcrowding. Two weeks ago, I took members of the Select Committee on Communities and Local Government to visit family A in Westminster temporary accommodation. The family consists of two adults and three children: boys aged 18 and 17, and a girl of two. They live in a one-bedroom, ex-council flat in a tower block for which housing benefit pays £440 a week. Last autumn, the environmental services department assessed them, at my request, as constituting a category A, band 1 hazard under the housing, health and safety rating system. That family has been in one-bedroom, temporary accommodation for months. Why? Why can they not be moved at least into alternative temporary accommodation so that their needs can be met while they are waiting for permanent accommodation?

Another person in acute need and in temporary accommodation is Karen Moore. She lives in one-bedroom, temporary accommodation on the estate where she grew up and close to her mother, whom she helps to care for. Karen has three children aged six, five and three, one of whom has Asperger's syndrome, in that one-bedroom, temporary accommodation. I have been asking the council to find alternative temporary accommodation for a year. The officers with whom I work at Westminster city council are outstanding, helpful and give every indication of doing all they can, yet they tell me that, because of the cost barriers and the fact that they are withdrawing from leases for temporary accommodation, they are unable to find an alternative. To be fair, she was offered one alternative, but it was on the other side of the borough, and she has children in local schools and is the carer for her mother. That was the only offer.

On Monday, I met a young woman who had written to me to say that her temporary accommodation had become overcrowded following her mother's death when an aunt and her two daughters moved in to care for her. For four years, that family of four—an adult and three children aged 23, 20 and 16—have shared a one-and-a-half-bedroom, converted flat. The daughter wrote:

> My mother and I moved in 2002 and sadly my mother got ill...she was diagnosed with liver cancer and passed away in 2003. Whilst my mother was ill, my aunt moved in to look after me because I was still at school. While we were still grieving, they registered us intentionally homeless...we went to a solicitor to appeal...it took a long time but in 2005 they accepted us and told us we had to choose between bed and breakfast or temporary accommodation. The flat we live in is overcrowded and damp and it has a lot of bad memories".

They are, of course, still there.

Despite assurances to the contrary, and despite the expense, some of the worst housing conditions encountered by members of my staff are in the temporary accommodation sector. Another lady whom I met on Monday was promised alternative temporary accommodation in May 2005 because she is disabled and cannot manage stairs. No offer has been forthcoming despite the promise.

Mrs Querimi wrote to me in December 2005 saying that her

> "daughter is sick from pneumonia...my flat is exceptionally cold because the windows are no good and the heaters don't work...I have been in a hotel for 3 years and a temporary flat for 3 years".

Perhaps the worst instance I have seen concerned Mrs B, whom I visited at home a few weeks ago. The condition of her property was unbelievable. There were holes in the walls big enough to put a fist through, and leaking water was running into the electricity in the downstairs flat, which was also temporary accommodation. There was black mould on the walls and inside cupboards, cabinets were broken or missing, and walls were stripped of plaster and paper. To my astonishment, I was told that Pathmeads was first advised about the level of disrepair in February 2006, but when I visited the property 12 months later, nothing had been done. According to Westminster city council,

> "a full assessment of the works required was completed and agreed with Pathmeads in Feb 2006...who will be working with the landlord of the property to have all works completed as soon as possible".

In this case, "as soon as possible" means a full year.

Another Pathmeads tenant told me that she was without hot water for a year and that her gas meter was capped without her being told. A tenant of Notting Hill housing trust temporary accommodation complained of excessive cold and was living in one downstairs room with her children. The trust told me repeatedly that the repairs had been carried out, until finally a senior officer at my request visited Mrs. T and accepted that that was not true.

In another instance, I had to take a member of the trust's board to visit another tenant, my neighbour, who had complained of water pouring into his flat from upstairs for well over a year without any response.

Mrs. E wrote to me to say that

> "since your last letter, we have had many more problems...leaking from the flat above which no one took responsibility for...I reported this to Acton Housing Trust and they sent an officer and a surveyor who confirmed that this flat was not suitable for anyone to live in...and last night there was leaking from the flat above into my bedroom...this flat has to be properly repaired because it is not safe for anyone.. the ceiling could fall in at any day".

However, she is better off than Mr. K, whose ceiling fell in—twice. His health visitor said:

> "As a practising health visitor with 16 years experience, I was absolutely shocked by the risks presented to the family by the present accommodation."

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): Many of the issues and case histories that my hon. Friend raises will be familiar to many London MPs, and particularly to me, because I represent a neighbouring constituency. Has she come across the practice, as I have with my local authorities, of taking blocks of flats—particularly those awaiting development or demolition—from which there have been decants, and using them to house families in temporary

[Mr. Andrew Slaughter]

accommodation? It means that no work is undertaken for three or four years sometimes, and conditions that would be unacceptable in other accommodation are now endemic.

Ms Buck: I have indeed had experience of that practice. It is striking that some of the most vulnerable families, who have become homeless, are placed in the worst accommodation—not all, but too much is the worst accommodation—at the most staggering expense.

When the Government adopted the bed-and-breakfast target, two factors helped to drive the decision: the hell of families being cramped up in a single room; and families being forced to move so frequently, with the consequential upheaval in education, health and, in some instances, child safety. Unfortunately, far too many families in temporary accommodation experience the same instability and, from my caseload, it appears that the situation may be worsening precisely because of the instability resultant from the closing of contracts and the ending of leases.

In the past few months, I have been approached by an increasing number of families who have been confronted with yet another move, or even worse, with a move out of borough, despite in some instances, the families having either been born in Westminster or having 10 to 20 years of local connections in private rented accommodation.

One family had to spend two months in a hostel in east London earlier this year, despite representations from social services who were concerned about the extreme vulnerability of a teenage child who had just been bereaved. They pleaded with the housing department to keep the family in Westminster with all their connections. The family have now returned, but they should not have had to go through that trauma.

Mrs. H has been in the local area for 10 years, but the lease ended on her temporary accommodation on 5 March. She came to me pleading not to be moved out of borough, because she had been told that that would be the likely outcome. I am unable to ascertain the location at which she and her three children are living.

Three families in the past six months have told me that they have been commuting from east London back to their children's school every day—in one case back to work—because their entire support systems are locally based. I am sure that my hon. Friend the Minister can imagine not only the expense of taking one, two or three children on the tube every day, but the sheer pressure on those families. However, they want to commute, because they do not have any idea how long they will spend out of borough. The one constant for families in such difficulty is the children's school, and they will do anything to avoid moving. However, we do not consider that situation to be a sufficient factor.

One lady, who came to see me a couple of weeks ago, is recovering well from a history of substance abuse, and she is caring for her young child in an attempt to get her life together. She was born in Westminster, and her nine-year-old is already in her third primary school. The lease on her temporary accommodation expires this week on what is her 12th address. The council told me that she was

"placed on a data base in August 2006 in anticipation...as soon as a suitable property becomes available she will be notified...every effort will be made to find something in her preferred area but this does depend on the availability of suitable properties."

We can see the situation coming, but we are unable to find families decent and suitable accommodation in-borough that keeps them and their networks together, and their children in school. The council said:

"Her overall position for permanent accommodation is 1,249."

Mrs. B is in temporary accommodation in Barnet, a long way from the Westminster street that she grew up in, and she travels back there every day to care for her sick mother and to take her child to nursery. Like other parents, she talked about her child's exhaustion and distress at having to commute.

Ms G wrote:

"The reason that I am writing this mail is because I am really concerned and sad that my mother, my brother, sister and I have being waiting and living in temporary accommodation for about 10 years now in different parts of London...like Maida Vale to Enfield...to Walthamstow and from there to Edgware Rd.

I now see that this changes has affected my education and my social life completely. I had to leave many friends and close friends behind in those places. I should have been in University by now but instead am struggling to complete all my GCSEs. I am really worried because my brother who is ten had to already change like 3 schools because of this problem. I realise how this sort of problem puts children off studying...my mother does not want to work because she is worried that she might lose her home."

My hon. Friend the Minister will be aware of an experiment that is under way in Newham called "Working Futures", which seeks to treat the rent of temporary accommodation as a local authority or a registered social landlord rent, allowing the family to enter work knowing that the only rent that they will have to pay is the equivalent of a local authority rent, and not the £300 or £400 that is payable for temporary accommodation.

I have met the Secretary of State for Communities and Local Government and the Secretary of State for Work and Pensions to discuss the matter, but unfortunately, there is an unwillingness to extend the experiment through block-grant funding to other boroughs. Some 90 per cent. of households in temporary accommodation are out of work, compared with 60 per cent. of households in social housing, so it is completely unreasonable not to develop a model that allows households in temporary accommodation to work.

I shall read from a letter written by another constituent whom I also took the Committee to see a couple of weeks ago. She said:

"I have lived in my present accommodation since 2003. The level of rent then was £240 weekly"—

double the local authority rent for the flat next door—

"so after a few months I resolved to enquire to my housing association about the reasons behind the high rent for a one-bedroom flat in a 20-storey council block. I was told I should not worry about it, since I was not the one paying, but the local authority. The reply mystified me and it still does. My concerns were that once I returned to work I would not be able to afford the high rent without relying on housing benefit.

In 2005 my housing association entered into a new agreement with the City of Westminster, resulting in my lease being reassigned to the City, who became my landlord. The new contract I signed revealed a greater rent of £416...Should I be furious? Who cares? Let us accuse market liberalisation. I have a few innocent questions: which decent job would pay me enough to solely handle these payments? Where is the protection for the made-poor individuals? Where has gone the responsibility of the government to protect the deprived?

In 2006 I eventually returned to work and the reality of the situation is that I have slipped miraculously (I mean, not by my own carelessness) into arrears while being assessed for Housing Benefit eligibility. The impact of this is a suspension from bidding for a permanent home and the risk to see my tenancy agreement terminated. I have already been threatened once with eviction and keep getting reminders for my arrears."

We agree that we want to reduce the reliance on temporary accommodation, not least because of the ridiculous expense, but we must ensure that, in the process, we do not trap families in instability and further moves. Some 30,000 households will remain in temporary accommodation even when the target is reached, and the conditions in which many of them live are completely unacceptable. We should also properly fund the temporary-to-permanent scheme—I know that there will be an announcement about it soon—and extend the "Working Futures" grant model to allow families to work. We must bear down much more rigorously on the quality of the accommodation that local authorities and registered social landlords provide.

We must prevent families from being moved from pillar to post, and we must prevent families with strong local connections in boroughs such as mine from being offered moves to east London, which they find extremely difficult and often traumatic. Finally, we must recognise that the savings being made from the reduction in the cap on housing benefit for those in temporary accommodation and the reduction in the use of temporary accommodation will accrue to the Department for Work and Pensions. As I have said, the savings amount to £70 million in London alone, but where is that money going? Is it going on ensuring that the terrible pressures on families in housing need in temporary and permanent accommodation will be relieved? I do not think that that is the case at the moment, so I am looking for help from my hon. Friend the Minister.

11.20 am

The Parliamentary Under-Secretary of State for Communities and Local Government (Angela E. Smith): I congratulate my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) on the way in which she has presented her case. She is well known as someone who takes an enormous interest in her constituents' housing issues. Her constituents are extraordinarily well served by the way in which she puts her case and the evidence that she presents. I do not think that anyone could fail to be moved by the cases that she has cited. Think of poor Mr. K in his home as the ceiling is falling down or Mrs. G having to move her family and her children going to several different schools. That is unacceptable, so I hope that I can give my hon. Friend some information that will help both her and my hon. Friend the Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) in their work.

There is sometimes a tendency for the Government to say, "The council's got the money" and for the council then to say, "Well, the Government's got to give us more money". The issue descends into a blame game, but I do not think that the constituents of my hon. Friend the Member for Regent's Park and Kensington, North care who is at fault or what the problem is. They just want the problem sorted out. Westminster city council receives the highest housing benefit subsidy in London, at £417 a week. Given that level of subsidy and the quality of the accommodation in which people are living, it is clear that we need to see whether that money is being spent as effectively as possible in the interests of my hon. Friend's constituents.

I should like to put the issue in context and consider the work that has been done on tackling homelessness, for which my hon. Friend praised the Government at the start of her speech. Having a strong commitment to tackling homelessness, setting ourselves the challenging target of reducing the number of rough sleepers and being prepared to put the money in where it is required has led to a massively sustained reduction since 2001. I remember walking through the streets of London before I became an MP and regularly seeing people curled up in doorways or on mattresses, with blankets wrapped round them. In 1998, more than 1,800 were sleeping rough on our streets, but now the figure is down to 502. That is 502 too many, but part of that reduction has been about getting people into accommodation, including temporary accommodation. A lot has been achieved, but a lot more has to be done.

We need to set ourselves targets that challenge the Government. We still aim to achieve the target that we have set ourselves of halving the number of households living in temporary accommodation by 2010 so as to tackle the overcrowding that my hon. Friend raised, and youth homelessness. She mentioned homelessness in general, but youth homelessness is a specific problem.

To put the issue in context, 87 per cent. of people in temporary accommodation are now living in self-contained homes, with their own front door and cooking and washing facilities, as are 93 per cent. of families with children. However, I am particularly concerned about the examples that my hon. Friend gave, such as family A and Karen Moore, where carers are trying to stay close to their families. It is difficult because, as my hon. Friend said, the one constant for children at school can be their friends at school, their teachers and the relationships that they make. Every effort should be made to ensure that families are housed as close as possible to their support systems, other members of their family and their schools.

I am concerned that Westminster city council houses so many families outside the borough. I am not convinced that that is necessarily down to the lack of available accommodation. It may be that Westminster finds it cheaper to house families outside the area. However, the subsidy that Westminster receives is adequate for it to be able to house families in the borough. A lot more effort has to be made to take into account all the other factors, not just housing. Housing cannot be considered in a vacuum; it must be considered in the context of jobs, family and friends. Every effort should be made to ensure that families can be housed as close to their schools and work as possible. That is why Westminster receives a higher subsidy than any other council in London—to assist it in doing that. The council has a responsibility to find suitable accommodation. The Government take the view that, in the vast majority of cases, the subsidy that is provided assists the council in doing that.

My hon. Friend will correct me if I am wrong, but many of the examples that she gave seemed to concern housing associations. She said that when the health

[Angela E. Smith]

visitor visited, they said that they had never seen anything so bad. When my hon. Friend pressed council officers, who were trying their best in difficult circumstances, to visit, they were shocked at the conditions that they found. Who is checking those properties before people move into them? If councils are putting people in temporary accommodation and paying money to a registered social landlord, a housing association or a private landlord, the onus is on them to check the quality of that accommodation.

Ms Buck: I totally agree with my hon. Friend, but part of the argument is that landlords sometimes refuse to carry out the work. I have seen evidence of that. In one of the cases in which I was involved—I cannot remember which letter it was—the family was suffering from stunningly bad disrepair, which had taken a year to address, but the landlord was unwilling to carry out the repairs and was going to take the property back. That family will have to move. We are over a barrel, to be honest, with the pressures of the private rented sector and the unwillingness of some landlords to comply.

Angela E. Smith: Some of those issues can be dealt with in the initial contracts that the council comes to with the landlords, but that is an issue that has to be examined in greater detail. Looking at ways of providing more settled accommodation for people is the key, so if we can provide accommodation for families where they can have a home and plan for the future, the money that the landlords are taking—my hon. Friend gave the figure of £1.2 billion that she had worked out for London as a whole—will be well spent.

We have set ourselves other challenging targets in reducing the number of people who are homeless or in temporary accommodation. Another thing that we are trying to do is produce a good practice paper for local authorities on making greater use of the private rented sector, which will be published shortly. There is also a fund of £19 million to fund the London pilot on overcrowding, which will convert 550 social housing units to free up larger properties for families. My hon. Friend also mentioned the "Working Futures" pilot. In the context of somebody who is homeless, there is no doubt that temporary accommodation, and finding work and incentives to work play into the same equation and cannot be treated separately.

The pilot is due to finish in December. There is a long time scale and I appreciate my hon. Friend's concern, but we need to ensure that we get robust evidence. I shall certainly take back the comments that she has made, because we need robust evidence, and there is a lot of evidence available at the moment. If we can move the issue forward as quickly as possible, the information that we have—evidence-based information—will inform decisions. We need to ensure that we do not delay any of those projects unnecessarily, but get the information as quickly as possible. I shall take my hon. Friend's comments back to the Minister for Housing and Planning, to see whether there is anything that she can do in that regard. We not only want an informed opinion about the outcomes of the pilots that can enable action to be taken, but want to see whether anything can be done in the meantime to use the information that we have.

My hon. Friend raised a number of issues, but I do not have time to go into all of them. However, dealing with homelessness and the problems of temporary accommodation are high priorities for the Government. Every person has the right to a decent home. That is a fundamental human right. The information that my hon. Friend has given us shows that some people do not have the accommodation that any of us would want to live in. If we do not want to live there, we should not expect other people to do so either. I shall take her comments back. I hope that the action being taken that I have outlined is helpful. We would be happy to work with any local authority to improve the condition of citizens.

11.29 am

Sitting suspended until half-past Two o'clock.

Local Government (Shropshire)

2.30 pm

Mr. Philip Dunne (Ludlow) (Con): Good afternoon, Mr. Bayley; it is a great pleasure to see you in the Chair. I am grateful for this opportunity to raise the issue of local government structure in Shropshire. I am particularly grateful for the chance to highlight to the Under-Secretary of State for Communities and Local Government, the hon. Member for Basildon (Angela E. Smith), issues that I am sure she will take into account before she and her colleagues make the critical decision on which areas will soon be allowed to proceed down the path towards a unitary authority structure.

Last month, the Minister for Local Government was generous in making time available to meet Shropshire Members and explain the procedure that he and his colleagues were using in reviewing the proposals put forward in the "One Council for Shropshire" submission. Recently, I also had the privilege of serving for several weeks in Committee on the Local Government and Public Involvement in Health Bill, when I raised a number of points about how Shropshire might be affected.

This Minister and the Minister for Local Government handled that debate with their customary skill and candour, and I am sure that neither expected that that would be the last that they would hear from Shropshire Members on the issue. When the Minister winds up, I look forward to a similarly candid and straightforward response to the issues raised by my hon. Friend the Member for Shrewsbury and Atcham (Daniel Kawczynski) and me.

I sought this debate to give the Minister some last chances: a last chance to step back from making a wrong decision—possibly as early as next week—that would fly in the face of Government objectives to allow local decision making, and a last chance to hear from local elected Members about why the case for a unitary authority in Shropshire is flawed. I also have a last chance to put on record why closer co-operation between councils in Shropshire can deliver the benefits sought by the Government through the Local Government and Public Involvement in Health Bill.

I anticipate that next week, before the recess, we shall hear an announcement of which areas the Minister seeks to take down the path towards unitary government—those that she will allow to move forward and those that she will allow to continue to enhance the two-tier system of county and district councils, whether as formal pathfinders or through best practice, which we already have in Shropshire.

Shropshire is not a county in local government crisis—not yet, at any rate—as it is already one of the best-run counties in England. Only last month, the Audit Commission gave its highest performance rating to Shropshire county council for the second year running. Shropshire county council is one of only nine local authorities in the country to achieve a consistent four-star status. The district councils are also not poor performers—far from it. There are two district councils in my constituency, and I shall focus most of my remarks on them and then allow my hon. Friend the Member for Shrewsbury and Atcham to talk about his constituency.

Bridgnorth district council, most of which is in my constituency, has the 12th lowest council tax in the country and was commended only last week by the Audit Commission for its improved use of resources in moving up to level 3 status. The council has been independently and rigorously inspected as recently as November and December last year and has been praised for working well in partnership, increasing access to its services and continuing to provide good value for money—all aspects that the Government are looking for councils to achieve through restructuring.

South Shropshire district council, on which I still serve as a district councillor, has for some time won awards from the Liberal Democrats for being one of their few flagship councils. More objectively, it has also achieved level 3 status from the Audit Commission on use of resources. My hon. Friend the Member for Shrewsbury and Atcham will be singing the praises of Shrewsbury and Atcham borough council, which has achieved high results and does so regularly.

I should like to pose a number of questions to the Minister and challenge her to clarify the Government's thinking and explain how the various issues will be or have been factored into the decision-making process prior to next week's announcement. I should like to start by taking the Minister back to the object of the exercise. Much of the impetus for changing the structure of local government stems from Government plans for elected regional assemblies, which were so decisively rejected by the good folk of the north-east in November 2004.

The Deputy Prime Minister's then deputy, the right hon. Member for South Shields (David Miliband), took up the cudgels after that dispiriting experience and sought to provoke the formation of a wave of unitary councils all over the country. As he wrote in the *Local Government Chronicle* in November 2005, he was

"actively considering the case for reorganisation in the 34 'two tier' English counties".

I suspect that his motivation had less to do with his claim that two-tier systems were "confusing, inefficient and costly" than with the fact that the majority of councillors in such areas are Conservative rather than Labour.

A clear party political motivation lurks under these proposals. It is no accident that in Shropshire, for example, of the 225 councillors in the six councils of the present two-tier structure, 100 are Conservative, 23 are Labour, 46 are Liberal Democrat and the balance are independent with one or two Greens.

On the basis of the proposed 96-strong unitary authority, which would be achieved by doubling up existing county council wards, the Labour proportion would increase from 10 to 17 per cent. and lead to the loss of 50 Conservative and 24 Liberal Democrat council seats. At present, there are only two Labour councillors in my whole constituency, so abolishing the districts would give a clear party political advantage to the Government. However, as the Department responsible for local government restructuring has itself been restructured in the past year following the effective neutering of the Office of the Deputy Prime

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Minister and the establishment of the Department for Communities and Local Government, there has also been a revolving door of Ministers with that responsibility, and with that there has been a change in emphasis and in the purpose and scope of any restructure.

Last July, the new Secretary of State for Communities and Local Government told the Local Government Association conference—I shall quote her extensively, if you, Mr. Bayley, will forgive me—that she was

"far more interested in outcomes for citizens than lines on maps. So we will have a short window of opportunity for that small number of councils who are keen for change and who meet our criteria to seek unitary status. But I have no desire whatsoever to create a great distraction of activity on the restructuring issue. In the clear majority of county areas two tiers will remain and in all of these areas we will need better joint working."

I could not agree more. Local residents want their councils to focus on service delivery and to keep down the cost of council tax rather than being distracted by an expensive and unnecessary restructuring. The saga in Shropshire has been distracting our councillors and council officers for more than a year already, and it has cost considerable officer time and expense. In Shropshire, the councils themselves are evenly divided on the issue—three, including the county council, are in favour, and three are opposed. There is no broad consensus of support, as I shall demonstrate shortly.

Shropshire has one of the best track records in the country of joint working between councils, as I mentioned a couple of times in Committee. That could be extended, and much more could be done to enhance two-tier working without the loss of democratic accountability which would result from unitary status in an area as large and diverse as Shropshire.

However, I detect the clunking fist of the Chancellor in the change of emphasis from the Secretary of State. As we learned from Lord Turnbull this week, the Chancellor determines priorities without any serious discussion with ministerial colleagues. We have been told that the Chancellor's attitude is, "They will get what I decide." That was indirectly acknowledged by the Minister for Local Government in the meeting with Shropshire MPs that I referred to earlier. He told us that the rationale for permitting only about eight areas—from the 16 for which applications had been submitted—to go forward to unitary status was due to the budgetary requirements of the Treasury. The cost of restructuring in year 1 needs to be restrained within limits set by the Treasury, so that it does not add unduly to the ballooning public sector debt and breach the Chancellor's golden rule. The best way to minimise the cost to the Treasury would be to abandon the whole enterprise, certainly so far as Shropshire is concerned.

Let me turn to the specifics regarding Shropshire. I would like to start with a brief geography lesson. The county of Shropshire is the 13th largest authority by geographic area in England, covering some 1,235 square miles. It extends almost 50 miles from north to south and some 30 miles from west to east. My constituency, one of four in the area covered by the county council, is the eighth largest geographic constituency in England. Despite its large area, it is also one of the most lightly populated, with only 288,000 adults, many of whom live in remote rural communities, especially along the border with Wales. With a limited public transport network, access to services is a major issue, and for many people, round trip travel to the county town of Shrewsbury is a two-hour enterprise. That is relevant because of the challenge posed to local accountability and the delivery of services by a unitary model.

Much academic research and Audit Commission evidence shows that big is not always better. The experience of residents—certainly the experiences that can be found in my surgeries and postbag—suggest widespread suspicion of centralised decision making. That will not be overcome by the proposal for 27 local area committees, since their role would essentially be advisory if a unitary model were to proceed.

The Minister has made it clear that proposals will have to meet the five criteria set out in the invitation to bid. I want to consider them briefly as they relate to the "One Council for Shropshire" proposal. The first criterion is affordability. The proposal for Shropshire was based on a top-down financial model, the West Sussex model, which is much discussed and criticised in academic circles as not being sufficiently flexible to take into account the vagaries of specific circumstances. Little cross-checking has been presented to show whether the estimated savings set out in the business case can be achieved. Two detailed third-party analyses have been undertaken, one by Professor Chisholm, a noted academic who focuses on local government structures, and another by Capita, a favourite adviser of the Government. Both have raised concerns that the savings have been overstated and that the transitional costs of achieving them have been understated. Have the Minister's officials studied those reports, which I know have been made available to her Department, and does she recognise those deficiencies?

For example, on the issue of members' allowances, no assumption has been made about any increase in allowances for unitary councillors, despite their greater responsibilities, on the basis that that would prejudge any decision, which is clearly not a sensible way in which to build assumptions into a future financial model. Similarly, on the senior staff structure, no increase has been proposed for salary levels commensurate with the greater responsibilities of running a unitary authority. Much has been made in the county of the savings to be extracted from reducing the number of senior staff—for example, having only one chief executive rather than six and similar levels of support staff in each district. However, no analysis has been done of the potential redundancy cost based on the individuals concerned. It has all been based on the West Sussex model, much of which will not apply in Shropshire.

Much has also been made by the proponents of a unitary structure in the county of the experience of the East Riding of Yorkshire, an area that has some similarities to Shropshire in geographic spread and sparsity of population, as well as in the number of district councils that were abolished when the area went unitary. My understanding is that, although there was one chief executive following the introduction of the unitary model, the other chief executives were, at least initially, merely given reduced titles. They were called either assistant or deputy chief executive and continued

in post on the same salary level. At first, there was no saving, whereas the model proposed in Shropshire assumes that such savings begin immediately.

It is instructive to consider some of the comparative costs of achieving the savings that have been put forward by other areas that are contemplating such a change. Bedfordshire, a county about which we heard a great deal in Committee on the Local Government and Public Involvement in Health Bill—I will not go on about Bedfordshire today—has four districts and a population roughly double that of Shropshire at 560,000. I understand from its application that the anticipated costs will be about £10 million to £15 million. Cumbria, another area that has put in for unitary status, has six districts, a population of 495,000 and estimated costs of £15 million for the change. Northumberland has six districts and a population closer to Shropshire's at 307,000 and anticipates costs of £16.9 million. Shropshire has five districts with a population of 288,000 and—because of the inadequacies of the financial model, in my view—the anticipated transitional costs are a mere £3 million. Those costs have been questioned in the reports that I mentioned.

The next aspect of affordability is the question of council tax rises being limited to the lowest increase prevailing. Again, some fairly heroic assumptions have been made about the savings that will be achieved to allow for those modest council tax increases, with a maximum of 3.5 per cent. for the Bridgnorth area, because it has such a low council tax at present. I say "heroic" because it is anticipated, particularly by those who have studied the subject externally, that a great deal of the savings that are claimed for unitary status will be eroded by action that the councils have already taken. As I mentioned at the beginning, a great deal of joint working has already been done in Shropshire and some, in my view, has been double counted.

The second criterion, which is the focus of my concern and my challenge to the Minister, is support for the proposals. The invitation to bid referred to the requirement for a broad cross-section of support from partners and stakeholders. It went on to expand that requirement to include citizens. I raised that point directly with the Minister for Local Government in Committee, and he confirmed that his interpretation of the criterion was that it included residents and the people who would be most directly affected—that is, the public.

The Government have decided that it is up to local councils to determine how they measure the broad cross-section of support required to fulfil the criteria. Shropshire is unique among all the areas that have made a bid for unitary status, I believe, as it held ballots of public opinion prior to submitting the bid. As the Minister will remember, the results were delivered on the Floor of the House before the deadline for the submission of bids. I shall rehearse them again in a moment. Can the Minister confirm that she will give the results of the ballots proper consideration? Will she help us by explaining what that will mean?

Following comments by the Minister for Local Government, I have concerns about the way in which the Minister and her civil servants will interpret the ballot results. I am worried that, because the ballots were not undertaken by all the proponents of unitary status but by a council—South Shropshire district council—that was one of the three in favour of the unitary model, and by two that were opposed to the model, the results will somehow be set aside. I fear that the Government will say that they were looking for support from those who made proposals and are less concerned about the views of those who opposed proposals. They have set up a two-stage process, and a 12-week public consultation to take place after the decision has been made about which areas will go forward in the process. I am, therefore, anxious that they will use that fact in some way to negate the effect of the ballots that have taken place.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): Would my hon. Friend agree that if the Government were to allow the unitary bid by Shropshire county council to go forward at this stage, it would be in direct contradiction of the rules that they have stipulated? As he will know, the residents of Shrewsbury overwhelmingly rejected unitary authority proposals. Nearly 70 per cent. of those who voted in the recent referendum rejected the proposals.

Mr. Dunne: I am grateful to my hon. Friend for reminding the Minister of the percentage of residents who took the view that unitary was not for Shrewsbury. I am trying to tease out from the Minister whether the Government actually mean what they say.

Mr. Eric Pickles (Brentwood and Ongar) (Con): Surely my hon. Friend is being grossly unkind to the Government, given the nature of the vote, the overwhelming number of people who turned up and the clearly stated message in the ballot. Surely to turn it down would be truly Stalinist.

Mr. Dunne: As usual, my hon. Friend puts his finger on the point. Such a response would be in direct contrast to the Government's statements in the invitation to bid, and during progress of the Bill through Committee. I hope that the Minister will find it in her power to put my fears at rest on the issue. Unless she would like to intervene on me now, we may have to wait until the end of the debate.

My hon. Friend the Member for Shrewsbury and Atcham referred to the overwhelming vote in Shrewsbury. I remind the Minister that it was even more overwhelming in Bridgnorth, where many of the leading proponents of the argument for unitary are councillors on the district council. The vote in that district was extraordinary. Of those who voted, 85.6 per cent. voted for an enhanced two-tier structure and against a unitary structure. That must be one of the highest percentages that the country has ever seen in a ballot on local government restructuring. Even in South Shropshire, where the council is one of those that submitted in favour of the bid, there was a 56.7 per cent. vote against from the people.

Those results were not on insignificant turnouts. There has been the most extraordinary attempt by some of the proponents to argue that, because the turnout was less than 50 per cent., the results were in some way not an appropriate mandate, or a proper expression of views. That is particularly surprising since one individual, the leader of South Shropshire district council, has rarely been elected herself. She was unopposed—at least at the last two elections that I am

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aware of—but seems to regard mandates to be given only if more than 50 per cent. of the people vote. Perhaps she should not be sitting on the council. There was a 42 per cent. turnout for South Shropshire and 47 per cent. for Bridgnorth.

In their submission, the proponents of unitary relied, in their evidence for the cross-section of support, very heavily on a focus group undertaken by an opinion poll firm that conducted extensive interviews—I will grant that—but with only 44 people. I have undertaken my own opinion poll through an online panel that I set up in January, and my first panel was on this subject.

Daniel Kawczynski: My hon. Friend mentioned that interviews were held with only 44 people from the whole of Shropshire, but, for the record, the views of those 44 people were mixed. Even though it was a tiny sample, there were still many people who were against unitary.

Mr. Dunne: Indeed. I am grateful to my hon. Friend for making that crystal clear.

My survey supported the overall ballot—perhaps not surprisingly, as I was dealing with a much larger number of real people, some of whom made interesting observations. One of the criticisms of the ballot—again, levelled by those who were in favour of unitary—was that the issues involved in deciding whether to move from a two-tier to a unitary structure were too complex to be put to a simple ballot of opinion. That criticism was levelled repeatedly throughout the ballot process, despite the fact that information was provided by each of the councils conducting the ballot.

In the case of South Shropshire, there was a special edition of *South Shropshire Matters*, which is a well put together, professional piece of literature. In a 16-page leaflet, space was provided on two and a half pages for the opponents of unitary to state their case, and the remaining pages of the document were for those in favour. Despite that, the result in South Shropshire was as I have said.

My survey asked:

"Do you think the issues are too complicated, as suggested by the Proponents of Unitary, to allow ordinary people to have a view?"

Eighty-seven per cent. of people replied that they did not think that that was a legitimate argument. Indeed, there was another overwhelming vote opposed to unitary. I shall give the figure as soon as I find it—among a number of questions. To the question,

"Do you believe that a Unitary Authority will deliver better services for less cost?"

71 per cent. said that they did not believe that.

The other main plank of the argument for a broad cross-section of support comes from a consultation exercise that the county council organised around the district, much of it taking place after the date for submission of the bid. The argument has been presented as take it or leave it, as in the comment from the Secretary of State that

"the status quo is not an option",

which appears in the invitation to bid and has appeared in several statements from Ministers on the subject in intervening months. That was taken as gospel, but, in my view, there was a clear misunderstanding as to what it meant. I would be grateful if the Minister would explain the statement for the benefit of people outside this place who are listening to this debate.

I expect that the misunderstanding revolves around the fact that the Government have recognised that they cannot afford to compel the whole country to move to unitary, and are therefore considering an alternative structure and have allowed for pathfinder enhanced two-tier areas. They are anticipating that those areas that do not go unitary or become part of a pathfinder area will seek to encourage closer working together to extract maximum efficiencies from a two-tier structure. I would be grateful if the Minister would confirm that that is the Government's interpretation of

"the status quo is not an option".

Like those councils that are opposed to unitary, I regard that objective as being entirely appropriate, and it is one that Shropshire is well on the way to delivering. As I mentioned in the Committee, Shropshire is one of the leading advocates of joint working in local government. The Shropshire waste partnership has been established with all but one of the areas co-operating together on collection and disposal of refuse. In my area, Bridgnorth and South Shropshire last year merged their revenue services departments. South Shropshire had one of the most efficient council tax gathering departments in the country. Bridgnorth has taken advantage of that, and considerable savings are accruing to both councils from combining the management of that function. A great deal more can be done across the county through closer co-operation and joint working, and it would help enormously in resolving the uncertainty if the Minister would confirm that that is indeed a perfectly legitimate way forward.

The arguments presented in the meetings that I referred to were one-sided because no time or space were given, even in the submission itself, to the alternatives available to the council. Unitary was presented as the only option, and, as a result, those people who decided to support unitary took the view in most cases that it was the only option, and that they were being asked to vote in a Stalinist manner, to quote my hon. Friend the Member for Brentwood and Ongar, when only one candidate was put forward.

Mr. Pickles I recall visiting the BBC website where a poll had been attempted that it was not possible to complete. Would my hon. Friend remind hon. Members what happened to that poll?

Mr. Dunne: That is a good example of the conduct of the proponents of a unitary council in seeking to make their case as one-sided as possible. The local radio station, BBC Radio Shropshire, conducted an online poll that invited people to say whether they were in favour of or against the unitary proposal. The director of communications of the county council issued an instruction to employees of the county council by e-mail to encourage them to participate in the poll; fair enough. However, he also gave them the clues—or cookie to use the technical expression—to circumvent the device within the poll that prevented people from voting more than once.

Mr. Pickles: So, vote early and vote often.

Mr. Dunne: Indeed, that was precisely what he was suggesting. Consequently, he was suspended from his post and I have been pressing the chief executive of the county council to let me know what disciplinary action will be taken against him.

One of the officials from the Minister's Department, Mr. David Prout, who is the director of communities and local government, came to speak in Shropshire about the White Paper, "Strong and Prosperous Communities". During that session he was asked a question, which I will quote from Councillor Tina Woodward's letter to the Minister:

> "As councils in Shropshire have had a ballot and the results were a unanimous 'no' to unitary, why was it now that the Government were deciding to consult the public?"

In his answer, Mr. Prout stated that

> "he was aware ballots had taken place, however it would be for elected members to decide as they were elected to do so".

In a public meeting in Shropshire, he gave the impression that the decision would be taken by councillors, not by the public. However, that directly conflicts with what we discussed earlier regarding public consultation forming an important part of establishing support for the proposal. Coming from a Government official, such a statement helped those present at the meeting to be confirmed in the belief that unitary was the only option. As time is pressing, I will move on to some of the other points that I wish to make.

The case against unitary and in favour of an enhanced two-tier system has not been put as clearly to the Minster as I would have liked. That is because the Minister has sought representations from those groups that wish to proceed with the unitary option, rather than from those who are opposed to it. I have referred to the two third-party reports from Capita and Professor Chisholm and representations have also been made by those councils that are opposed to the idea. Can the Minister confirm whether the views of the three councils in Shropshire that are opposed to unitary have been taken into account? What respective weight will she give to the fact that we have three councils for and three councils against the proposal?

It is clear from the explanatory documents that went out with the invitation for bid that an individual council or a group of councils cannot prevent an area from becoming unitary if, in other respects, the criteria set out by the Government are satisfied. In light of the overwhelming public view and the view of the three councils, it would be most helpful if the Minister would clarify what criteria she will use to judge whether or not local representatives, through their council decisions, will be allowed a voice.

Local concern about the issue is largely focused on democratic accountability and representation. In this country, we already have the lowest number per thousand of the population of elected representatives of any country in Europe. As I said earlier, the unitary proposal would substantially reduce the number of elected representatives in Shropshire. The attempt to provide some form of local participation through the introduction of 27 local area committees was said in the Capita report to be fundamentally flawed, because the area committees would have very limited resources and, effectively, no powers other than to advise. The feeling among the communities of Shropshire, particularly in the area that I represent, which is characterised by a large number of small villages, is that they will lose representation. When I hold surgeries anywhere in my constituency and discuss this matter, I ask people whether they want decisions to be taken by a remote—I try not to use emotive words—by a council based in Shrewsbury, the county town, or by the district council, and people universally say that they would prefer decisions to be taken at a more local level.

In Committee, the Government placed great emphasis on the fact that the objective of the Local Government and Public Involvement in Health Bill is to decentralise decision making—to take decisions closer to the people. In Shropshire, if we remove the district councils, decisions will be taken by a council that is heavily dominated by people who live in the county town of Shrewsbury. That might be an attraction for my hon. Friend the Member for Shrewsbury and Atcham.

Daniel Kawczynski: But we do not want unitary.

Mr. Dunne: Although I am well aware that he does not want unitary. The proposal will deny democratic decision making; it will centralise decision making; it is unpopular. The village voice, which at present is catered for by the district councils, will disappear. District councillors currently represent about 1,000 people. In many parts of my constituency that means a collection of two, three or four villages. If we move to a unitary structure, the councils will represent populations of 5,000, which, by definition, will be centred on the towns rather than the villages. Those villages feel that they will lose out. The local area committees proposed by "One Council for Shropshire" will not provide an adequate voice for villagers to enable them to feel that they are involved in decision making.

In conclusion, if the Minister ignores the ballot of public opinion that has taken place and given such a clear and decisive result, she does so at her peril. She should remember what happened in the north-east. Does she want to go down in history as the Minister who followed up the Deputy Prime Minister's gaff in going for a regional referendum with a local referendum in Shropshire? That is what the local elections will become. In a meeting that we had last month, the Minister's colleague, the Minister for Local Government, made it clear that the public consultation period is designed to straddle the local elections in May. If the Minister allows Shropshire to go forward into unitary and ignores the previous ballot, I confidently predict that the decision will go against unitary, because anti-unitary candidates will be elected, will reverse the decisions taken in at least some of those councils that are currently in favour of unitary—the county does not have elections so that would be in the district councils—and the current proponents will in some cases become anti-unitary. As a result the proposals will come back to the Minister to be rejected. I suspect that the agony of that process could be avoided.

The Parliamentary Under-Secretary of State for Communities and Local Government (Angela E. Smith): From what the hon. Gentleman has said, people

[Angela E. Smith]

listening to the debate could be forgiven for thinking that the proposal is some evil deed of the Government trying to force unitary. In fact, the proposal has come from a Conservative-controlled county council. When he says that there will be anti-unitary candidates standing against pro-unitary candidates, does he mean that people within the same party—his party—will be standing against each other to put a unitary or non-unitary point of view during the local elections?

Mr. Dunne: I am not saying that at all. What I am saying is that there will be a number of people standing on a predominantly non-unitary ticket. We have a large number of independents within South Shropshire and Bridgnorth and I anticipate that many of those will be overtly campaigning on an anti-unitary ticket. In addition, there may well be political parties—in my area, I anticipate, the Conservatives—that will campaign on an anti-unitary ticket. That is, indeed, my party's policy, and that is what I anticipate will happen. If the Minister chooses to ignore that outcome, too, that will bring into sharp relief the Government's real attitude towards local democracy and accountability.

Daniel Kawczynski *rose—*

Hugh Bayley (in the Chair): Order. I should tell the hon. Gentleman that I shall start the winding-up speeches at 3.30 pm.

3.10 pm

Daniel Kawczynski (Shrewsbury and Atcham) (Con): I congratulate my hon. Friend the Member for Ludlow (Mr. Dunne) on securing the debate, not simply because it is standard procedure to do so, but because this is an extremely important subject. He and I have been approaching the Speaker's Office for a considerable number of weeks, and I am extremely pleased that my hon. Friend has secured this debate.

The invitation to bid document has frustrated me greatly; indeed, I am starting to get my first grey hairs as a result of it and the whole unitary debate. Shropshire taxpayers have spent a huge amount of time, energy and money considering the document, although it may not even come to fruition. The document is a fig leaf to cover the Government's lack of funding and attention for the shires. They have deliberately neglected Conservative areas and shire counties, and as a result of their direct underfunding for Shrewsbury and Shropshire, they have come out with the invitation to bid document, which puts the emphasis on getting us to make cost savings, rather than on scrutinising their lack of funding for shire counties. That is an absolute disgrace and one of the worst travesties in our area under this Government—after their lack of funding for the Royal Shrewsbury hospital, of course, which is their No. 1 crime.

The increase in the local government contribution to Shrewsbury and Atcham borough council this fiscal year is 1 per cent. When one thinks that inflation is 2.7 per cent., one realises that the Government are actually cutting funding to Shrewsbury and Atcham. On top of that, they are giving neighbouring Telford and Wrekin council an extra £80 for every household. We therefore have two constituencies side by side, but one gets £80 more than the other for every household.

The Government's response, however, is always the same, "Our policies are skewed to ensure that areas of deprivation get more funding. We socialists want to give areas of deprivation more funding." I must tell the Minister, however, that there are significant areas of deprivation in Shrewsbury. When the hon. Member for West Ham (Lyn Brown) kindly came to Sundorn to see a new library being opened, she told me, "I didn't realise you had areas like this in Shrewsbury." The standard reply from socialists who come to Shrewsbury is to say, "We're amazed. We didn't know you had council estates." The standard prejudice among socialists is that Shrewsbury is a prosperous county town of beautiful flowers that does not need help. That is an absolute disgrace.

Angela E. Smith: Is the hon. Gentleman accusing my hon. Friend—

Daniel Kawczynski: I am not accusing the hon. Lady of anything.

Angela E. Smith: Can I just finish the sentence? It may help the hon. Gentleman if I suggest what I think he is accusing my hon. Friend of, because he seems to be accusing her of saying that Shrewsbury is a nice place.

Daniel Kawczynski: The Minister is wasting our time by saying that. We all know that Shrewsbury is a beautiful place, but I am trying to intimate to her that we have areas of significant deprivation, which the Government do not fully comprehend.

Despite the 1 per cent. increase and the lack of funding, Shrewsbury and Atcham is still rated an excellent council. It has recently built a state-of-the-art theatre and has a sports village in Sundorn, which is a regional facility. It has recently built a new livestock market, which is the most modern in the country. It has been rated an excellent council. It has funded and constructed a new guildhall. It has £50 million in the bank and its economic management is financially sound, despite below-inflation grants from central Government. It has been awarded beacon status for election practices and Investors in People status for its organisation and relationships with staff. It is the winner of the Britain in Bloom competition and is now going forward as Britain's entrant in the European Entente Florale competition. It has also instigated a request for Shrewsbury to be included in the extension of the west midlands high-tech corridor. Finally, it is an instigator and financier of the northern regeneration corridor study, which is a major regeneration initiative in the northern area of Shrewsbury.

I invite the Minister to come and look at the way in which Shrewsbury and Atcham borough council operates. It has an excellent chief executive and a formidable council leader, Peter Nutting. It is a truly excellent council, and it would be a great disservice to the people of Shrewsbury if it were dismantled, destroyed and thrown out in favour of an untried and untested unitary authority.

I came into politics because of a genuine interest in democracy—I have a passion for democracy—and I am deeply concerned that Shropshire county council is pursuing the unitary bid despite the fact that my constituents have so clearly rejected it. What right does the county council have so publicly to pursue the bid, when my constituents are so overwhelmingly opposed to it? And what right does Oswestry borough council have to promote it? This is a forced marriage—an arranged marriage—and Shrewsbury is an unwilling partner. We should not be dragged into a unitary organisation against our wishes, and I shall go to Shropshire county council's next full meeting formally to ask for this outrageous bid to be withdrawn.

Some Shropshire county councillors—this is an important point for the Minister—have told me that they deeply regret voting for the unitary authority and that the issue was not fully explained to them at the time of the vote.

Mr. Dan Rogerson (North Cornwall) (LD): Does the hon. Gentleman agree that that is very reminiscent of his party's decision to vote for the Iraq war?

Hugh Bayley (in the Chair): Order. That is not relevant to the matter under discussion.

Daniel Kawczynski: I thank the hon. Gentleman, because that gives me the opportunity to state that I was against the war in Iraq at the time—

Hugh Bayley (in the Chair): Order. We are not discussing the Iraq war in a debate about local government in Shropshire. All hon. Members should stick to the subject.

Daniel Kawczynski: I am grateful for that ruling, Mr. Bayley.

Shropshire county councillors told me that they were not fully aware of the facts and mentioned other concerns. That is an important matter, because some people were under the impression that Shropshire county council would lose money in some way if it did not vote for a unitary authority. It is a serious issue for a county councillor to be told, "If you don't vote for the unitary authority, Shropshire will lose out on funding, and local taxpayers will have to pay more." I shall be putting that point to the county council's monitoring officer, because I am extremely concerned that some county councillors were under that impression.

I was so concerned about the issue that I went to see the Minister for Local Government. He and his senior civil servants told me unequivocally that if Shropshire rejected the unitary authority, there could not and would not be any funding cuts under the local government settlement. Indeed, it is impossible for the Government to cut that funding because the mechanism is in statute. Some of my county councillors were not aware of that, and now that I have given them assurances on the issue, they very much regret voting for the unitary authority. When I go to Shropshire county council to ask it to withdraw its bid, I shall also ask it to consider another vote to see what councillors will do now that they know all the facts.

My hon. Friend the Member for Brentwood and Ongar (Mr. Pickles) has suggested that there is something Stalinist about the Government. I am very concerned that when the vote took place at the county council, everyone present voted for a unitary authority. I am concerned when there is total unanimity on a vote, because there should always be a certain amount of dissension. I am worried about how that vote was carried out, what information was given and why councillors all voted in that way.

What worries me more than that is the behaviour of Labour and Liberal Democrat councillors. Every single one of them without exception voted for the unitary authority. They want to abolish the strong Tory-controlled Shrewsbury and Atcham borough council and are behaving with a political perspective. Every Liberal Democrat and Labour councillor in my council voted to prevent my constituents from even having a referendum, apart from Councillor Farmer from Bagley, who is a very honourable Liberal Democrat gentleman and our former mayor. On the one hand, the Government, in their invitation to bid, are saying, "Well, in order for this to go ahead, there must be a certain amount of public acceptance", but on the other hand, every Labour councillor voted to prevent constituents from having a say. That is an absolute scandal.

Why are the socialists and Liberals so keen on that? The answer, of course, is quite clear: after the next election, I expect that we will have a Conservative Government, but if we do not there is a small chance—God forbid!—of another Lib-Lab pact. If that happens, the price that the socialists will have to pay the Liberals will be proportional representation in local government. If that is introduced, and we have a unitary authority, the socialists and Liberals will control Shropshire in perpetuity, because that is the nature of proportional representation. It is an absolute scandal that socialist and Liberal councillors are acting so politically.

Shropshire county council should be focusing on improving educational facilities and, in particular, on providing better care for children with autism, about which I feel passionately and about which my constituents talk to me. It should be focusing on our care homes and other issues that affect constituents on a daily basis. It frightens me to death the amount of time, energy and money that has been spent on the invitation to bid document, rather than on the bread-and-butter issues that affect my constituents on a daily basis.

I need to inform the Minister that Shropshire county council's bid fails on two key criteria according to its own invitation to bid document—my hon. Friend the Member for Ludlow alluded to some of this. The first criterion is public support. We need to prove some semblance of public approval. As my hon. Friends have said, the county council's way of showing that was to interview just 44 people. How ludicrous! It is an absolute disgrace! In comparison, Shrewsbury and Atcham borough council held a public referendum, the wording of which was audited by the Electoral Reform Society, which also counted the votes. Everything was done scrupulously and independently.

More than 27,000 of the great men and women of Shrewsbury took part in that referendum on a relatively difficult question, in which not everyone is necessarily

[Daniel Kawczynski]

interested. Think about it—more than 27,000 of my constituents actually made the effort to look into the matter and cast their ballot. And nearly 70 per cent. of them voted against the unitary authority. That is despite the fact that Shropshire county council promised to cap council tax to 3.5 per cent. for the next two or three years—the biggest carrot that has ever been dangled in front of my constituents. Nevertheless, still my constituents, knowing that, decided to reject the unitary authority proposals.

I have said that I am concerned deeply about the behaviour of Labour and Liberal councillors, and I shall continue to pursue that. I have been jumping up and down during Prime Minister's questions for the last few weeks trying to be called—unsuccessfully. When I am called, I shall ask the Prime Minister directly whether, if they put that criterion in an invitation to bid document, he will respect the wishes of the people of Shrewsbury, and ensure that his Government behave honourably.

The second criterion is the business case. Shropshire county council's business case does not hold water. I have been quoted in my local newspaper saying that it is like a Swiss cheese—it is so full of holes, it simply does not hold water. My hon. Friend the Member for Ludlow mentioned the Capita report and Professor Chisholm of Cambridge university. I had an extensive telephone conversation with Professor Chisholm the other day. He is a leading expert on local government and has assured me, having read Shropshire county council's report, that it simply does not stack up. The Government said that the business case must stack up before moving to the next stage.

The Government cannot pursue that because the proposal will be liable to judicial review. I assure the Minister that if she allows it to move to the next stage, Shrewsbury and Atcham borough council and I shall ensure that it goes to judicial review. We will do everything in our power to ensure that the Government are highly embarrassed. It would be "a very courageous move"—as Sir Humphrey Appleby once said—on her part to allow that to move forward. She will have egg on her face when the judicial review takes everything into account. How can we trust the Government, if they set guidelines in the invitation to bid document and then ignore them?

I am running out of time, so I shall be quick. I am also deeply concerned about Shropshire county council's chief executive, who has tried to lobby the public directly through public meetings and challenging me and others on television. I have been told that if the council is in favour of unitary authority, the chief executive has every right to lobby on that issue in public meetings and on television, but I disagree, because she is not elected or accountable to constituents in the way that we are. I would like the Minister seriously to consider what guidelines the Government will give to chief executives on the role that they can play in appearing on television and in public meetings in pursuing a certain policy. Chief executives must be totally impartial and independent, because if there is a change of administration, they will have to pursue a totally different course of action. That is why it is so important that they do not appear on television or at public meetings trying to convince citizens to vote in a certain way. I would be very grateful for such assurances.

Finally—I have more to say but we are running out of time—I am so concerned that I have been to see the Audit Commission and submitted various statements from me and my constituents, and it is investigating our complaints. I have even been to see Lord Sandy Bruce-Lockhart, the chairman of the Local Government Association, with whom I am pursuing various lines of action. Regrettably, I have been informed that the Government—I hope that the Minister can contradict me—intend to allow all the shire bids to jump the first hurdle. What a shame that we must hear that through rumour. It is something that should be decided by Parliament. We should find out here, not through rumours. How can the Government do it when they have not considered the two-tier system?

We cannot allow the unitary proposal to go forward. At the same time, we should be considering the enhanced two-tier system. I urge the Minister to consider what Shrewsbury and Atcham borough council has proposed—a brilliant two-tier scheme that will save the Government a great deal of money. The Minister should examine that enhanced two-tier scheme of working; it will save the Government more money than the unitary bid proposals. I implore her: please respect the wishes of the people of Shrewsbury and do not force that ghastly unitary authority on us.

3.30 pm

Mr. Dan Rogerson (North Cornwall) (LD): I congratulate the hon. Member for Ludlow (Mr. Dunne) on securing this debate. He and the hon. Member for Shrewsbury and Atcham (Daniel Kawczynski) had a great opportunity to put their side of the case in the arguments for and against unitary authorities in Shropshire.

Shropshire is a fine county. I recently had the opportunity of spending the night there, although it was in somewhat unfortunate circumstances. I was with members of the Select Committee for Environment, Food and Rural Affairs and we were stranded there by adverse weather on our way back from a visit to the Centre for Alternative Technology in Powys. None the less, we had a most pleasant evening in Shrewsbury; it is a fine town.

The hon. Member for Ludlow began by outlining the successes of local government in Shropshire. He drew attention to South Shropshire district council and said that Liberal Democrats around the country often congratulate our colleagues there—they are led by Councillor Heather Kidd—particularly on their innovative solutions to tackling the problem of housing affordability for local residents. They have had great success in providing new opportunities for affordable housing—to buy, to part-buy and to rent.

The hon. Gentleman also pointed out the successes and the good assessments made of the county council, which is Conservative led. It is crucial to remind the House that one is a Liberal Democrat-led council and the other is Conservative led, and that both have come out in favour of a bid. It is not that I advocate a unitary authority for Shropshire: I merely say that there are those in Shropshire who make such a case. It is important for us to bear that in mind.

The hon. Gentleman seemed to make a strange attack on the leader of South Shropshire district council, saying that she had no mandate to speak for people there as the Conservative party had failed to field a candidate against her at the last election. It remains to be seen whether the Conservative candidate at the next local election will be in favour of unitary authority, as is the Conservative-controlled county, or whether he will be against it, as the hon. Gentleman implied that many other Conservatives are. We will have to wait to see what happens.

The hon. Gentleman raised some understandable concerns about centralisation. In many of the debates about potential unitaries, particularly about those county bids that have gone forward throughout the country, that will understandably cause some anxiety. It is up to those who have made a bid to say how they intend meeting those concerns and whether they will provide some measure of devolution within the proposed new structure to ensure both local decision making and that the concerns of local people are borne in mind.

The hon. Member for Shrewsbury and Atcham spoke about funding councils in rural areas. He was right to say that many rural areas face a raw deal under recent Government policies. My area of Cornwall could make a similar claim. He issued a plea for the good actions of his council, Shrewsbury, to be taken into account. He also spoke of his support for European initiatives such as the Entente Florale. I know that he is interested in European issues generally.

I am sad to say that the hon. Gentleman also made some odd remarks about some sort of plot by Labour and Liberal Democrat councillors. That argument was somewhat bizarre. As we heard earlier, the Conservative-led council put forward the proposal for a unitary authority, although members of other parties supported it. It is most important to bear that in mind.

From my party's perspective, any consideration of local government structure must be a matter for local people, through their elected representatives—and through the consultation that will doubtless have to take place under the Government's proposals. If any proposal from Shropshire meets that first hurdle, it can move on to further consideration.

When considering how unitaries from the last round of local government reform have progressed, it is fair to say that there have been some arguments about size—whether some unitaries were the right size to deliver the services requested. Retrospectively, we could say that some of those unitaries were smaller than they might have been. That presents particular—though not necessarily insurmountable—challenges, and it certainly puts extra pressure on those councils to deliver.

The important thing is that there must be good local political leadership and engagement with people. I stress that it is all about the vision that people have for their communities and not necessarily about the structure. Whether the structures work or fail depends on the leadership provided by the locally elected members.

The unitary issue in Shropshire is a cross-party one. It is important to make that point consistently. It is unfortunate that the word "Stalinist" has been bandied around about various political parties and political figures. It has not escaped my attention that the leader of the Conservative party wrote to councillors around the country urging them to reject unitary bids, and setting that rejection as party policy. That seems a slightly odd action for a party that claims to have been persuaded to localism.

Daniel Kawczynski: There is a clear distinction between the Conservative party and the Labour and Liberal Democrat parties. In our party, different and contrasting views have been expressed by councillors, but that is not the case for Labour and the Liberal Democrats. To a man, and to a woman, they have all been in favour of a unitary authority. Whereas there has been genuine healthy debate in our party, local debate has been Stalinist among the Labour and Liberal Democrat parties.

Mr. Rogerson: I am grateful to the hon. Gentleman for that intervention, but it was somewhat undermined by his earlier comment about a particular Liberal Democrat who took a different view.

Mr. Pickles: The hon. Gentleman says that the leader of the Conservative party has written to all councillors; that is not true. He made those comments in a speech to the Local Government Association conference in July last year. No letters have been written.

Mr. Rogerson: I am grateful to the hon. Gentleman for correcting me, although I understand that fairly strong pressure has been exerted by the Conservative local government team, of which he is a member, to imply that unitaries are very much not the policy of his party and therefore that councillors should not make a bid. However, some in Shropshire clearly have done so.

We will soon have the results of the bidding process and discover which bids are to move beyond that first hurdle. We then need genuine consultation and engagement, in Shropshire and elsewhere, to ensure that there is support for such a bid—that, having made an economic case, it has local support.

I must also criticise the Government over the Local Government and Public Involvement in Health Bill, which is now making its way through the House. It is not just about structure; it is also about leadership.

Mr. Dunne: I take the hon. Gentleman back to his comments about public support. Does he accept that a ballot has already taken place in Shropshire?

Mr. Rogerson: I know that ballots have taken place in some parts of the county, but I am not in a position to comment further as I do not know whether the questions were the same in each ballot or the extent of the turnout in each area. Clearly, there has been some expression of opinion in both directions.

Let me revert to the point that I was making. The question is not just one of county structure, it is also about how leadership is demonstrated within that structure. It is unfortunate that the Government consistently propose centralisation of power in local authorities, because it might present problems for authorities that progress toward a unitary structure if such moves are perceived as centralising.

[Mr. Rogerson]

I congratulate the hon. Member for Ludlow once more on securing the debate. It is clear that a discussion is taking place in Shropshire about whether the proposals constitute a move in the right direction. I hope that hon. Members and members of local authorities across the county will ensure that all views are fairly represented in moving towards a decision after the Government's announcement on the Shropshire bid.

3.40 pm

Mr. Eric Pickles (Brentwood and Ongar) (Con): It is a pleasure to appear before you, Mr. Bayley. The debate has been enjoyable, not least for the opportunity to listen to my hon. Friends the Members for Ludlow (Mr. Dunne) and for Shrewsbury and Atcham (Daniel Kawczynski). Their battles on behalf of their constituents have drawn admiration from all parts of the House, as have their persistence and the quality of their arguments, and today has been no exception.

Like the hon. Member for West Ham (Lyn Brown), I have visited Shropshire. However, when I was walking there with my hon. Friend the Member for The Wrekin (Mark Pritchard) on a sunny December day when buzzards were rising on the thermals, I would never have believed the amount of turbulence that was being caused by the restructuring of local government. It is a pleasure to see my hon. Friend in his customary place. However, what a pity that restructuring has become such a terrible distraction—that was the point that I think my right hon. Friend the Leader of the Opposition was making to the local government conference. We have been bedevilled in local government by moves backwards and forwards between reviews, including on structure and finance. Today has seen the publication of the report by Sir Michael Lyons, which I was reading a few moments before I arrived in the Chamber. We have again been left with a timid response on what he thinks the Treasury will want him to do.

The whole question of the functioning of local government has lain in aspic for the best part of 100 years. My view is that reform of local government should be about its function, and that structure and finance should flow naturally from that. I deeply regret that the Government have rejected what I believe to be a growing consensus in local government that change should take place on the basis of reform of function. That consensus could have been extended, and an opportunity has been missed. The Secretary of State for Communities and Local Government was right when she said that local government should be issue-led. The outcome is the most important matter for citizens to consider.

Along with other authorities, Shropshire took part in the survey whose results were recently published by the Local Government Association. Concern was expressed about council care services. Four hundred councils took part in the survey, and 40 per cent. said that their financial situation was worse than in the previous year, while 51 per cent. believed that the financial situation with regard to care services would stay the same or get worse in the next financial year.

Lord Bruce-Lockhart said that

"there are grave financial pressures on both councils and the NHS that are starting to impact on the quality of service"

for people in care. It would make far more sense to deal with those matters than to spend an enormous amount of time worrying about unitary authorities.

I spent the best part of 11 years of my life with the fourth largest unitary authority in the country—the latter part as leader. My experience is with unitary authorities, and I had a wonderful time. However, I recognised when I moved to a more rural area than Bradford that the partnership between county and district could be a dynamic one.

I had an opportunity to go to West Sussex and ask about the model that is used there. It has been the subject of some discussion. I was interested to hear that the folks of West Sussex are surprised that other people are taking up that model, because it was produced largely on the basis of a guesstimate. My right hon. Friend from Ludlow—I beg his pardon, my hon. Friend the Member for Ludlow, although no doubt he will be right honourable in due course—referred to the work of Michael Chisholm, the Cambridge university emeritus professor, who has outlined the cost of restructuring. Professor Chisholm reckons that the cost is something in the region of £121 per head, and that

"there is every prospect that on-going costs would in fact be increased. Such a bill would be equivalent to £345 per council tax-paying household."

That strikes me as a very large sum of money indeed.

I went to listen to the Deputy Prime Minister at the time when he still had a Department and was appearing before the Select Committee on the Office of the Deputy Prime Minister. In giving evidence as to whether people would be consulted, he said:

"What we are not saying...is that we will abolish you. We are saying that we will give you an opportunity if you want to make a decision to become a unitary authority and we will leave the choice with you."

That is what my colleagues have been proposing. The Deputy Prime Minister continued,

"we are looking at the local government structure and organisation and saying to people who live in the unitaries and the counties if you want to have a unitary then you can have a ballot, discuss it with the people, but if you want it, fine. What is wrong with that?"

The hon. Member for Mole Valley (Sir Paul Beresford) was on the Select Committee panel. He asked the Deputy Prime Minister:

"If they do not want a unitary and they wish to stay the same...?"

The Deputy Prime Minister replied:

"They will vote presumably for that. If you look at the regional ballot that we had in the North East, people had the vote as to whether they should be unitary."

I am worried that the whole thing has been pulled back from people despite clear Government statements on it. There has been tremendous turmoil, not just in Conservative authorities but in Liberal Democrat and Labour authorities. I am greatly indebted to Ann Black of the Labour party national executive committee, who has a blog on NEC meetings. She reports that, at the national policy forum on 3 February:

"John Prescott opened the meeting by warning against division and calling for vigorous but constructive debate."

The press were asked to leave at one point, after which, she reports:

"Tony Blair fielded a wide range of questions with his usual fluency."

According to the blog, when the Prime Minister addressed the issue with that usual fluency, he said that he was aware of differences between county and district councils on local government reorganisation, but urged people to concentrate on issues that voters cared about.

I am not entirely sure that voters at the Dog and Duck care enormously about the issue. However, the voters in Shrewsbury were consulted, and they followed the advice that was given by the Deputy Prime Minister, by the Prime Minister and by the Minister for Local Government. They cannot have their views so easily dismissed—that would be a travesty. It would make a mockery of democracy.

It is not impressive that a council has consulted 44 people and has based a policy on that consultation. When I visited Ironbridge, I saw a fish and chip shop with a queue that had more than 44 people in it. Ballots with turnouts of 46.5 per cent, 37 per cent., 41 per cent. and 40 per cent., however—they are impressive. No one can dismiss them. I understand that tomorrow the announcement will be made. I may be wrong about that, but it would be an insult to ignore the views of a substantial proportion of the people of Shropshire.

Let me explain one of the things bedevilling us. I would be grateful if the Minister responded to this; I shall put it to her as delicately as I can. There is a suggestion that the chief executive of Shrewsbury, Carolyn Downes, has some kind of special access to the Secretary of State for Communities and Local Government and that a back-door deal is being sought to circumvent the will of the people of Shropshire. I would like the Minister to give a clear assurance that everything that will be done with regard to unitaries in Shropshire will be above board, that there will be no back-door deals and that no person has a greater say than the people of Shropshire, who have been asked a question in a ballot and have given a very clear mandate.

3.51 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Angela E. Smith): I thought that the comment by the hon. Member for Brentwood and Ongar (Mr. Pickles) that no one should have a greater say than anyone else was quite appropriate. It is interesting that in a debate that has ranged so widely and in which so many questions have been asked, I should get the least say when it comes to trying to answer those questions. However, I shall do my best and I apologise now to hon. Members who spoke at length if I cannot deal with the points that they raised; I would very much like to do so.

First, I congratulate the hon. Member for Ludlow (Mr. Dunne) on initiating the debate. This is clearly an issue about which he and the hon. Member for Shrewsbury and Atcham (Daniel Kawczynski) feel very strongly indeed. I do not think that I have responded to any other Adjournment debate—indeed, any debate in the House of Commons—in which I have had so many challenges. I have been told that I will ignore the comments at my peril and live to rue the day. I appreciate the very strong feelings that people have on the issue.

I hope that the hon. Member for Ludlow will understand that I am somewhat constrained in what I can say today. I will do my best to answer questions that have been raised, but if I was to respond to some of the questions that have been put to me, I would be commenting on the merits or otherwise of a particular proposal, and clearly I cannot do that until Ministers have had the opportunity to consider all the information that is put to them.

The hon. Member for Shrewsbury and Atcham made a comment about rumours. May I assure him that a decision will be made and there will be a written statement to the House of Commons in the appropriate way? That is how the decision will be announced.

For clarification, I take exception to the disgraceful comments from the hon. Member for Brentwood and Ongar about back-door deals. I can give an assurance to the hon. Gentlemen who have raised these issues already that all the information provided to Ministers will be considered in the course of the examination of the issues. I was asked specifically about the reports, including Professor Chisholm's report. I can give an assurance that that matter will be looked at by civil servants and they will report to Ministers. We will have regard to all the information when making decisions. I hope that reassures hon. Gentlemen.

Daniel Kawczynski: Will the Minister give way?

Angela E. Smith: I will give way, but I may not have a chance to answer other questions.

Daniel Kawczynski: On that specific point, will it be possible for Parliament to examine the way in which the bid has been assessed? Will we be able to see all the e-mails and assessments by civil servants on this issue?

Angela E. Smith: No, of course not, and the hon. Gentleman is wasting time by suggesting such a thing. There is certain information and advice to Ministers that under the Freedom of Information Act 2000 it is not open to everyone to see, but I hope that the hon. Gentleman will accept the assurances that I have given him—or perhaps he is suggesting that my assurances have not been given in good faith. Information will be fully examined and fully considered, and all the information will be taken into account before decisions are taken. I hope that that explanation is sufficient for the hon. Gentleman to understand the process. If I have time in the few minutes available to me, I will go through the criteria against which the proposals will be examined.

There seems to be some confusion about why this matter was brought before councils in the first place. Perhaps it will help hon. Gentlemen if I say that there is no political conspiracy. I was not aware of the degree to which hon. Gentlemen thought that it was a party political issue; indeed, I had not seen it as such at all. Representations were made to Governments over many years, showing that there was considerable concern about different structures in different areas and asking whether there would be an opportunity for some councils to make proposals for a unitary authority. The invitation was issued with that in mind, not because of anything to do with funding. Incidentally, the figures given by the hon. Member for Shrewsbury and Atcham on funding are completely inaccurate. In respect of the

[Angela E. Smith]

funding for his council, I think that the increase was 2.9 per cent. on a like-for-like basis. This is not about funding.

Daniel Kawczynski: The figure was from the finance director of the council.

Angela E. Smith: Will the hon. Gentleman let me address the points that he has raised in debate? I do not want to leave questions unanswered in the debate and I am doing my best to address all the points that he and his hon. Friends have put to me.

This issue had nothing to do with regional government; it had nothing at all to do with funding. It was about putting the citizen at the heart of service delivery and asking in each area what is the best way to achieve service delivery. If councils in an area want to make a bid for a unitary authority in the interests of a better service to constituents, it is open to them to do that, but I take the point that we cannot have ongoing confusion and change in local government. There was a window of opportunity. People can find the two-tier system quite confusing and inefficient in many ways, and the opportunity has to be there.

The hon. Member for Ludlow asked about the status quo not being an option. Our goal is more efficient services for the public. The White Paper referred to the "risks of confusion, duplication and inefficiency between tiers". The councils themselves will find the best ways of addressing that confusion, duplication and inefficiency. Shropshire county council and others in that area have come forward with a proposal for a unitary authority, but authorities may want to, as the pathfinders will, enhance two-tier working. Both of those are options that are open to local authorities, but in this case the bone of contention for the hon. Gentleman is that Shropshire county council has not wanted to put forward a two-tier model.

I was slightly amused—I know that the hon. Member for Shrewsbury and Atcham will forgive me—when he reported that the county councillors, who I assume had a fairly lengthy debate on the issue, did not know what they were voting for until he told them, but all members of the public who voted had examined the issue in detail. I assume that if there is confusion, it has gone across the board and it is not just councillors who may have been confused.

We in government have to look at the information that is presented to us, and all the information will be taken into account. Each of the 26 proposals has been carefully considered over the past eight weeks against the clear criteria set out in the invitation. Once a decision has been taken on which proposals can go forward, a full decision letter will be sent to the authorities, setting out the reasons for the decision, whether that is to move forward with the proposal and go out to consultation or not. It might be helpful if I explain to hon. Gentlemen the criteria that we take into account.

First, the proposals must be affordable. The change to a unitary structure must represent value for money and must be met from councils' existing resources. Proposals must be supported by a broad cross-section of partners and stakeholders. In addition to affordability and support, we also need to check whether proposals provide strong, effective and accountable strategic leadership in an area, deliver genuine opportunities for neighbourhood flexibility and empowerment, and deliver value for money and equity on public services.

The hon. Member for Ludlow raised the issue of the local polls held by some councils across Shropshire and how we take those into account. Of course, we have to have regard to any poll that is held in an area for which a proposal has been put forward to us. That will not be the only factor that is taken into account. Clearly, there is other information as well. A poll will be one of many factors that we take into account in assessing proposals.

The hon. Gentleman used the phrase "set aside". Clearly, information will not be set aside; it will be considered. He also suggested that I would ignore the poll at my peril. I think that that is a misrepresentation. He might want to reconsider his remarks on that. All the information is considered in the process. Ministers have regard to all the information that comes through. I can give him that assurance, but we need to take into account how accurately the poll reflected public opinion. If the hon. Gentleman asked his constituents, "Do you want to be governed by a remote local authority?" clearly a poll couched in those terms would be regarded slightly differently. The wording of the question is important. We want to have a true assessment and accurately judge public opinion.

We are talking about the devolutionary principle. It is not top down from Government; it is bottom up. That is why an invitation was issued for local authorities that wanted to bid for a unitary authority to do so. The Government are obliged to consider and will fully consider the bid from Shropshire county council and others, and we will take into account all factors that have been presented to us.

Police Ombudsman for Northern Ireland

4 pm

Mr. Jeffrey M. Donaldson (Lagan Valley) (DUP): I welcome the opportunity to address this issue. On Monday 22 January, the Police Ombudsman for Northern Ireland held a press conference to launch her statement on the investigation into the circumstances surrounding the death of Raymond McCord Jr. and related matters. Her statement detailed the outcome of a four-year investigation, known as Operation Ballast, into the police's handling of informants in a north Belfast grouping of the Ulster Volunteer Force, which is a proscribed terrorist organisation.

The ombudsman's statement had significant flaws. Without offering any substantive evidence or justification, it made a series of assertions that were highly damaging to the reputations of a number of identifiable individuals and to the collective reputation of the Royal Ulster Constabulary, George cross. Let me make it clear from the outset that I deplore the murders of Raymond McCord Jr., Peter McTasney, Sharon McKenna, Sean McParland, Gary Convie, Eamon Fox, Gerald Brady, Thomas Shepherd, William John Harbinson and Thomas English, all of which were touched on by the ombudsman in her report. Those people were all murdered by the UVF in north Belfast, not by the RUC. There is no evidence that any police officer committed any criminal offence in connection with any of those murders.

The ombudsman's report made allegations of guilt, but her investigation did not produce prima facie evidence that is acceptable to the Public Prosecution Service. The Director of Public Prosecutions had already directed, before the ombudsman's statement, that there should be no prosecution of any serving or retired police officer. Similarly, no action in respect of any alleged breaches of police discipline is recommended in the ombudsman's statement. Despite all that, the ombudsman appears to have concluded that special branch and, in certain cases, the criminal investigation department exhibited a mixture of disregard for the criminal justice system and incompetence, and that somehow special branch, rather than the terrorists, were to blame for Northern Ireland's ills during the period in question.

Officers of the RUC, GC are very proud of the contribution that they have made to policing in our society, and particularly the contribution that special branch made to bringing relative peace to Northern Ireland. They are also proud that the counter-terrorist techniques that they pioneered in Northern Ireland are helping to save the lives of many people in other parts of the world in communities that have growing terrorist problems and significant organised crime. Officers who served in the RUC are saddened by attempts from some quarters to denigrate the immense contribution that has been made by all the police officers who served the people of Northern Ireland so well. They were not and are not prepared to be willing participants in this attempt at an Orwellian rewriting of history.

The serious shortcomings of the ombudsman's statement may be attributable to her methodology, which appeared to be to decide the outcome of the inquiry at the outset and then to seek evidence to support the findings. That approach is particularly noticeable in the parts of the statement in which conclusions are based on the "absence of any explanation". Facts that may tend to suggest alternative conclusions are conveniently ignored.

Yesterday, a number of senior retired police officers representing the Northern Ireland Retired Police Officers Association published a comprehensive rebuttal of the ombudsman's report. They have no personal detailed knowledge of the specific events to which the statement refers. It is their earnest hope that the renewed interest in these matters will increase the prospect of a successful completion of police inquiries into the dreadful crimes that are referred to in the statement. Neither they nor I will do anything that might inhibit those prospects. The purpose of the rebuttal is not to question the detail of police action or to revisit the particulars of the ombudsman's investigation into that activity, but to criticise the methodology of the ombudsman's statement—its construction, layout and findings.

The statement has, predictably, been used as a political tool. It has been used most inappropriately, because it is flawed—its findings and conclusions are based on a total absence of contextual understanding and on dubious reasoning. One must recall that at the time of the events in question, there was still a serious situation in Northern Ireland with ongoing terrorist attacks and with the UVF in north Belfast being particularly active. It is easy, after the event, to apply conventional policing methodology to a situation, but policing then had to be unconventional at times, because we were involved in a conflict situation and engaged in countering terrorism. The important points are that it was unconventional within the law and that it was in accordance with the norms of gathering intelligence to counter terrorism. It is worth bearing in mind that many people in Northern Ireland are alive today because of the intelligence that police were able to acquire by infiltrating terrorist organisations—not only the UVF, but the Provisional IRA and other terrorist organisations.

Let me put on the record that the RUC successfully prosecuted more loyalist paramilitaries than republican paramilitaries, and that it had a high degree of success against loyalist paramilitaries. That is sufficient to counter the notion that the RUC was collectively and systemically engaged in collusion with loyalist paramilitarism. There is simply no evidence to support that accusation, yet some in the political realm have sought to use the ombudsman's report to create the impression that there was systemic collusion by the RUC. Not even the ombudsman suggested that, but her report has been exploited to that end, and she has failed to rebut those allegations. That failing on her part ought to be corrected.

The ombudsman's statement about collusion suggests no definition whatever for what constitutes collusion. The broadest interpretations of collusion are in the ombudsman's report: it can mean an act of omission as much as an act of commission. It can mean destroying intelligence documents, which was a routine police action to protect intelligence—indeed, it is still a routine action for intelligence services in the UK.

While I am talking about intelligence, let me voice my deep concern about the way in which the ombudsman's office is used to publish reports on paper and on the internet that expose vital intelligence-gathering techniques deployed by the police and

[Mr. Jeffrey M. Donaldson]

intelligence services. That leaves this country vulnerable, because it is not only law-abiding people who read those reports. If I were in al-Qaeda or were a terrorist in the UK who sought to understand the methodology of the security services, I would need go no further than the website of the Police Ombudsman for Northern Ireland to find out a lot about the methodology adopted by our security services.

I draw attention to the publication, on 13 December 2006, of the ombudsman's report into the murder of Stephen Restorick, a soldier who was murdered at Bessbrook in County Armagh. If one reads that report on the website, one will see detailed information about the intelligence-gathering techniques that are used by the security services in Northern Ireland, including techniques that are still used by security services throughout the UK today. In the context of the war on terrorism, that is a dangerous thing—it is a matter of grave concern that the Government need to examine closely. Of course there is a need for openness, but we must protect our country and our security services, which are doing valuable work to save lives. That aim is being compromised by the lack of accountability of the Office of the Police Ombudsman for Northern Ireland and by the publication of sensitive information.

Mark Durkan (Foyle) (SDLP): The hon. Member for Lagan Valley (Mr. Donaldson) has referred to the police ombudsman's report on a complaint about the murder of Stephen Restorick. Does he recognise that the report found that the suggestion or allegation that the Royal Ulster Constabulary could have prevented that murder was wrong? A number of the police ombudsman's reports have discharged the RUC of allegations of either complicity in specific murders or of dereliction as far as investigations are concerned. Some of its reports have discharged the RUC of those suspicions, although others have found a suspicion to be upheld.

Mr. Donaldson: I am not suggesting that we should dispense with the services of the police ombudsman. The hon. Gentleman has completely missed my point, which is about not the ombudsman's findings in her investigations of complaints, but the information that she publishes. My concern is that such publications potentially compromise our security services in their war against terrorism. That ought to be a matter of concern to the Minister and the Government, because it leaves our security services in a very vulnerable position and the techniques that they use might be being compromised unnecessarily. It is not necessary to publish such information in order to give the findings of a report.

Mark Durkan *rose—*

Mr. Donaldson: I am limited in the time that I have available, so I must move on.

I want to make a number of key points about the ombudsman's report. There is a lack of objectivity on the part of the Office of the Police Ombudsman for Northern Ireland, particularly in relation to the role of special branch. I urge the Minister to read the report that has been prepared by the Northern Ireland Retired Police Officers Association, and I shall ensure that he is provided with a copy. It goes to the heart of the matter and not only touches on the ombudsman's investigation into the murder of Raymond McCord Jr. and related matters, but opens up wider issues about the conduct of the police ombudsman's office, its powers and the manner in which its investigations are conducted.

I regret the way in which retired police officers have been dealt with during this investigation. It was wrong for the ombudsman's statement to identify a number of senior retired police officers, because their security has been compromised and their families have been put under stress when the officers have done nothing wrong. The ombudsman's statement contains no evidence to suggest that they are guilty of any wrongdoing.

I must tell the hon. Member for Foyle (Mark Durkan) that statements that he made in the House following the publication of the report also compromised the security of those senior officers unnecessarily. They should not have been singled out, which was regrettable. We must not get into a situation that is about seeking out, and naming and shaming, senior police officers who have made a massive contribution to building peace in Northern Ireland and to securing a future for our people. It is entirely wrong for them to be treated in the way in which I have described. I hope that he will take the opportunity, at some stage, to apologise to those officers for the stress and the wrongdoing—

Mark Durkan *rose—*

Mr. Donaldson: If the hon. Gentleman is intervening to do that now, I shall give way, but if he is not, I shall need to make progress.

I want to pose the Minister some questions. Will he accept that the rebuttal report that was published yesterday by the Northern Ireland Retired Police Officers Association demonstrates that the original report published by the ombudsman on 22 January is crucially flawed? He might not have had the opportunity to read it, but I hope that he will do so.

The Minister will be fully aware that the Public Prosecution Service had directed no prosecution of any serving or retired police officer before the publication of the ombudsman's report. Does he therefore accept that the use of the word "collusion" is not anchored in legislation, and that the word has no legal definition and has simply become a political catch phrase for use at the whim of the investigator when nothing else fits? Does he accept that correspondence clearly shows that the three former assistant chief constables, who were named in the House by the hon. Member for Foyle, provided considerable assistance to the ombudsman's office and made themselves available for further inquiries that were not made to them?

Does the Minister also recognise that those officers' rights have been infringed, including, potentially, their rights under article 13 of the European convention on human rights? Does he accept that the officers were never formally interviewed or reported by the police ombudsman for any alleged offence? Does he accept that the ombudsman's report has potentially compromised the security of police officers and agents, and has

disclosed secret security force methodology in a reckless manner, thereby damaging national security operations in the UK and abroad?

As the rebuttal report will show, the original ombudsman's statement is crucially flawed. The RUC collectively and the officers who have been maligned both by the statement and subsequently are entitled to a public apology for the manner in which they have been treated. Instead of simply accepting the ombudsman's report at face value, as the Government have done hitherto, it is incumbent on the Government to examine all aspects of the report in more detail, to carefully consider the rebuttal document that was published yesterday and to take a more rounded and balanced view of the entire situation.

There must not be a rewriting of the history of the troubles in Northern Ireland, whereby the RUC and the Army are painted as the bad guys and the paramilitaries come up smelling of roses. That is the danger, because the paramilitaries do not keep records and can get away with so much. We know that the police are rightly accountable under the law, but this process must not be a witch hunt. It must not be about the Government releasing prisoners early and trying to draw a veil over the paramilitaries' past, while police officers who did their best to defend the people of Northern Ireland and the United Kingdom from terrorism end up in the dock being accused of things that they have not done by the broad use of terms such as "collusion", which no one can really define. I hope that the Government will see the need to recognise that if we are to unpick the past like this—in a one-sided and unbalanced way—we would be storing up trouble for the future. None of us wants that; we want to move on.

4.18 pm

The Parliamentary Under-Secretary of State for Northern Ireland (Paul Goggins): I congratulate the hon. Member for Lagan Valley (Mr. Donaldson) on securing the debate and on raising this issue. Although it is controversial, it is important for his constituents and others, so it is good that he has had the opportunity to raise it. I also congratulate him on the constructive way in which he posed his questions. He raised issues about the role of the ombudsman, and asked specific questions about the recent report into the murder of Raymond McCord Jr.

I shall deal with some of the specific points shortly, but it is important to understand at the outset the important role that the police ombudsman plays in Northern Ireland. The ombudsman adds to a range of scrutiny that is perhaps as great as any that exists in the world, and it is important for community confidence in the PSNI that the ombudsman does the job well and with the full support of the whole community.

The ombudsman is empowered under part VII of the Police (Northern Ireland) Act 1998. Her job is to create an efficient, effective and independent complaints system. We are talking about complaints about the conduct of specific police officers, but she must also deal with issues that may be referred to her by the Secretary of State, the Northern Ireland Policing Board or the Chief Constable. Her officers must, of course, operate within the law. Many of them have the same powers as police officers, and must operate under the relevant police and criminal evidence legislation. She must deliver a fully independent system. While people may have a range of opinions about her report, she must have the independence to carry out her investigations and deliver her conclusions. An important assurance is that she must operate within the strict guidance and rule of law that applies to the police.

Some of the ombudsman's investigations, including the one that we are discussing, deal with difficult issues from the past, and they arouse controversy and emotion. I understand that. She is the only investigatory authority in Northern Ireland with the power to investigate, for example, events that led to a death involving a police officer, so the territory that she covers is bound to be controversial. In fact, it is worth noting that, since the ombudsman's office was opened for business a few years ago, it has dealt with 18,000 complaints from a wide variety of sources from all communities, including military personnel and the families of police officers. It is important to understand that many of the reports and investigations have reaffirmed the fact that the police acted entirely appropriately.

I regularly receive reports, for example, about police use of CS spray. The Chief Constable automatically refers any incident in which that happens to the ombudsman. Every report that I have seen exonerates the police and supports their action. Even today, the ombudsman has released information about a report into an incident, and the headline on the press release is "Officers justified in shooting man who left bomb in city centre." That report was about a specific case in which a firearm was discharged by the police. It was automatically referred by the Chief Constable, and hon. Members can read the press release for themselves, but it absolutely exonerates and supports the police officer's action. Before dealing with the detail of the report into Raymond McCord Jnr., it is important to get the balance right. The police ombudsman has often reported affirmatively on the police's conduct.

Mark Durkan: Is the Minister aware that the figures show that 85 per cent. of police officers investigated by the ombudsman believe that they were treated fairly during the investigations, and that 91 per cent. believe that her investigations are impartial? That confidence is reflected in the figures for public confidence, both Catholic and Protestant, thereby rebutting the picture painted by the hon. Member for Lagan Valley (Mr. Donaldson).

Paul Goggins: I have seen the evidence from the polls, and the figures given by my hon. Friend are accurate, but we must face the fact that, because the report that we are discussing is controversial and takes people back into difficult territory, some of them may have less confidence than the majority. We must deal with the report, and I want to speak about the detail now. I shall not comment specifically on every question that the hon. Member for Lagan Valley asked, but I shall examine his questions carefully and write to him with a considered response, so that I give him the best information.

The hon. Gentleman is entirely right in saying that there should not be a witch hunt against former RUC

[Paul Goggins]

officers or serving members of the PSNI. We must put the report into perspective. It details the unacceptable conduct of a small number of officers, which means that thousands of officers who served with the RUC or are serving the PSNI do so with honour, distinction and great dedication. Many of them undertake dangerous duties and save lives, day in, day out. It is important to paint a balanced picture.

However, as the hon. Gentleman acknowledged, when there is wrongdoing it should be investigated and dealt with. If police officers have committed criminal acts, and there is evidence of it, of course they should be brought to justice, which is why the Chief Constable has accepted recommendations for further investigations to be carried out. If there is evidence of wrongdoing, it should be referred to the Director of Public Prosecutions.

Dr. William McCrea (South Antrim) (DUP): Will the Minister put on record today the debt of gratitude that the people of the United Kingdom, and especially of Northern Ireland, owe the RUC, GC and the RUC Reserve, which protected people against one of the most bloodthirsty groups of people that terrorised any part of the United Kingdom?

Paul Goggins: I happily pay tribute to the many thousands of officers—former RUC officers and current PSNI officers—who served their communities with great dedication and skill. The fact that a small number may have been found wanting should not detract from that. It is important that I put that on record this afternoon, and I am happy to do so. Indeed, it is also important to acknowledge that the gathering of human intelligence is a vital part of the policing process. It is essential. I have met some of the officers who do that work, which is dangerous, but the end product is that they save lives. I am happy to acknowledge their contribution. At the same time, I make the point that if people have done wrong, they should be investigated, and if there is evidence of that, they should be brought to justice. That is entirely right.

It is also important to acknowledge that what the ombudsman found could not happen now, because of the advances in the Regulation of Investigatory Powers Act 2000, for example, and the accompanying guidelines on how informants and human intelligence are handled now, which is very different from some time ago. That gives us a better, more accountable system in which people can have confidence.

The hon. Member for Lagan Valley asked me to comment on the use of the word "collusion", which has been the source of enormous debate and difference of opinion. The Northern Ireland Office does not have its own definition, but the ombudsman has her definition and we are familiar with it. I understand that that has become a debating point, but the ombudsman selected a particular use of the word and deploys that in her report.

My remarks in response to the intervention of the hon. Member for South Antrim (Dr. McCrea) a couple of minutes ago were not my words. They were very much those of my right hon. Friend the Secretary of State, who spoke recently at the international policing conference in Belfast and said what I said, particularly about those who gather human intelligence: they do an important job.

The debate takes us into the past and it is worth saying in passing that we need to find a way in Northern Ireland of dealing with past issues, without relying simply on individual litigation, court cases and public inquiries. They have their place, and it is important that that work continues, but somehow we must find a way of promoting dialogue and conversations across communities that can help to draw a line under the past and help us move forward. That work will need to be carefully thought through, and discussed with all political parties and all the communities involved. It is important that that takes place.

In conclusion, I welcome the report that has been published by the retired police officers. I will consider it carefully, and ensure that there is an appropriate way—*[Interruption.]* My hon. Friend the Member for Foyle (Mark Durkan) wants to intervene in the short time that I have left. I will happily ensure that arrangements are made to listen to the concerns of retired police officers and to respond to them.

My hon. Friend mentioned the ombudsman's report. My right hon. Friend the Secretary of State has accepted all its recommendations, as has the Chief Constable. Further investigations will be carried out and, where justice needs to be done, it will be done. It is important to put on the record that there is full support for the ombudsman's recommendations, but we will also consider carefully the report that the retired police officers drew to our attention. I shall ensure that there is a proper way for Ministers to engage with and feed back into that.

The ombudsman must deal with high-profile, sensitive issues, and she has a record of doing so in an exemplary and fine way. She must deal with difficult territory, but she acts with integrity, investigates thoroughly, and makes her reports accordingly.

North Sea Oil and Gas (Taxation)

4.30 pm

Mr. Bob Blizzard (Waveney) (Lab): I am pleased to have obtained the debate, especially having been granted it two weeks ago, but having had to withdraw, as I had committed myself to accompanying the Holocaust Educational Trust and some young constituents to the Auschwitz extermination camp. I am therefore grateful to have a second chance today.

When I saw the new date for the debate, I thought that it presented a problem. Should I prepare a speech in advance or wait to see what the Budget turned up on Budget day? I wondered whether there would be anything in the Budget on North sea oil and gas taxation. I am glad that I prepared something, because as far as I can see, there have not been any changes to the North sea fiscal regime—not even the corporation tax and capital allowances changes that will apply to all other industries in the country. I shall return to the question whether that is good or bad for the oil and gas industry, but today, we have a rare opportunity to debate oil and gas taxation in detail on Budget day. Now that we have that opportunity, and the Treasury has not made its mind up, I hope that my hon. Friend the Financial Secretary will take on board what I have to say and return with some good proposals in the pre-Budget report later this year.

To some people, the debate is simple: oil companies make a great deal of money, and the majors make enormous profits, so we should tax them as highly as we can, and if the oil price goes up, we should tax them more. I do not have any problem with taxing people who can afford to pay, because I want the public services that taxes provide, but we must remember that those companies' profits are worldwide, based on each company's global operation and their substantial investments throughout the world. The issue for the UK is the proportion of that worldwide investment that we attract, and the Treasury should monitor it carefully for several reasons.

The investment that we receive is huge, and it has been for many years. Last year, the oil and gas industry spent £11.1 billion in the UK, which was an enormous injection in our economy. That investment boosts growth, and it dwarfs spending by most other sectors. It probably makes the industry the largest industry in the country, because it amounts to about 11 per cent. of all industrial investment in the UK. It finds its way down the supply chain, it sustains many other businesses and it leads to the employment of some 480,000 people, so it is hugely valuable to our economy and we cannot afford to lose any of it.

What else do we get from the investment? We are self-sufficient in oil and still receive enough gas to meet 92 per cent. of our demand, and we obtain all that from an indigenous source which is surely our most secure energy supply. The investment also makes a substantial contribution to the balance of payments. Indigenous production of oil and gas last year saved £30 billion in oil and gas imports, and the industry supply chain exported goods and services worth £4 billion. Overall, therefore, the industry contributed £34 billion to the balance of payments, which is not to be sneezed at. The industry paid £10.3 billion in tax last year, and its corporation tax payment alone amounted to 20 per cent. of all corporation tax paid by UK companies.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I congratulate the hon. Member for Waveney (Mr. Blizzard) on putting forward a strong case for the importance of the industry. In his opening remarks, he mentioned that there had not been anything for the industry in the Budget. The Chancellor rarely mentions the industry, but he has mentioned the falling revenues that he now receives from it. Does that not highlight again the importance of ensuring the best possible investment climate, so that future generations secure the best tax revenue from the industry?

Mr. Blizzard: The hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith) is absolutely right. If we do not secure continued investment, we will not secure continued tax revenue. Considering the huge benefits that this country acquires from the industry, we must talk about it and take care of it. The Government need to value the industry, and, as the hon. Gentleman has said, we must try to maintain that investment.

All the figures that I have used so far come from the United Kingdom Offshore Operators Association and the Department of Trade and Industry's joint activity survey, which was published in February. If my hon. Friend the Financial Secretary has not read it, I urge him to do so, because it contains some important observations that I shall focus on shortly.

Oil and gas investment decisions are by their nature long-term, because it takes many years of big spending on initial exploration through sanction to eventual production before a penny of return materialises, and one cannot forecast the future oil price when one decides to invest. The industry's thinking is, none the less, short-term, and it responds to oil prices. No one invested when the price was $10 a barrel, but in the past few years, with the price at $50, $60 and even $70 a barrel, there has been a mini boom in North sea investment. The boom occurred despite the Treasury imposing two supplementary corporation tax charges, and the industry leaving itself terribly exposed in the market for drilling rigs and paying ridiculous prices to drilling rig operators. I do not understand why the industry gets itself in such a mess by shooting itself in the foot because it does not have a proper supply of the services that it needs. However, the result is that unit costs per barrel have gone up by 45 per cent. since 2005.

That frantic period of activity masked the long-term trend in the UK continental shelf, because the real picture is that, although we are just over halfway through the production of all our oil and gas reserves, the remainder will be different from the first half. The big reservoirs have all been discovered, and the rest amounts to small fields. A typical discovery amounts to about 10 million barrels, and the activity survey forecast that 88 per cent. of future exploration prospects would be less than 20 million barrels. The small reservoirs will be more costly to discover and develop than the previously larger fields, and new developments are possible only because of technical innovation and by tying them to existing infrastructure, which is mostly old.

[Mr. Blizzard]

I have made it clear for a long time that for the second half of the North sea oil and gas province's life, the so-called mature stage, it needs a different fiscal regime from that which it had for the first half. We can argue with the Treasury about the level of overall taxation, and oil price makes a difference, but we cannot and must not ignore the underlying structural situation: in a mature province, the industry has to spend more, to discover and produce less, if we want to extract as much of our reserves as possible, especially when we have to compete with other parts of the world for investment. Notwithstanding oil price, the North sea oil and gas tax must be set at such a level that we can continue to attract and maintain investment.

The key messages from the activity survey are that even after 40 years, there is plenty of activity in the North sea. There was capital investment last year of £5.6 billion—the highest since 1998—and exploration and appraisal drilling activity was strong. We will also be self-sufficient in oil this year, 2007-08, although we will probably become a net importer in 2010, at which time, incidentally, the North sea would still be able to supply 60 per cent. of our gas. But—and this is the big but—production fell by 9 per cent. last year and is expected to continue falling. Most worrying of all is the forecast of a reduction of investment in 2007 of between £1 billion and £1.5 billion, down to just £4 billion to £4.5 billion. That would represent the first slowdown in capital investment since 2003. That is worrying evidence that the UK is becoming less able to attract investment in a competitive world market, which is a more challenging perspective than we have seen for some time. If we value the benefits of the oil and gas industry that I have outlined, we need to carefully factor those findings into the kind of work that the Treasury is doing in its consultation, which started with the pre-Budget report of 2005 and has resulted in a further discussion paper today.

Before coming to that, however, I should like to raise some points that my hon. Friend the Financial Secretary needs to address. Oil prices may be high, but gas prices are not. The two supplementary charges have sought to match that oil price rise to secure for the nation a fair share of the higher value that the markets now place on our national assets. However, companies that are involved in gas exploration and production have to pay the same taxes as the oil companies, but the economics of gas are not the same. In fact, the overall price of oil and gas in the North sea is the equivalent of about $40 a barrel, which is not quite the windfall price of $60 a barrel for Brent crude with which we are familiar. With the high costs that it now faces, the industry is worried about what would happen if oil prices fell.

My second point is about the uncertainty out there about the fiscal treatment of decommissioning, which we are told is beginning to have an impact on asset trading. We need plenty of asset trading for the health of the UK continental shelf. We need therefore some decisions on tax issues concerning decommissioning. With the agreements that were signed to start with, my understanding was that decommissioning would come with quite a big cost to the Treasury, so probably none of us would welcome it. Linked to decommissioning, however, is a window of opportunity. I have said that most new development is linked to the older infrastructure. That older infrastructure has an economic life, and 45 per cent. of it could be closed down by 2020. Without that infrastructure, however, much of our remaining oil and gas recovery would be uneconomical, which would mean reserves being abandoned. That would be a nightmare scenario, because we would lose indigenous energy, investment in jobs and the tax revenues from that. However, if we can sustain current activity, that decommissioning can be avoided. If investor confidence is maintained, decommissioning could be delayed by 10 to 15 years on many of the systems out there, bringing benefits for everybody.

Briefly, another issue is the gas reserves in West of Shetland, which really need to be unlocked. There are talks on that, and I urge my hon. Friend the Financial Secretary to take a personal interest in them. West of Shetland could provide 3 per cent. of the whole country's gas by 2011 and 6 per cent. by 2016, but it must be economic. If we cannot make it economic again; the gas will remain there, and we will get no tax returns from it.

Everything that I have said suggests that the Treasury needs to think what the right level of tax is to sustain investment and recover the remaining reserves. We have to watch out for fields and platforms that were invested in many years ago on the basis of oil being $20 a barrel, and which are still pumping away with oil at $60 a barrel. Those kinds of platforms do not need any fiscal incentive, because we cannot guarantee that their profits will be reinvested in the North sea. We need to focus on new investment. I have not yet done the sums on today's announcement on corporation tax and capital allowances, so I do not know whether the industry is better off being treated differently from the other industries. My initial response was that the choice of capital allowances rather than corporation tax for a reduction may be right, because capital allowances focus more on investment, although I say that guardedly. However, the question we need to consider is whether the total amount of tax still being taken will result in insufficient investment for the future.

I should like to draw my hon. Friend the Financial Secretary's attention to two things in the consultation document. The fourth criterion that he will use to make decisions is that any change should be equitable. I remind him of what I have said about oil and gas: companies focusing on gas are not being treated equitably, because they are paying a supplementary charge, which was levied essentially to deal with the high oil price, the profits from which need to be shared. The initial conclusion is that the Treasury probably wants to keep petroleum revenue tax and not make any changes.

I note that the Treasury is quite cool on any incentives targeted at exploration. My general feeling is that my hon. Friend the Financial Secretary is not minded to make any changes. The industry will find that disappointing. However, it will notice that the doors are still open and that things are not closed down. Where are we going with the process and when will it conclude—it started with the pre-Budget report

of December 2005? When will the consultation conclude, and should it not involve the industry-Government body PILOT?

Finally, the activity survey to which I have referred points to two possible futures for our oil and gas province. The better future would mean still being able to supply 40 per cent. of our needs by 2020; alternatively, we could let the existing trends continue and supply only 8 per cent. I am told that the industry is willing to step up to the plate, but we need to attract and sustain the investment. We will need a fiscal regime for the second half of the life of the North sea field that can do that. I hope that when the consultation finally concludes, my hon. Friend the Financial Secretary will come forward with that answer.

4.47 pm

The Financial Secretary to the Treasury (John Healey): I congratulate my hon. Friend the Member for Waveney (Mr. Blizzard) on securing this debate today, in time for the Budget. His timing is excellent as always, as is the authority with which he speaks on the subject. He is the chairman of the all-party British offshore oil and gas industry group, and is active and knowledgeable as a result. I also welcome the interest of the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith), who also has a track record of concern about the industry.

I shall deal later with my hon. Friend's observations that today's Budget somehow means no change for the North sea oil and gas industry. That may be the case in respect of the business tax package that my right hon. Friend the Chancellor announced, but some important developments are captured in the discussion paper that we published alongside the Budget this morning, "The North Sea Fiscal Regime".

Our approach to the North sea is underpinned by our continuing commitment to maintaining a vigorous North sea oil and gas industry, with the aim of maximising the economic recovery of the UK's oil and gas reserves. The North sea oil and gas industry is one of this country's great success stories. It is globally competitive, with many important global players. It utilises much of the latest technology and operates in what is recognised throughout the world as one of the most hostile environments for the recovery of natural resources, as I saw for myself last October when I went out to the Claymore platform with Talisman. My hon. Friend is right; it is a fact not only that, to date, we have managed to extract about 36 billion barrels of oil-equivalent in the working life of the North sea, but that substantial reserves—an estimated 15 billion to 20 billion barrels—remain. As my hon. Friend rightly argued, that indigenous supply should and can continue to play a vital role in the UK's energy security and consumption for many years to come.

A combination of underlying geology and, as my hon. Friend mentioned, future oil and gas prices are the dominant drivers of investment. However, we also have an important role in ensuring that the right fiscal and regulatory regime is not only appropriate for the North sea, but does its best to encourage the required investment for the future. In recent years, Her Majesty's Revenue and Customs, the Department of Trade and Industry and the Treasury have been working closely with each other and the industry to try to achieve that.

On the regulatory side, there is the well established PILOT forum, in which the industry, and the Department of Trade and Industry consider regulatory issues. There is a certain advantage in maintaining a separation from straight tax issues; it allows the industry to deal directly with the Treasury on tax matters. The industry does that now, and we are encouraging it to do it further, as I shall explain in a moment. On the fiscal side, the Treasury and Her Majesty's Revenue and Customs have been considering the wider structural issues of the fiscal regime for the North sea, following the pre-Budget report 2005.

The announcement of the discussions at the pre-Budget report was part of the package of tax changes that we announced, reflecting an upward shift in not only contemporary prices, but the oil price outlook. It was an important rebalancing of the fiscal regime between the interests of oil producers, consumers and general taxpayers.

The discussions to date have been useful. We have explored important issues with the industry. There are many different companies in the North sea, so there is a wide range of viewpoints, sometimes directly contradictory. Nevertheless, some important and consistent themes have occurred and recurred in the discussions. Those have included the future of the petroleum revenue tax system, the treatment of decommissioning by the fiscal regime, incentivising future exploration and development, and how the North sea fiscal regime will apply to the change of use of assets. Some North sea companies are increasingly considering such change as they diversify away from hydrocarbon extraction to other activities such as carbon capture and storage, and offshore wind farms.

We responded to some concerns in the pre-Budget report in December last year. My hon. Friend was concerned about exploring the application of existing tax rules to changes of use of North sea infrastructure; that is the subject for consideration by a joint group that we have set up with the industry. It aims to report back this summer. We also announced the removal of petroleum revenue tax from North sea oilfields and gas fields that had previously been decommissioned to encourage new investment in old fields. That was another point raised by my hon. Friend.

My hon. Friend's third point was about West of Shetland. I recognise that the issue is not only the high costs involved with working in a hostile part of the North sea, but that the limited amount of infrastructure is a potential barrier. We are working with the industry to examine whether there are collective approaches to dealing with such infrastructure difficulties.

We also wish to examine with the industry the other issues raised in the preliminary period. That is why we have published the discussion paper today. It summarises the discussions that we have had so far and sets out the initial views that the Government have drawn from the process. It also outlines the criteria that we will use to assess proposed policy options. First, any changes will need to be in line with the twin objectives for the fiscal regime of encouraging investment and ensuring a fair return for the UK taxpayer from our national, natural, finite resources. Secondly, they will have to make sure that the fiscal regime continues to have the minimum possible impact on investment decisions.

[John Healey]

Thirdly, any changes will need, as my hon. Friend said, to be equitable; they should not fall unduly on any one type or section of companies involved in the North sea. Fourthly, they will need to be consistent with the Government's wider concern to reduce the administrative burden imposed on business generally. Finally, we are mindful of the long lead times for investment projects in the North sea; any changes to the regime should enhance the stability, certainty and sustainability of the system, both now and for the future.

There is a lot of ground to cover with the industry, and on our side there is a real interest in doing so. However, in light of those criteria, we have also announced today at the Budget the following decisions, which will settle concerns raised by the industry on two areas. By doing so, I hope that the certainty of the fiscal regime will improve.

In the document, we state clearly that we are not attracted to any mechanism that would remove petroleum revenue tax and rebalance the fiscal regime through increasing the supplementary charge. That would impact heavily on companies that operate in the North sea, but whose investments do not currently fall within the auspices of the petroleum revenue tax fiscal regime. It would therefore risk damaging the very thing about which my hon. Friend is principally concerned: investment in exploration and development. I also confirm that we are not attracted to any regime that explicitly links the tax level with the oil price. Such a regime would increase uncertainty for the industry and the Government; we will not be examining that proposal any further.

I turn to the Budget changes. My starting point is that the North sea has unique features and so presents unique challenges for industry and for the Government. It needs a tax rate that reflects those unique circumstances and characteristics and strikes a fair balance between producers and consumers. The view that we took in the Budget was that the principal basis for the changes in the pre-Budget report for 2005 remains, particularly in light of the continuing high returns on the capital employed and the recognition of the importance that the industry places on stability and certainty. That has led the Government to conclude that, at this point, it would be inappropriate to make the changes to North sea taxation that we might have considered for the rest of the business tax regime.

Clearly, the industry might focus on the cut in corporation tax. The special and necessary, but generous nature of the capital release regime for the North sea means that the industry might not have studied the proposals that are part of that wider business package. A regime based, as this one is, on 100 per cent. capital allowances is important for the North sea and should not be changed as part of the general changes that we have considered.

On a separate regime for oil and gas, our initial analysis suggests that any changes to the fiscal regime intended to discriminate between oil and gas would have a minimal impact on investment, add considerable complexity to the regime and involve significant compliance costs. However, we have not discussed the issue widely with the industry; I invite it, if it wishes, to provide us with further evidence as part of our conversations.

It is for those reasons, and because we recognise the importance of stability to the industry, that we take the view that there is not a case for tax reductions or major changes such as those announced today for other business reliefs. I hope that the publication of the discussion paper shows the strong basis for further conversations with the industry, which we look forward to continuing—

It being Five o'clock, the motion for the Adjournment of the sitting lapsed, without Question put.

Westminster Hall

Thursday 22 March 2007

[MR. ERIC ILLSLEY *in the Chair*]

Peacebuilding and Post-Conflict Reconstruction

[Relevant documents: Sixth Report from the International Development Committee, Session 2005-06, HC 923, and the Government response thereto, First Special Report, Session 2006-07, HC 172.]

Motion made, and Question proposed, That the sitting be now adjourned—*[Liz Blackman.]*

2.30 pm

Malcolm Bruce (Gordon) (LD): I am pleased to have the opportunity to debate this report. By definition, conflict is a difficult and huge subject that has many interweaving strands. Although I hope that our report was constructive and useful, it does not and could not cover every aspect of how to prevent conflict and how to rebuild after it.

We felt it important to carry out such a report, because we were only too aware of the devastating effect of conflict and of how it is incompatible with aid and development that one conflict can wipe out the effect of the world's entire aid budget for a year. The people who are most affected by any conflict are the most vulnerable, especially women and children, who suffer the greatest poverty and hardship. Countries affected by conflict have the lowest prospect of achieving the millennium development goals, because the capacity to deliver services is simply destroyed.

The other problem is that conflict affects neighbouring states. It does so either by spreading the conflict into them or because people in neighbouring states use it as an opportunity to take advantage of a vulnerable, failed or conflict-prone state. Given those facts, we took the view that it is essential that the Development for International Development has a strategy for dealing with conflict states. The strategy for Africa and for poverty reduction will simply not be achieved unless, in co-operation with other donors and agencies, we can deal with conflicts as they arise. That is particularly borne out by evidence that about half the states that have had conflict fall back into it within a few years of a peace being settled. I suspect that we shall hear examples of those during the debate.

No one on the Committee believes that there are simple, off-the-shelf solutions, and we accept that a number of different factors come into play. I welcome the Department's publication last week of "Preventing Violent Conflict", which gives practical examples of where the Department has promoted initiatives that it hopes will reduce conflict—in some cases, the Department can provide evidence that such initiatives have made a contribution to doing so. The Committee also appreciated the work of the cross-departmental conflict prevention pools and the post-conflict reconstruction unit. As our report said, these would be much more helpful if the Department of Trade and Industry were involved, and I intend to return to that point later.

The Committee held some interesting sittings at the outset about the causes of conflict. They were somewhat theoretical and academic discussions about the role of greed and grievance, and the regional dimensions to conflict that I have mentioned. In a sense, we were trying to establish whether general principles can be developed to deal with conflicts. We were resistant to the idea, which some academics advance, of a nice, simple analysis that defines things. By definition, the seeds and courses of every conflict are different, although there are some common factors.

We could not possibly undertake a definitive review of all of the recent conflicts in the world, so we did not attempt to do so. For example, we did not examine the conflict in Sri Lanka, which appears to have the capacity to continue indefinitely. It would be unhelpful if I were to comment on what the answers should be in that country. I simply put it on the record that we recognise that there are conflict situations that we did not examine and thus cannot comment upon usefully.

Given the importance of Africa to the Government's development strategy and the degree of conflict that there has been in that continent, the Committee visited three specific African conflict zones—northern Uganda, Sierra Leone and the Democratic Republic of the Congo, although I am not sure whether that is an appropriate name for it. The Committee split into two for the first two visits. The right hon. Member for Leeds, West (John Battle) led the group to Sierra Leone, while I went to Uganda and the DRC. I hope that the right hon. Gentleman will catch your eye later, Mr. Illsley, because he will have more to say about what he found and learned from the Committee's visit to Sierra Leone. I am sure that he will observe that while peace has been re-established, the factors that could lead to the re-emergence of conflict are still in place, but I shall leave him to elaborate on that.

In northern Uganda, we saw at first hand the consequences of 20 years of the sinister and bloody activities of the Lord's Resistance Army, which has terrorised people by attacking villages, abducting children and brutalising them as soldiers, and raping and enslaving girls as well as turning many of them into soldiers. Although we would not blame the Government of Uganda for causing that conflict, we found underlying concern that there is a clear division between the Government supporters and the Acholi people, from whom President Museveni's predecessor, Milton Obote, drew his support—those people tend to vote for the opposition. There is a mutual suspicion between the Government and the Acholi people in the north in respect of who is to blame and what could, and could not, be done about the situation. There were situations where the Government said that people were free to return to the land, but the people said, "Yes, but we have been told that we will be shot should we try to do so. We are not sure whether Government forces are there to protect or contain us."

People have fled in fear from their land into grossly overcrowded camps, whose facilities are poor. For too long, the Ugandan Government appeared content to allow the situation to rest, sometimes claiming that the insurgency was almost crushed and at other times

[Malcolm Bruce]

saying that they were going to promote peace negotiations. Last year, there were the beginnings of what looked like a serious attempt at peace negotiations, but they seem to have run into the sand. One hears slightly disturbing reports that the LRA are recruiting again in the bush, and I would be grateful if the Secretary of State were to share any up-to-date information on that front.

I made a second visit, courtesy of Oxfam, six months after the first trip towards the end of last year, when I saw that something encouraging had taken place in the interval. The area of land under cultivation reaching out from the camps had substantially extended from being 1 to 1.5 km outside the camps to being 8 to 9 km distant. There were also outreach camps, which had a huge impact on the amount of land under cultivation and helped to diversify the access to food supplies and the restocking of livestock.

The fact remains that there is still no peace settlement and no signs of one. There were outbreaks of cholera in the camps. Without a peace agreement, the people were too terrified to return to the land. Even if they were to do so, they would clearly need a substantial amount of aid support to restock and to re-establish their livelihood within such areas.

The Committee made specific reference to its concern that last year the international community gave $200 million in aid collectively to that one region of Uganda, yet in stable camps under the watch of Ugandan Government forces, we found little or no education, poor health care provision—where there was such provision, it was provided not by the Ugandan Government, but by international agencies—and virtually no policing. If there was criminal activity in the camps, it was up to the victims to transport the accused to court, which is ridiculous because an impoverished refugee without transport in a camp cannot and would not expect to do that.

It seemed that the Ugandan Government were failing in their obligations to provide services to their own people and had left it to the international community to pick up the pieces. I venture to say that it suited the Ugandan Government not to have that responsibility. It may not be a direct consequence, but there is concern—the Secretary of State will acknowledge that this is the aid dilemma—that the process of providing aid lets the Ugandan Government off the hook. If they had to meet all the costs, they would have much greater motivation to solve the problem. It is a chicken-and-egg situation, and I should be grateful if the Secretary of State would give an update on that.

That situation brings home something that we mention in the report. I hope that it is history now, but the international community, including our Government agencies, have invested too often in people rather than institutions. People as leaders are unpredictable and unreliable, and we may have invested too much in President Museveni and not enough in ensuring that Government institutions function properly in Uganda. I hope that we will put more emphasis on the institutions and the mechanisms.

Uganda is a conflict state, but settling the problem of the Lord's Resistance Army and having a peaceful Democratic Republic of the Congo at its border would put Uganda back on the road to growth and development in a much more inclusive and unifying way, and it would make Uganda less aid-dependent in the long term. The questions that hang in the air are whether there is the remotest chance of that happening and what our Department can do to help to bring it about.

Our visit to the DRC was different. The Secretary of State tells me that there are problems there as we speak, and perhaps he will give us more information about that. When we visited the DRC, we were overawed by the scale of the devastation that had been wrought by that long conflict, but there was hope that the steps that the United Nations and others were taking to pave the way for elections and perhaps the rebuilding of effective government could move the country on from being unquestionably a failed state. If today's reports of fighting in Kinshasa are accurate, and if that fighting leads to further breakdown, it would be a worrying setback, but setbacks do not always destroy the momentum for peace, and we must hope that the latter applies.

We were in the DRC during the run-up to the elections, and I was given the honour, with the Foreign Minister of the DRC, of turning the first turf for the Department for International Development's new offices. Having done that, it was interesting that the questions from journalists attending the event were about which local company had got the contract to build the DFID offices or to supply the fixtures and fittings. No one asked about the benefit to the citizens of the DRC of DFID's increasing activity in that country. Perhaps that shows how far we must travel for people to understand the engagement in more than the most basic and material terms of immediate cash in their hands.

We were told about the problem of how a local leading politician corrupted DFID's painstaking work to build up capacity for road building based on locally recruited Congolese specialist surveyors, engineers and so on. The project had to be put on hold, because old-fashioned leadership styles cut across the development agenda. Will the Secretary of State indicate whether that problem has been or is in the process of being resolved so that the infrastructure developments that should have flowed from that do so? I commend what DFID was trying to do to build up that capacity, but it shows how quickly it can be undermined when the tradition is corruption and self-serving, rather than engagement to deliver development results.

The Secretary of State acknowledged that one of our specific successes during the inquiry was the growing engagement of the Department in non-English-speaking countries—Francophone and Portuguese-speaking countries. That brought home to us the need for the Department's senior personnel in the country to have the same quality of language training that is available to Foreign Office personnel, because those people negotiate with Ministers and their Departments on development, budget support and so on. The Secretary of State acknowledged that that was necessary, and I am grateful to him for having done so.

As we travelled from Kinshasa to eastern Congo, we were as impressed as anyone by the beautiful setting of Lake Kivu, and we had not expected to find something rather like Switzerland in the heart of Africa. Africa is a vast continent with a lot of wonderful scenery, but

more surprising was the bustle, trade and business activity on the streets of Bukavu, because we had not expected that from what we had been told was a failed state. That was a clear indication of the country's resource richness and the way people were enterprisingly privateering and developing their contacts and business. The problem is that those very resources provided the money to sustain the warring factions and to prolong the conflict. It could be argued that Congo did not have a classic civil war; it had privateering on a grand scale by lots of individuals with their private armies, which minerals and other resources helped to fund.

We saw the direct consequences of the appalling suffering that ordinary Congolese people experience from disease, hunger and in particular the systematic and brutal rape of women as an instrument of conflict. We visited the local prison, where conditions were poor and justice appeared to be rough. We went to the Panzi hospital where we were moved and impressed by the wonderful work to support victims of sexual violence. They were victims twice. They were victims because they were brutalised, attacked and sometimes physically destroyed; then they were rejected by their communities for having been raped, and were outcasts. In the hospital they found support—not just medical support but rehabilitation and re-engagement, which was extremely important and useful.

What worried us at the time was that the European Commission's Humanitarian Office was considering withdrawing support from the hospital on the grounds that the conflict had supposedly ended. I am glad that DFID did not take that view, and tried to argue differently. Will the Secretary of State give an update on what is happening in that context? We would be appalled if such activity did not continue for a considerable time. Although the conflict was officially over, raped women were still coming into the hospital at the rate of 10 or 15 a week. Clearly, the conflict was not over for them.

Joan Ruddock (Lewisham, Deptford) (Lab): On that point, does the right hon. Gentleman agree that Security Council resolution 1325 gives Governments the opportunity to see all those aspects—particularly the prime victims, who are women and children—through the prism of a women's agenda? When trying to recover from conflict and build the peace, it is critical that women become centrally involved—for their health and psychological well-being, in particular.

Malcolm Bruce: I completely agree. The hon. Lady will acknowledge that during my time on the Committee, and from the number of visits that I have made, I have become more and more aware of the key role that women must play not only in conflict resolution but in aid and development. I am absolutely convinced that giving women power will unlock many problems in Africa, and I just wish that more men in Africa would begin to understand that it is to their advantage to do so. I shall not discuss some of the mischief that we heard about when we were in Ethiopia—but it was women's revenge.

There is one point of difference between the Committee and not necessarily the Secretary of State's Department but the Government. We received evidence—we also saw evidence when we were in the DRC—from Global Witness, ActionAid, Rights and Accountability in Development, a non-governmental organisation, and Thomas Eggenburg of Krall Métal Congo. They clarified for us not only the regional dimensions of the war in the DRC but the extent to which it was sustained—either knowingly or without adequate checks—by companies transacting in minerals that had been procured illegally and often by force. The revenue enables rival groups to supply, pay and equip their forces, and in turn, they pray on the local population for further support. To be honest, I am not satisfied with that area of the Government's response, which was, otherwise, a good and positive recognition of and update on what they are doing.

The Committee was told in the Government's response that a number of companies are alleged to support the trade in illegally acquired resources, including some British companies. We discovered that the UN panel that submitted the names and identified the allegations processed them as "resolved". One would assume that a word such as "resolved" implied that, somehow, the allegations had been dismissed; however, the UN panel—the people who published the names—said that "resolved" should be interpreted as meaning not that it invalidated the panel's findings but that an agreement had been made that such activities would stop. The implication was that the UN expected responsible Governments—in the case of British companies, the British Government—to investigate the allegations further and to take appropriate action. The Government's response to our report shows inadequacies. The UK authorities appear to have done little or nothing.

Mr. Ketan Kotecha of Afrimex, one company against which the allegations were made, said that it had not had any contact with the DTI before and had not had any contact since, which is frankly astonishing. He also told us that he was unaware of the Organisation for Economic Co-operation and Development guidelines, which for a small company, may be unsurprising. However, once the allegations were made, one would have expected the DTI to be engaged with the company, but it has not been.

We appreciate Mr. Kotecha's giving oral and written evidence to the Committee—somewhat naively, because he then tried to redress the balance. However, nobody from Alfred H. Knight International was prepared to do so. It is a reputable British company, against which serious allegations were made, and they were neither investigated nor addressed. The Committee does not have the capacity, inclination or responsibility to investigate those complaints, but we expect that the Government should have.

Given what I have said about the use of the word "resolved", when the Government say in their reply that the national contact point took "resolved" to be a reason for no further action, when they pray in aid that no NGO came forward with further information, and when they say that the information relating to Alfred H. Knight International involved German companies and was therefore passed to the German Government, it seems to be a washing of hands, an unwillingness to engage and a "not wanting to know". It is one reason why the DTI should be involved in cross-departmental groupings on conflict resolution.

[Malcolm Bruce]

The DTI needs to understand much more the potential damage to aid and development that British companies can do—consciously or unconsciously, deliberately or because they do not take enough time or enough care. The Committee proposes to take evidence from the DTI on the issue, and I hope that, together, we can get something useful going. The national contact point has done some useful work, but it would be able to do more if the DTI were brought in. Notwithstanding those comments, which were about one point that emerged from the Committee's investigation, overall we welcome the Department's focus on conflict issues. It is finding ways to use aid to resolve conflicts and prevent recurrence.

As the second largest donor in the DRC, the Government clearly envisage an opportunity to focus specifically on a conflict zone and find ways of using substantial amounts of aid to help for the future. I had written on my notes that there are risks in that strategy, and clearly, today's news is an example of one such risk. However, I still argue that they are risks worth taking, because if one can sow seeds of good governance, and lay the foundations of a functioning state, ultimately a whole region will benefit.

The DRC is rich in resources, and the tragedy is that if it were well governed, it could provide its people with peace, security and all the opportunities that they deserve. The people are entitled to look to the international community for help with the reconstruction of infrastructure, skills and capacity, but they must provide leadership. We must reach a point at which grievances are addressed and government is not an instrument for personal corruption and the franchising of public resources.

On Tuesday, the Committee met Sundeep Waslekar of the Strategic Foresight Group, whom we have met on several occasions and is based in Mumbai. He produced research that shows—unsurprisingly—that the rise of extremism and terrorism is sustained in areas where there is a deficit in development, democracy and dignity. It offers a transition in which aid, as a means of conflict resolution, provides support for policies that offset those deficits, restore dignity and democracy and provide the space for real and sustained development.

I wish DFID well. Conflict resolution is a big task, and every conflict is different, but I hope that the Government, in their engagement, will be able to demonstrate that they have found helpful policies. I hope also that at the end of the debate, the Secretary of State will be able to answer some of the specific questions that I have put to him.

2.58 pm

John Battle (Leeds, West) (Lab): I thank the Chair of our Committee, the right hon. Member for Gordon (Malcolm Bruce), for gathering us around the topic, because I have learned from our inquiry that we must always hold the two issues of conflict and development together and study their interaction. The danger is when we think that conflict can be tackled and development follows; however, they interact all the time. The Government, in the first paragraph of their response, say:

> "DFID's Security and Development Strategy focuses on improving security for the benefit of poor people in developing countries."

Excellent. They continue:

> "We address insecurity, lawlessness and violent conflict because they are among the biggest obstacles to the achievement of the Millennium Development Goals. We believe reducing poverty and inequality is also good for international security, in terms of reduced levels of threat from international crime and terrorism."

In an attempt to understand those matters, I add a caveat to that response. We must ensure that human security—a new concept in development—is not confined to a box called "military policing", which perhaps includes ensuring that staff are protected in secure units, because it is separate from the work of dealing with people and their needs.

I say that because the expression that lies behind our report is "human security", which is a new concept that has been creeping up in development circles. It first appeared in 1994 in the UN human development report. However, it is an ambivalent concept. I looked up "security" in the dictionary earlier today. The first definition was strange and referred to the ability to make sure that the flintlock on a gun could be worked. That implies that security is about arms and defending, but I want to look at security in a completely different way. I want to see it as the condition of being protected from danger and not exposed to it—as safeguarding a person from danger.

After the reference to protecting someone with a gun, there was another reference, by the poet of all poets, Shakespeare. He said that security was freedom from distrust and fear. I am interested in that concept and in shifting from external security and the state to the security of individuals in communities. If I were to say how we ought to move on from our report and the Government's response, I would stress that we need to do more work in communities on conflict resolution and peacebuilding, and not rely on the top-down approach of getting the state right. In some ways, I play it almost the opposite way round to the right hon. Gentleman—in one sense, not enough attention to institutions and too much attention to individuals.

We also need to pay detailed attention to the practical work of conflict resolution and peacebuilding in communities as part of development work as a whole. As we all know, violent conflict in the 1990s displaced 20 million people in Africa and killed more than 6 million people. More than half the countries of Africa and 20 per cent. of all their populations were affected by conflict. The Government's latest and welcome report, "Preventing Violent Conflict", says:

> "By 2010, half of the world's poorest people could be living in states that are experiencing, or at risk of, violent conflict."

In other words, we face an ongoing challenge. It is not a case of clearing up a conflict and moving on to development, as we have heard in the case of Kinshasa and elsewhere. We have an ongoing challenge to work at. There is not a cat in hell's chance of our reaching the great millennium development goals in conditions of conflict.

Paul Collier, a professor at the Centre for the Study of African Economies at Oxford university, published a paper entitled "Development and Conflict". He gave a lot of evidence to the Committee and his work has

been referred to many times. There are two passages from his work that I should like to quote:

"The relationship between civil war and failures in development is strong and goes in both directions: civil war powerfully retards development; and equally, failures in development substantially increase proneness to civil war."

The action is two-way and does not quickly go away. That is why, to put it crudely, it would be no good if half of DFID's money, or a large chunk of it, went on providing armed guards for DFID's staff to go out—I am not suggesting that it does—but we were not attending to the work in communities on long-term conflict resolution. We need to redress the balance. Professor Paul Collier also said:

"Around half of all civil wars are due to post-conflict relapses...This is partly because the countries that have had a conflict have underlying and persistent characteristics such as low income and natural resource dependence that make them prone to conflict, and also because of the legacy of the conflict itself."

Poverty is part of that relapse, but so are the underlying causes of conflicts. We have to work on both together.

The human development report of 1994 defined "security" as

"safety from such chronic threats as hunger, disease and repression, and...protection from sudden and hurtful disruptions in the patterns of daily life".

I would add another concept to that. In all our societies, we should try to lift the culture of fear and terrorism from the heads of the people, wherever it exists. Where people live in fear, they turn against their neighbours in violence. That is the theoretical discussion, as it were. The issue is not just about conflict as greed and grievance, but about what we do to lift fear from the hearts and minds of the people, particularly the poorest.

The Government response from 19 December is obviously right. It is state focused, concentrating on conflict-prone and conflict-affected states. DFID employs people who work with non-governmental organisations, victims—including rape victims, whom we saw in the countries we visited—refugees and hospitals. However, it might also be worth investing more resources in the work of peacebuilding, and understanding it as part of development work, alongside the other work of capacity building, the engagement of women, community development, and the provision of water and sanitation, health care and education. Conflict resolution and peacebuilding should be part of the whole package.

I refer hon. Members and DFID to a report that I have found quite illuminating entitled "Peacebuilding", which is a manual published by Caritas Internationalis. It is a workbook aimed mainly at NGO workers engaged in reconciliation in local communities. The NGO world has started to move into the field, as part of its understanding of the need to get to the roots of the problems that people face. The report also reminds us that people have been studying the concepts of peacebuilding, conflict resolution and reconciliation, and practising those skills for years in many, many societies. We need to catch up, both in DFID and in our thinking towards the policy.

When a conflict ends, children have particular needs. As well as needing food, water, shelter and security, they also need healing—often physically, but they are sometimes psychologically wounded, too—and a return to family and community and a resumption of their schooling. The work of conflict resolution and peacebuilding is a long-term project of building peaceful, stable communities and societies.

In that sense, peacebuilding, conflict resolution and development are now intimately interlinked and should be so in the budgets and staff work of DFID, the NGOs and other donors. The UN has set up its Peacebuilding Commission, which operates at the level of Governments. I hope that it will also be encouraged to involve local civil society, so that it is not seen as taking just a top-down approach, but builds on the experience in local communities and pools best practice. I should like to finish this point with another reminder from Paul Collier. He has pointed out that the average cost of a civil war is $54 billion. That wipes out not only DFID's budget of £6 billion a year, but almost the whole of the aid budget from the entire donor community. One conflict can wipe out all that effort, so it is worth our investing in getting at the roots of a conflict, tackling them and working from the ground up. In other words, prevention is the key.

Our Chairman asked me to say a few words about Sierra Leone, because some of us visited it on behalf of the Committee in February. Three years had passed since the end of the conflict. We found the country relatively peaceful, although 500,000 farming families had been displaced. The production of the staple rice crop had fallen to about 20 per cent. of pre-war levels. The impact of that on poverty and rebuilding speaks for itself in pure economic terms. We met not only officials from the Government in Sierra Leone and development workers, but community leaders in Koidu. Their emphasis was on good governance, accountability, decentralisation and becoming engaged in supporting people locally. As well as asking about the classic development issues of schooling and health care, those community leaders wanted to know what supportive measures could be implemented in their communities for long-term development. To reinforce what my hon. Friend the Member for Lewisham, Deptford (Joan Ruddock) said, the heartbeat of community development—not only in Africa, but everywhere—is usually women, who build up communities. They are asking, "Where is the support and investment that we need to do the work on the ground?"

In Freetown, I stepped out for a while and sat on a wall with some lads who had come in from the rural areas, as many do after conflicts. They had been invited to bring in their guns. We often say, "Get the lads to hand over their guns and we'll give them $5 for them." As we all know, these occasions are a bit of a scam, because people get others to collect a few guns for them and then go back for a few more, while someone else will run guns over the border. In that way, everyone makes a bit of money just handing in guns. We talked about that as a strategy for getting rid of guns, because it was a bit rudimentary and certainly not the best strategy.

What did those young men say to me? There is a line about that in our report, but it is one that I am not sure we have got right. We suggest:

"It seems clear that donors in Sierra Leone now need to give priority to employment-generation initiatives, including agricultural schemes, to provide an incentive for rural-urban migrants to return to rural areas."

[John Battle]

In other words, those lads had come to the town to give in their guns and were hanging around, and my impression from chatting to them was that they did not have work. They wanted to know where they would get money if they were not handing in guns and where they would work. I did not get too many signals that they were going to return home to their villages, because they were getting a taste of town life. Given that the dynamic in the world is for the population of towns to increase—everyone is drifting to the towns—we must look at the urban provision of employment for young men.

If we are to decrease the possibilities of further conflict in Sierra Leone, it is important that we look not only at agriculture, but at employment strategies, including investment in jobs and training for people in Freetown, and I would welcome the Secretary of State's comments on that. I say that because we do not have a clear answer. In the past, the Committee has pushed DFID to do more on agriculture, and my right hon. Friend might well turn to me and say, "Now you're telling me to concentrate on employment in the towns and cities." What we do know, however, is that most people will live in cities in the future, and that is where the tensions are.

This problem is not limited to Africa, and I am tempted to say that such tensions and conflicts exist in our own inner cities. This is not a one-way street, with us telling people in Africa how to sort out their conflicts, because there are conflicts in our own neighbourhoods. We would do well to compare notes and have rather more of a north-south, south-north conversation about how to address the tensions, strains and stresses of dealing with conflict internationally and locally. Obviously, that also relates to guns and violence.

A paragraph on page 13 of the Government's response refers to small arms. The Committee's recommendations refer to the fact that

> "Weapons stocks frequently end up in the hands of someone other than the original purchaser"—

a reference to Somalia at that time. The Government's response states:

> "Better regulation of the arms trade is essential to stop the spread of weapons which aggravate violent conflict, facilitate terrorism, and human rights abuses, and undermine development",

and we would all agree with that. The Government continue:

> "That is why the UK is pushing for an international Arms Trade Treaty which is legally binding, covers all conventional weapons, and includes monitoring and enforcement mechanisms ...In parallel with this, under the scope of the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects (UNPoA), complimentary work has continued since 2003 on the UK led Transfer Controls Initiative to develop common guidelines".

I would welcome it if the Secretary of State could say a little more about that.

I said that handing in guns was not all that successful, although it was successful in one way, because more were handed in than were not. However, 650 million small arms are in circulation in the world, and those numbers are fed by a trade in arms, including small arms, that is worth more than $4 billion a year. Selling guns to people is therefore really big business. I am worried that young men who stand round without work will start fighting and that it will not be too hard for them to pick up a gun. They will then start shooting each other, form a few gangs and, before long, we will be back with a failed state and a conflict situation. It is therefore important that we work to remove small arms.

That takes us back to the Chairman's remarks about the tie-up with the Department of Trade and Industry. The Quadripartite Committee is an important Committee, which links DFID, the Ministry of Defence, the DTI and the Foreign and Commonwealth Office, but I am not sure that we are making enough progress on it. We should do more to get small arms out of the system, and that should be seen as part of the work of development—not as a sideshow as we try simply to reduce the arms industry. Small arms are intrinsic to fostering future conflicts—they are one of the primary causes or catalysts that enable them to happen. Although DFID does indeed employ conflict advisers and spends money on their work and on security staff, which is to be welcomed, it could do more to spell that out.

Paragraph 45 of DFID's latest report, "Preventing Violent Conflict", states:

> "While it is right to give long-term commitments to governments in post-conflict situations, ensuring the mechanisms DFID uses to deliver development assistance are appropriate is vital. We will deliver assistance in a wide variety of ways and evaluate impact regularly, rather than applying a standard model".

That statement is most welcome, particularly if it means that the Government will take a rather more proactive approach to conflict resolution and peacekeeping and see them as intrinsic to development work. That would mean that we had moved on a notch from the situation that existed when the Committee published its report. As the Chairman said, the report does not cover all conflicts in the world, but it insists that we must take the two challenges of development and conflict together. If we can find new ways of addressing them together, we might make some progress, and the world might be a slightly calmer and—dare I say?—less fearful and safer place.

3.16 pm

John Barrett (Edinburgh, West) (LD): It is a delight to follow the right hon. Member for Leeds, West (John Battle), who has covered a number of the issues on which I hope to expand—particularly the availability of small arms. As someone who has attended the Quadripartite Committee for several years, I know that we should follow up some of the information that has been given, and I shall raise some of those points later.

I am sad to say that when the International Development Committee decided to deal with conflict and development, there was no shortage of countries that we could have visited. In the end, we visited the Democratic Republic of the Congo, Uganda and Sierra Leone, but we could equally have gone to Sudan, Ethiopia, Somalia, Iraq and Afghanistan. Recently, we have also been to Palestine and the occupied territories. Aid, development and post-conflict reconstruction are all linked in those countries. In each of them, there are always problems with food security, water, sanitation, health care and education, and all those are exacerbated by fear and involvement in conflict.

I was as pleased as anyone to see the Secretary of State's assertion in last year's Department for International Development White Paper that anyone who cares about development must also care about conflict resolution. In its report, the Committee stated that that link between conflict and development is a relatively new issue in development policy, but it is one of the most important. The Secretary of State will be well aware that new aid commitments could be all but wiped out by an increase in conflict in developing countries. Security is an absolutely basic precondition for development, which is why the Committee's report, the Government response and today's debate are so important.

The cost of conflict is measured in human suffering and financial terms, but it is sometimes difficult to put a figure on the costs. It is not always easy to count the bodies, and it is also hard to count the disabled, the amputees and the injured. It is more difficult to count the cost of the impact of war on traumatised children who have witnessed atrocities or have been forced to become child soldiers. That can involve killing or witnessing the deaths of others, sometimes including their own families.

Tens of thousands of child soldiers—girls and boys—were used in the armed forces of more than 60 countries between 2001 and 2004, with at least 30,000 of those children fighting in the DRC, 20,000 fighting in Uganda and 17,000 fighting in Colombia. Girls fight as well as boys—as I have said, there are an estimated 12,000 girl soldiers in the DRC. Their future development, whether in health, education or elsewhere, is a key challenge for development policy. My hon. Friend the Member for Hornsey and Wood Green (Lynne Featherstone) will concentrate on a number of those issues when she sums up. It is impossible to measure the long-term emotional cost of having lived through war or genocide and the economic cost of missed opportunities which might have been taken had those conflicts not taken place.

The financial costs are difficult to define. We heard in a Select Committee evidence session that the average cost of a conflict could be in the region of $50 billion. As I have said, those costs are not only financial. Last week, one of my constituents asked me what the cost of the war in Iraq had been. Those figures make grim reading: approximately £5 billion has been spent on the UK invasion and occupation and 34,000—possibly more—civilians have died since the war began. That is only one of the affected states.

As my right hon. Friend the Member for Gordon (Malcolm Bruce) has mentioned, we had an interesting discussion with Sundeep Waslekar, the president of the Strategic Foresight Group, in the Select Committee earlier this week. He outlined various countries with track records as breeding grounds for terrorists, or other groups that might be inclined to violence or conflict. Whether we were talking about Saudi Arabia, Sri Lanka or elsewhere, one common thread ran through our discussions—conflict and poverty are inextricably linked.

Even in Saudi Arabia—a relatively rich country—where there were injustices and relatively poorer and disfranchised communities, the risk of violence increased. It is sometimes easier to focus on terrorists and their actions than on the deeper causes that build up to individual actions or full-blown wars. Far more people are killed every year in developing countries by AIDS, malaria, tuberculosis and diarrhoea than by terrorism. Yet the military response to events cannot be separated from the work required to get a country back on its feet. Today, we are involved in military action in Iraq, Afghanistan and elsewhere, and at the same time, there is widespread acceptance that the redevelopment of those countries is vital if they are to return to peace. Today is not the time to go into the reasons for that involvement, but the link is clear, and hopefully the Secretary of State will update us on progress on the reconstruction of those countries.

In 2000, more than half the countries in Africa and 20 per cent. of its population were affected by conflict. As the right hon. Member for Leeds, West has mentioned, more than 6 million people died and 20 million were displaced as a result of conflict in the 1990s. The scale of the devastation in countries such as Sudan, the DRC and Somalia is hard to imagine. The word "displaced" does not do justice to the suffering of those who have survived and ended up in refugee camps or hiding from their attackers—to end every day by hiding in a forest is no way to live.

Given the importance of conflict resolution, halting the flow of arms to conflict-affected countries is a vital precondition for development. In recent years, concerns about the dangers posed by weapons of mass destruction have distracted us from an even greater threat to humanity, the trade in conventional arms. I have seen for myself, the devastating effect of arms trading in conflict zones across the world. Far too often, guns are pouring into countries which are already suffering from conflict or which are close to civil war. The real weapons of mass destruction are Kalashnikovs—AK47s.

No one here would dispute the fact that small arms frequently end up in the hands of someone other than the intended recipient. All too often, they find their way into conflict zones. Getting to grips with that problem is of vital importance and requires action on a national and global level. Strong common standards for the global trade in conventional weapons must be an international priority. In that respect, it is crucially important that we progress towards an international arms control treaty, which must be a central part of conflict prevention. I was pleased to see a UN vote in favour of the recent UK-led resolution on that matter, and I congratulate the Secretary of State on his part in that. However, keeping up momentum will be key, given the lack of enthusiasm in some quarters. I look forward to an update from him.

Although I commend the Secretary of State for his work on securing an international agreement on the arms trade, much work needs to be done in this country to ensure that we are part of the solution and not part of the problem. The fact remains that, rightly or wrongly, the UK is one of world's leading arms exporters. As such, it is crucial that we conduct our affairs ethically and responsibly.

Malcolm Bruce: Does my hon. Friend not think that that is underlined by the fact that UK arms sales to Africa actually exceed the UK aid budget for Africa? It could be argued that one cancels out the other.

John Barrett: It is sad to say that the figures mentioned by my right hon. Friend are stark. One of the problems is that apart from official exports, we do not know the full impact. That issue relates to the Quadripartite Committee, which was mentioned earlier.

[John Barrett]

As I have said, it is crucial that we conduct our affairs ethically and responsibly. The current UK policy of not selling arms to Governments if we believe that they will be used to repress the population is welcome. I note that the Government response to the Select Committee report stresses that

"the UK has one of the strictest export control regimes in the world".

I do not doubt that we compare favourably with many other nations, but that does not mean that our current system is not in need of reform. We are a major importer and exporter of arms, and I have real concerns that we are not doing enough to track the flow of guns that pass through this country.

I draw the Secretary of State's attention to my recent attempts to establish the whereabouts of nearly 200,000 assault rifles and machine guns imported from the Balkans in 2005. I have asked a number of Departments exactly where those rifles and machine guns went. Aside from the question of why we need to import arms from the Balkans, I have been disturbed at the revelation that we do not have a clear idea of where those weapons are now. I would like to imagine that a quarter of a million assault rifles were brought in to this country to be melted down and decommissioned because the Balkans do not have the facilities to do it, in the same way as we provide facilities in Sierra Leone to melt down weapons after collections have been organised. However, the current licensing system for tracking imports and exports of arms in this country on a case-by-case basis makes it very difficult to establish a clear picture of the flow of arms through our ports.

Guns do not respect national borders, and at the moment we have no way of knowing where arms that we have exported will end up. Frequently, guns are recycled from conflict to conflict, as in west Africa during the past 10 years, which has fuelled overlapping and uncontained conflicts in Sierra Leone and Liberia among others. I would argue, therefore, that greater knowledge of the end use of our arms exports is of fundamental importance.

I would like the introduction of specific re-export clauses to existing licensed production agreements to be given serious consideration. Does the Secretary of State agree that that would help greatly to prevent the export of arms, produced or exported under licence, to countries of concern? I recall that the Labour 2001 manifesto included a specific commitment to introduce full extra-territorial controls on arms brokering and trafficking, and I would welcome his comments on that priority. I know that the Government have concerns about the logistics of end-use monitoring. However, given the way in which the arms trade operates, it is vital that we pay greater attention to the possibility that arms passing through the UK might end up in some of the conflict zones that we have heard about this afternoon.

We need far better co-ordination across Government to ensure that our work attempting to resolve conflicts in some of the world's most volatile countries is not undermined by the use of the UK as a stop-over point for guns destined for conflict zones. Part of the problem is the involvement of the overlapping Departments quizzed in the Quadripartite Committee—the Department of Trade and Industry, the Foreign and Commonwealth Office, the Department for International Development and the Ministry of Defence.

Understandably, the Secretary of State's colleagues at the DTI will be concerned that new regulations in that matter will complicate procedure and deter business, but I point to the results of a 2001 World Bank survey of 69 companies, which found that armed insecurity in fragile countries ranked as the greatest risk facing investors globally. It is in no one's interest—business is no different—for guns from this country to exacerbate conflicts elsewhere.

In conclusion, there is no doubt that if our overseas aid and development are to be effective, we must play our part not only in attempting to resolve existing conflicts, but in ensuring that we play no part in fuelling future ones.

3.30 pm

Mr. Mark Lancaster (North-East Milton Keynes) (Con): It is a pleasure to contribute to this debate, Mr. Illsley. I read the report with great interest and compliment the Chairman and the Committee on it.

The report caught my eye because during the last parliamentary summer recess I spent 10 weeks delivering reconstruction and development in Afghanistan as a member of our armed forces. The recommendation that caught my eye was number 11:

"We agree that DFID should not commit its resources to 'winning hearts and minds', but we understand why it is often necessary for peacekeeping troops to implement quick impact projects to win support from local people. As an exercise in joined-up government, military commanders should consult DFID, and other development agencies, about their proposals for quick impact projects, to try to ensure that they deliver development as well as security benefits."

I should like to deal with two aspects of that. First, on quick-impact projects, military forces and development agencies on the ground have a great dilemma between long-term strategic impact and short-term tactical advantage. I assure hon. Members that when a person turns up in somewhere such as Helmand, they will do anything they can to convince the local people that they are there to help. However, that in itself creates a problem, because there is sometimes a lack of strategic thought behind what they are doing.

Furthermore, ultimately we do not want the military to run around delivering quick-impact projects; we want the local people in the provinces—forgive me if I use Afghanistan as an example—to view them simply as a transient force. The Government of Afghanistan should brand the projects. Sometimes it is completely counter-productive for the military to turn up and create quick-impact projects, because it looks as if the Government are so weak that they cannot deliver them. That is a problem.

I also highlight the completely contrasting approaches of the United States Agency for International Development and DFID. USAID seems to concentrate on quick-impact projects. When I looked at a map of its approach, it was almost like a scattergram—projects were going on everywhere, normally delivered by people who rarely left the security of Kandahar base and who employed third parties to deliver the projects. I hope that I do not sound too critical.

Crucially, the projects were decided not by local people but by USAID itself. One example is the women's centre in Qalat city. It was built without proper consultation with the local people and the end result is that a magnificent building is simply not being used; local people were not consulted and the men will not allow their women to go. That is a classic waste of money as a result of the west trying to impose its will on local people, because we think that we know what is best. Frankly, we do not.

John Battle: I am grateful for the hon. Gentleman's insights. I have visited Herat in Afghanistan; we are talking about the most difficult circumstances.

At the core of the "Peacebuilding" report that I mentioned was an emphasis that peacebuilding is relationship-centred—that is, it happens among the people themselves—and that it is participatory. It cannot be done to them or for them; they have to be engaged. Does the hon. Gentleman agree?

Mr. Lancaster: The right hon. Gentleman is absolutely right and makes a very valid point. I give credit to the Government and DFID for the work that we are trying to do to ensure that we create provincial development councils in Afghanistan that in turn produce their own provincial development plans so that they are the ones generating the need. Unfortunately, however, we are struggling to create that in Afghanistan.

One of our other problems with the quick-impact project is that it breeds reliance on the military structure. Further to what I have just said about provincial development councils, by constantly using a military structure early on we do not encourage the growth of the country's civic organisation. In Afghanistan, where great progress is being made, a commander on the ground, an NGO or whoever will invariably use the military chain of command to try to work up a project, right from the point of identifying it on the ground. I went out and reccied many projects and would go to the donor community in Kabul to try to find funding for them. However, it was hard to do that because no civic structure existed.

Some structures in Afghanistan, such as the Ministry for Rural Rehabilitation and Development, work well. However, because that is the one Government organisation that is working, all projects go through that chain and other Government structures are simply left alone.

DFID has a reputation for investing in the strategic long-term development of countries—that is great, and I support it—which is different from the USAID approach. However, I was slightly concerned when, having asked some parliamentary questions, I discovered that we had been digging an awful lot of wells, up to 300 now, in Helmand. I have raised with the Secretary of State one of the criticisms that I had when I was in Afghanistan; he has been very kind in response. We have dug so many wells there that the water table has been lowered and the ancient karazes—the waterways that bring water up the mountains—have dried up. That is a classic example of short-term tactical projects affecting long-term strategic aims. When I asked whether we had done a water table survey, I discovered that we had not. To be fair to the Secretary of State, I understand why—it is very hard to find an NGO prepared to go into Helmand and do that. So I do not make a criticism of the Department. However, such dilemmas exist and they are one of the big problems that we face.

Recommendation 11 also mentions co-operation between Government Departments, which has already been raised. Having witnessed co-operation on the ground, I must say that it was quite good. The right hon. Member for Leeds, West (John Battle) mentioned Herat. I will never forget going to a meeting of all the NGOs, development agencies and military members for Regional Command West and witnessing an argument between two Spanish delegates. One was the military commander and the other the head of the country's equivalent of DFID, the name of which I forget. They were arguing in public about who was supporting whom. Herat had moved on, things were relatively benign and there was not the fighting there that there was in Helmand, so two Government bodies were having a great argument about which was supporting which.

The concept of the three Ds—DFID, the MOD and diplomacy—being equal partners, a triumvirate trying to work together, was simply blown out of the window. I found that worrying. I hope that, as areas such as Helmand move away from war to a more stable environment, we learn the lesson that we, through our three Ds, must not fall into the same trap. I am not sure exactly how we should resolve the issue, but I have genuine concerns about our need to address cross-cutting across Government Departments. I also have concerns about adding a fourth Department, which may make things even worse.

John Battle: The hon. Gentleman is asking sincerely for information. He had contact and worked with the military in Afghanistan. Is the concept of conflict resolution embedded in any way in the military's thinking or are they simply too defensive because they are under pressure? Are they proactive on the idea of peacebuilding and conflict resolution in the way that others are starting to discuss?

Mr. Lancaster: I am confident that that is the case. When a person goes, they are briefed that that is exactly their mission. That is the focus, certainly within our military.

I should like to develop the point. I have genuine concerns that, although much of the work done through DFID is excellent, sometimes, as politicians sitting here many miles away, we simply do not understand some of the problems on the ground. To give the perspective of NGOs, they would argue that they were doing great work in Helmand, for example, until we turned up. Now, all of a sudden, we have created a situation collectively in which they cannot operate. That worries me.

I want to return to my concern about quick-impact projects for my final example. I remember going to a meeting in Kandahar. As politicians, we must be very careful, but the great joy of going there as a soldier was that no one knew who I was. I listened to an American air force colonel with his head in his hands, saying, "If I am told to produce another—expletive—quick-impact project just because some politician back in Washington wants to see results, I am going to resign."

[Mr. Lancaster]

3.40 pm

Lynne Featherstone (Hornsey and Wood Green) (LD): It is a great pleasure to follow such an interesting speech. I congratulate the Select Committee on International Development on an excellent report. We have heard today how complex and complicated the subject is. My right hon. Friend the Member for Gordon (Malcolm Bruce) mentioned education, for example. Although that was not the main focus of the report, I hope that the Committee will at some point look further into education in conflict states. Some 80 million children are not in education in the developing world, and half of those are in conflict-affected areas. It is important to scrutinise these matters and this is an important debate.

As time is short, I shall simply focus on one subject, which is the Department of Trade and Industry's policy on trade in conflict-affected states. When we face peacebuilding and post-conflict reconstruction, it is crucial that one arm of government co-ordinates with another. It sometimes feels as though the right hand of the DTI—please excuse my mixed metaphors—does not always know what the left hand of the Department for International Development is doing. More worrying is that it possibly does know, but does not accommodate the difference. If we are to be effective, we need to ensure that the whole of the British Government work in the same direction, helping and not hindering, and that different Departments do not work across each other. The Committee did some good work on pointing that out and focusing on it. It is important that the relationship between trade and aid is always considered in the light of what should be cross-departmental objectives. Sometimes, there seem to be DTI objectives and DFID objectives and occasionally they seem to conflict.

I was particularly interested by those parts of the report that deal with conflict resources. It seems to me—I am not hugely experienced in this area—that conflict can take hold easily partly because of the wealth of natural resources in some areas. Instability of governance and poverty of public resource seemingly give power—unlimited power, sometimes—to those who want to raid the natural wealth of a country. That might well be the background to the financing of the conflict, the employment of cheap labour and to a disregard of any rules laid down in that country.

The report rightly points out how trade and aid policies play an integral part in conflict-prone and conflict-affected areas. I congratulate the Committee on focusing on how trade policies can counteract development rather than promote it. That is something that is within our—I say "our", but I mean the Secretary of State's—power to resolve. Mechanisms are available for cross-departmental objectives and working.

We have seen such problems before. The al-Yamamah deal is perhaps the best known example, and another is the sale of the over-sophisticated military air traffic control to Tanzania that we debated recently. They seem to fly in the face of all that we claim to want to achieve in aiding poor countries. Interestingly for me, the report uses some lesser known examples, which have been raised by other Members and demonstrate the same problem. Trade policy has not been in line with that of the Department for International Development. I am unclear about what the Government are doing to tackle the problems with conflict resources. What is being done? It would seem not much.

For example, in their response to paragraph 102, the Government say that

"one of a range of options that are currently being considered to fulfil our White Paper commitment to 'promote international standards on the management of natural resource revenues in countries affected by conflict'. A definition would not in itself provide the controls on illegal trade put in place for diamonds by the Kimberley Process, and its usefulness therefore needs to be considered in a broader context."

I agree that an international definition of "conflict resource" is not the answer to life as we know it. It might be helpful, but the lack of such an international definition should not stop the British Government from tackling the problems. We have our part to play and should not be waiting for the international community.

My right hon. Friend raised the issue of the UN panel's calling something "resolved" when that is the wrong definition: the issue is not resolved, and so the process should not have finished. The challenge for the Government of a conflict-affected country is to ensure that natural resources bring benefits to all the people and not simply those in the country who are corrupt.

I would be grateful if the Secretary of State would outline exactly what the British Government are doing to address the illegal exploitation of natural resources in conflict-affected states. When I asked him that question earlier this month, he replied:

"On sanctions, we have played an important role in sanctioning particular individuals, through the UN Security Council, who have violated the arms embargo. We are pushing to extend the list of those who are subject to sanctions, and the UK national contact point has made statements about three of the companies that were highlighted by the UN panel."—[*Official Report, Westminster Hall*, 7 March 2007; Vol. 457, c. 466WH.]

That goes back once again to the issue about the word "resolved". It might all sound fine and dandy, but I ask the question again and urge the Secretary of State to tell us what the UK specifically is doing to address the illegal exploitation of natural resources by British companies and companies linked to Britain.

The report produced pretty damaging evidence of the British Government not doing enough, especially in respect of the examples of Afrimex and Alfred Knight. Are those two companies the tip of an iceberg? Are many more British companies involved in such places? What companies are involved in extractive industries in conflict-affected states? What revenue do the host countries receive from such companies for those natural resources? How are such things monitored by the British Government? What do they do to ensure that British companies stick to the rules? What level of resource do the Government commit to ensuring that British or British-linked companies play by the rules? It is our responsibility to put pressure on British companies or businesses that work with regimes under conflict conditions. Clashes between the DTI and DFID not only make nonsense of post-conflict peacebuilding, but seem to deepen and perpetuate instability.

The report cites UK-based businesses, and yet it is clear that the Government have not driven through stated policies. I hope that the Secretary of State will explain what appears to be a lack of action and rigour on their part. Furthermore, the Government's response to paragraph 119 made it clear:

"The Government is also committed to work within the OECD to make the Guidelines more effective in promoting responsible business conduct, particularly in countries with weak governance."

Outside of our need to promote responsible business contact in countries with weak governance, we need to promote responsible business conduct here. We are a country that has not managed a single prosecution under the Organisation for Economic Co-operation and Development guidelines.

I want DFID to co-operate more with the DTI, the Ministry of Defence and the Foreign and Commonwealth Office on the review of the Export Control Act 2002 and the arms trade treaty. We need a strong international arms trade treaty to tighten up the Act. Without systematic enforcement, arms embargoes will remain statements of aspirations. If we are serious about defending human rights and preventing conflict, we must crack down on the trafficking of weapons. I want the Government to throw their full diplomatic weight behind a treaty. One is urgently needed because conflict and post-conflict cannot be tackled in isolation from an arms trade treaty and the review of the Act.

This is difficult territory. No one is saying that stabilising countries, peacemaking and post-conflict reconstruction are easy, but they become much more difficult if we are not straight with ourselves and if the stated aims of Departments conflict or if we ourselves are not above suspicion.

I was surprised and delighted when the business community condemned the suspension of the investigation into the deals that shamed us in the al-Yamamah case. Sceptic that I am, I suppose that for a moment I thought that the approach of business people would be, "Nod, nod, wink, wink. That is how the world works. Fine ideas are okay so long as they remain fine ideas and do not impinge on our trade—we do not stop any practice if trade would be damaged." However, the business community stood up to be counted, because Britain's reputation for proper and above-board trading is more important and brings us more benefit than the seamier side of life. We must ensure that we are beyond reproach and that our own house is in good order. Ensuring that that is the case with British companies involved in conflict areas is a good starting point.

Once again, I congratulate the International Development Committee on raising key issues in peacebuilding and post-conflict resolution.

3.51 pm

Mr. Andrew Mitchell (Sutton Coldfield) (Con): This has been an interesting and worthwhile debate. The Secretary of State will undoubtedly want to cover many of the points that have already been raised, and I intend to raise a few more. At the outset, I want to say to the Chairman of the International Development Committee, the right hon. Member for Gordon (Malcolm Bruce), that this is an excellent report. It makes a serious contribution to international development, and it is just one reason why his Select Committee is regarded as such a constructive and effective Committee in this House. We look forward to many more such reports in the future.

Several hon. Members made important and interesting comments about the Congo. Leaving on one side the news that has come through today, I hope to visit that country with War Child, an excellent charity that specifically tries to address several of the issues that were raised by the Chairman of the Select Committee and the right hon. Member for Leeds, West (John Battle).

I also pay tribute to my hon. Friend the Member for North-East Milton Keynes (Mr. Lancaster). He and I visited World Vision, which is in his constituency, only this week. It is a truly excellent organisation. He spoke today from his hands-on experience in delivering aid and effective help in Afghanistan and raised several points. I hope that the Secretary of State will use this opportunity to comment on, for example, the effectiveness of the relationship between the Department for International Development and the Ministry of Defence. What is actually happening on the ground? The two Departments represent the different ways in which Britain seeks to help, in contrast with some other countries that help with development in Afghanistan. For example, I believe that Britain channels more aid through budgetary support than some other countries. Perhaps the Secretary of State could give us a feel for how he thinks things are going, in particular how we might improve some of the relationships on the ground that have been discussed by my hon. Friend, and in other arenas.

The hon. Member for Hornsey and Wood Green (Lynne Featherstone) discussed an important area that had not been mentioned hitherto in the debate. Education in conflict states is hugely challenging, but we are talking about some of the most disadvantaged children in the world. I was speaking recently to Jasmine Whitbread, the head of Save the Children, who, along with her colleagues, has taken a special interest in this area. I join her in urging the Government to think again about whether there are other ways in which we can deliver help effectively in the important area of education in conflict states.

The Opposition recognise the work that DFID is doing in conflict prevention and post-conflict reconstruction, and we acknowledge that in many areas its approach to tackling conflict sets a precedent for other international bodies. That is very welcome. We also welcome the fact that work in areas affected by conflict has increased in recent years, and that conflict policy issues have become more pronounced on the DFID agenda. An obvious example of that was the launch last week of DFID's first conflict policy paper, "Preventing Violent Conflict". It is clear from reading it that the work of the International Development Committee has not gone unnoticed by the Government. I hope that it will now lead to a more coherent and effective approach to conflict. It is also clear that there is still much to be done in this relatively new field of development, and that if the millennium development goals are to be reached by 2015, conflict must be yet further prioritised on the DFID agenda.

As many have said today, and as the Select Committee report makes clear, there is an inextricable link and

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relationship between conflict and development. It was spelled out by the right hon. Member for Leeds, West. Anyone who works in this area and takes an interest in such matters, and who watched, for example, the destruction of bridges and so on in Lebanon during the conflict in that country, understands that. Those of us who take an interest in such issues saw not only the destruction of a valuable asset but the barriers to development that resulted from it. We thought of the cost of replacing the bridge—a very real factor—as it literally went up in smoke.

Simply put, we cannot achieve development without security. There can be no poverty alleviation, no malaria or HIV/AIDS drugs programmes and no democracy if there is conflict. That point is plainly illustrated by the fact that 22 of the 34 countries that are furthest away from reaching the millennium development goals are in, or emerging from, conflict. For example, to the poor children and families who live in camps in Darfur—the leader of the Conservative party, my right hon. Friend the Member for Witney (Mr. Cameron), and I met such a family last year—it really does not matter how much aid they receive or how much trade they could benefit from; they will remain poor and destitute, frightened and bitter, until the conflict and the shooting stop. That is the case not only in places such as Darfur, to which I shall return in a moment.

I think of a visit that I made recently to a camp on the Burmese border at Ei Tu Hta on the Salween river. Any Member of this House who visited that camp would react with fury at the sight of what is happening in that part of the world and would return to this House determined to redouble their efforts to bring attention to difficult areas—areas in which DFID and its staff are making a tremendous impact.

I draw the Secretary of State's attention to what is happening in Burma. DFID's work, such as that through the three diseases fund, can have a huge impact. On a separate aspect of my visit to Burma, I saw how, through the deployment of money, international support and expertise, we can help prevent HIV/AIDS from reaching epidemic proportions in that benighted country. The disease is already reaching epidemic proportions in the vulnerable communities of gay men and sex workers, but there is still a chance for that country, which has to put up with so much, to avoid epidemic levels of HIV/AIDS. I very much hope that the Secretary of State will continue to scale up the support that we are able to give to organisations that are carrying out extremely valuable work in Burma.

Malcolm Bruce: The hon. Gentleman told me about his trip to the Burmese border. Members of the Select Committee intend to visit the Thai-Burmese border in May, and we are anxious to follow up some of his examples, so that through the engagement of all parties, we can help to deliver some solutions. We appreciate his visit and were well informed by it. I hope that we will be able to follow it up in some effective way.

Mr. Mitchell: I am grateful for what the right hon. Gentleman has said. It is tremendously important that his Committee visits the Burmese border. As I have said, when he and other hon. Members see what the people have had to put up with, it will make their blood boil. Now is not the time to speak further on that except to point out that, in terms of the work of the Committee, there are countries where active conflict is continuing and less active conflict is taking place, both of which are covered by the recommendations of the report.

I shall return to what I was saying about Darfur. While the conflict rages in Darfur, development cannot take place. In many areas, there are serious regressions. In one internally displaced person's camp, the World Health Organisation found a daily child mortality rate of 6.7 per 10,000 people, which is many times higher than the normal rate. Médecins sans Frontières says that, in certain towns, malnutrition rates are far in excess of the normal rate and, in some cases, current rates are 25 per cent. global acute malnutrition and 5 per cent. severe acute malnutrition. In other internally displaced people camps, such as in Mumei, which has about 80,000 internally displaced persons, 200 children and adults are dying from diarrhoea every month. Again, I say to the Secretary of State that we are waiting for further action to be taken by the international community on the desperate crisis in Darfur, about which we read every day.

Mr. David Drew (Stroud) (Lab/Co-op): I apologise for not being in for most of the debate; I was attending a sitting of a Bill Committee. Does the hon. Gentleman agree that one of the most horrendous issues that must be addressed in Darfur is the targeting of those who work for non-governmental organisations? The Secretary of State will no doubt talk about that, as the reality is that insecurity on the land among the people per se is made much worse when NGOs cannot carry out their business and have to withdraw.

Mr. Mitchell: I agree entirely with the hon. Gentleman. When I was there at the end of November, those involved in humanitarian aid and relief made it absolutely clear that the number of areas to which they were or had been denied access was increasing all the time. Targeting such organisations is an insidious policy pursued directly by the regime in Khartoum to make life more difficult for the people living in the circumstances that I have described.

I will return to the point made by a number of speakers that conflict directly eats up the aid budget. As the right hon. Member for Leeds, West has said, it is estimated that the cost of a typical civil war is more than $50 billion. As the report points out:

> "New aid commitments made in 2005 could be cancelled out by an increase in conflict and insecurity in the developing countries."

On top of that, when it is considered that half of post-conflict societies relapse into conflict within a decade, it becomes clear that more attention needs to be paid to conflict-affected countries. Addressing the issue of conflict and its negative effects on development ultimately makes good economic sense. That is made more pressing by the fact that conflict is likely to increase over the next 50 years because of a decrease in natural resources, which has been further exacerbated by climate change. People in the developing world will be likely to suffer most as climate change will make the

resources that they depend on, such as fresh water, forests and fisheries more scarce. That will have grave humanitarian consequences.

Oxfam predicts that 30 million more people could be at risk of famine as a result of climate change. The demand for essential natural resources will most likely exacerbate tensions within countries and we are already seeing that around the developing world. For example, a contributing factor to the conflict in Darfur is the change in rainfall that pitted nomadic herders against settled farmers. Conflicts over resources within countries could easily turn into conflicts between countries, either directly through clashes between Governments over a resource, such as a shared river, or indirectly through the pressure of refugees crossing borders. No wonder it is estimated that by 2020, the number of deaths and injuries from war and violence will overtake the numbers of deaths caused by killer diseases such as malaria and measles.

Conflict resolution is therefore probably the most important aspect of international development. We need to stop conflict before it starts and where it has already started. We also need to work towards reconciliation of the parties. It is in the interests of the developed and developing countries to help to create stability. In looking at conflicts that have ended and reconciliation that is taking place, I pay tribute to the work that British aid is enabling in Rwanda.

At the moment, the UN is the main way to achieve conflict resolution, although it needs to recognise that the nature of conflict has changed from disputes that cross country borders to situations of conflict within a country. One of the ways in which we can help to achieve conflict resolution is to rely more on regional organisations. We should pay greater attention to strengthening regional peacekeeping bodies, such as the African Union, mainly because successful outcomes are much more likely if such bodies have the support of those affected by the conflict. That is often more likely if the peacekeeping is home-grown rather than imposed by outsiders. We therefore need to devote significant resources to enable the African Union to act quickly, effectively and decisively to prevent and resolve conflict.

The African Union's presence in Darfur speaks to its desire to prevent another Rwanda on its continent. Its recent decision to deny its rotating chairmanship to the Sudanese Government—a stinging and humiliating rebuke—offers more evidence of its resolve. However, at the moment the African Union remains terribly ill-equipped, as indicated by the fact that it can muster only 7,000 troops for Darfur and many of those men, despite support from the British taxpayer, have gone through periods when they have not been paid for many months. In Britain, we have a unique opportunity to harness the extraordinary skill and experience of peacekeeping that we have to assist in capacity building with organisations such as the African Union.

I shall now pick out some of the salient points made in the debate today and in the report. Much attention has been paid to the process of conflict assessment, and rightly so. If one is to develop an effective approach to preventing and assisting recovery from conflict, assessment is crucial. As we have heard, the Government's main tool for that is the strategic conflict assessment, which was established in 2001. So far, assessments have been conducted in 18 countries, of which only five were in Africa—Angola, Mozambique, Nigeria, Uganda and Zimbabwe. Admittedly, strategic conflict assessment is a fairly new tool, but there is still much room for improvement, especially in how systematically and extensively it is used. It is crucial that it is used more extensively because the causes of each conflict are specific to that particular region. Normally, one cannot transpose methods that were successful in one region to another and assessments must be re-evaluated regularly to ensure that, after a conflict, our aid is focused in an appropriate way for each phase of reconstruction.

The Committee drew attention to Sierra Leone, where the Government have failed to re-evaluate their aid sequencing. The Government rightly provided poverty reduction budget support immediately after the conflict to satisfy Sierra Leone's desperate need for extensive investment in reconstruction. However, a few years on, the continuing provision of that budget support may be entrenching the powers of the political elite and limiting the incentive for them to implement urgently needed governance reforms. Perhaps, the Secretary of State could say something about that.

It is also important that such assessments are not solely carried out in countries that are recently recovering from conflict, but that they are also used as preventive measures. They should be conducted in countries that are at peace, but which have potential sources of tension that could be headed off.

John Battle: It may also be worth keeping an eye on the politics in Sierra Leone. Through DFID, we have a 10-year arrangement with the Government in Sierra Leone, but the elections will be in July this year. Some of our Committee received representations from the Opposition, who asked if we could keep an eye on good politics and governance because otherwise things could go wrong.

Mr. Mitchell: I agree with the right hon. Gentleman. The point that I am making would help to ensure that DFID engages with those countries without exacerbating latent points of conflict.

The Opposition welcome the proposed focus on conflict in DFID's country governance assessments. Although aid has the potential to promote security and development, it can also create and aggravate tensions. When aid is irresponsibly allocated to countries that are experiencing an ongoing conflict, or to countries that have recently emerged from conflict, it can often create more problems than it solves. For example, direct budget support given to a Government who significantly marginalise or exclude a certain sector of society will inevitably result in that exclusion being further entrenched. There is a large possibility that some form of conflict could subsequently emerge as a result of that segregation.

I welcome the focus that DFID has given to social exclusion in its conflict policy paper. The paper rightly states that exclusion, whether in a political or economic form, is often a source of conflict. I also welcome the emphasis that the policy paper places on making all development assistance conflict sensitive. However, I am concerned that, despite both of those being

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pervading themes in the paper, there was very little detail about how the Government plan to ensure that direct budget support does not reinforce exclusion and lead to conflict.

At the moment, direct budget support is DFID's preferred method of providing aid, and it now represents more than 20 per cent. of DFID's overall aid expenditure. The question is therefore of major concern. Indeed, there have been too many instances of DFID not paying sufficient attention to conflict issues. For example, in both Uganda and Ethiopia, direct budget support was given despite clear points of tension. Uganda had continuing problems in the north, and Ethiopia had unresolved issues over Eritrea. Since then, recent political developments have led the UK to withhold payments, which had a detrimental effect for the neediest people in those countries. As I have said, the problem is exacerbated by the method through which aid was channelled.

I particularly welcome the Committee's recommendation that analysis resulting from conflict assessments should be made available to the entire Government. That would help further to develop coherence among Departments. That is particularly important, as the International Development Committee found when researching the report that one of the major flaws with the Government's approach to tackling conflict in the developing world is the lack of departmental co-ordination.

The global and the African conflict prevention pools, which are run jointly by DFID, the Foreign and Commonwealth Office and the Ministry of Defence, are the most prominent examples of inter-departmental co-operation. However, although they represent an encouraging step towards a more joined-up approach, they are still fairly small. Tackling conflict is a multi-faceted issue, and it thus requires involvement from all sectors. I therefore welcome the Committee's call for greater departmental coherence and its recommendation that the Department of Trade and Industry be included, as appropriate, in conflict prevention matters. The Committee Chairman spelled out the importance of that point, and I am pleased to hear that he expects to hold discussions with the DTI. Indeed, the subject was raised by the hon. Member for Hornsey and Wood Green in the context of the debate on BAE and Tanzania. I thought that the DTI's response to that debate was not as sensitive as DFID's response to us.

I turn to a point raised by the hon. Member for Hornsey and Wood Green. When, as was the case in the Democratic Republic of the Congo, Angola, Liberia and Sierra Leone, the extraction and selling of natural resources form an important part of the war economy, the wars often last longer and are much harder to resolve. The DFID White Paper said that the Government would

> "Press the international community to tackle the trade in conflict resources".

In March 2005, the Commission for Africa went further and pledged the Government to agree a common definition for "conflict resources", for global endorsement through the United Nations. It also recommended that a permanent expert panel be created in the UN to monitor the links between natural resource extraction and violent conflict, and the implementation of sanctions.

DFID's most recent paper, "Preventing Violent Conflict", to which I referred earlier, although expressing concern over the link between trade in natural resources and conflict, fails adequately to address how it would tackle the connection. There is no mention of pressing for a common definition for "conflict resources", and there is no mention of the extractive industries transparency initiative. I ask the Secretary of State to say what the Government are doing to apply pressure within the UN for a common definition and what progress is being made.

The process of certifying the origin of valuable natural resources liable to be looted by rebels is already in place in the form of the Kimberley process. That process, which is concerned with the trade of diamonds, has created a two-tier market of diamonds sourced both legitimately and illegitimately. The idea is to squeeze the finances of rebel movements while conflict continues by permitting trade in certified diamonds only. Britain is leading the Kimberley process, and the Government's commitment to the issue is admirable.

Although the Kimberley process has many flaws, it has had some considerable success. Conflict diamonds now amount to only 1 per cent. of diamond revenue. Given that the diamond industry is worth around $80 billion, that 1 per cent. is significant, but it still represents an improvement. A common definition of "conflict resources" would mean that we would not need a Kimberley process for each resource. It would also mean that if there were convincing evidence that revenues gained from the extraction of a particular resource in a particular country were being diverted to finance conflict, the international community would be able to react and stop the trade in that resource much faster.

Finally, I turn to the arms trade treaty, which was referred to earlier in the debate. It clearly has an enormous effect on conflict. It is estimated that there are about 650 million small arms and light weapons in the world today, and 8 million more are produced every year. The hon. Member for Edinburgh, West (John Barrett) was absolutely right to say that Kalashnikovs and small arms are the weapons of mass destruction. Without firm and rigorous control, those weapons will continue to fuel violent conflict, domestic violence and human rights abuses.

The Opposition have always supported the principle of the proposed international arms trade treaty since the campaign began in 2003, and we were delighted when, in October last year, the UN voted in favour of a resolution to start work on an arms trade treaty. The new resolution commits the United Nations to set up a group of governmental experts to set up a comprehensive and legally binding instrument to establish

> "common international standards for the import, export and transfer of conventional arms".

At the moment, loopholes in international law cause millions of unnecessary deaths each year, so that movement within the UN is undoubtedly a step in the right direction.

So far Britain has shown strong leadership, and the British arms industry already operates to some of the

highest standards in the world. However, work on that treaty has hardly started. We do not have the United States or China on board, which are of particular importance, nor do we have an effective text. I therefore press the Secretary of State to ensure that there is no loss of political momentum on that important issue in the UN. The Government must also ensure that the resultant treaty is effective and that there are adequate and fair mechanisms to enforce it, including provisions against the illegal transfer of arms, which contributes to the sustaining of any form of warfare.

Tackling conflict in the way set out by the Committee, which has been augmented by today's debate, would lead to huge benefits being available to some of the poorest and most disadvantaged people in the world. The debate has helped to flag up a number of ways in which we could make further progress in the coming months and years. I look forward to hearing how the Secretary of State intends taking that agenda forward in his last few months as Secretary of State for International Development.

4.19 pm

The Secretary of State for International Development (Hilary Benn): I am not sure about that last point. However, I congratulate the right hon. Member for Gordon (Malcolm Bruce) and the Committee that he chairs both on securing the debate and on the quality of the report. I acknowledge the quality of the speeches given by him and by my right hon. Friend the Member for Leeds, West (John Battle) and the hon. Members for Edinburgh, West (John Barrett), for North-East Milton Keynes (Mr. Lancaster), for Hornsey and Wood Green (Lynne Featherstone) and for Sutton Coldfield (Mr. Mitchell). The subject matter of the debate is difficult and in many respects troublesome, but it is hugely important for the cause of international development, about which we care passionately.

As I reflect on my three and a half years in this job, and as I think about the countries on which I have spent most time, it is apparent that they are actually the same countries in which conflict has been or is endemic, or in which it is threatened. The right hon. Member for Gordon was absolutely right about the large number of people who are poor precisely because they live in such states. Unless we can do something about conflict, and its causes and consequences for poor people, we shall not make the progress that we want to make in the fight against global poverty.

In doing this job I have learned the reason why DFID has to give its attention to conflict. It is because we cannot say, "When it is quiet and peaceful, give us a call and we will come and do our development 'thing.'" We have to get stuck in regardless of what are sometimes very difficult circumstances, and in due course I shall make some comments about the countries that have been mentioned by right hon. and hon. Members where such circumstances exist. If we do not take on that foundation work, we shall not get to the stage at which we can undertake the development that we all want.

Hon. Members have spoken not only about the current risks but about the new challenges. It is appropriate that we are having the debate on world water day, which reminds us that 1 billion of our fellow human beings do not have water in their communities. Half of the population of the developing world has no access to sanitation, and as the world population increases from just over 6 billion now to more than 9 billion within the next 50 years or so, water will become even more scarce. What are we going to do, as a world, when we start fighting about water, never mind the other resources that are the subject of conflict? Will water become such a conflict resource? It might well do so—the hon. Member for Hornsey and Wood Green nods her head, and I agree. If people start to fight about it then by definition it will have become a conflict resource.

We need to increase the attention that we pay to the issue of conflict, and we need to increase the resources that we put into such countries. That is why the Government committed in the White Paper published last summer to increase our spending in fragile states from 17 per cent. of our overall bilateral spending in 2000 to 30 per cent. in 2005. That is also why we launched a new policy paper on conflict last week. The right hon. Member for Gordon has said some kind words about that paper, and I say to him and to the Select Committee that the Committee's report influenced its content. We reflected on what we had been doing, and we listened carefully to the Committee's views.

Hon. Members will be aware that the White Paper says that the Government are going to do three things. First, we shall invest more in preventing violent conflict. Secondly, we shall make our response to armed conflict more effective. And thirdly, we shall make our development work more sensitive to the causes of conflict.

As my right hon. Friend the Member for Leeds, West has said, prevention is better than cure, and research shows that £1 spent on conflict prevention generates average savings of £4 for the international community. If we want the money that we raise to have maximum impact, we should try to stop conflict before it begins, because that is the sensible course.

First, we need to understand and act upon the causes of tension—a point that was made by the right hon. Member for Gordon. Exclusion, injustice and grievances cause conflict and prevent people playing a full role in society. We also need to understand when greed is the cause, and consider how to deal with that.

The second principle is to make our response to conflict more effective. According to the report on human security, the international community is actually getting a bit better in dealing with conflict. There have been more negotiated settlements in the past 15 years than in comparable if not longer periods in the past. We should take hope from that.

Thirdly, we should make our development work more sensitive to the causes of conflict. That is why, as the hon. Member for Sutton Coldfield has mentioned, we are building conflict assessments into Government evaluations. We have just completed a regional conflict assessment on the horn of Africa, because one cannot look only at individual countries—one needs to look at the relationships between them. We shall do the same for other parts of Africa as well.

A number of specific countries and subjects were mentioned, and I want to try to cover as many of them

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as possible. I start with Uganda and the Lord's Resistance Army, as the right hon. Member for Gordon did. The truth is that the LRA is a pretty horrendous organisation, as we know—it kidnaps children. In my speech at the launch of the conflict paper last week, I told the story of Francis Otwot, who was forced to march for weeks in the bush and who was beaten, brainwashed and made to be a child soldier. He described his life by saying:

"Fighting was part of my work. If I stayed for two weeks without firing, I would feel something was missing, something was not very normal."

Francis was 10 years old.

The LRA is the type of organisation that can do that. It is an organisation that can kidnap girls and women and make them into sex slaves of the commanders and fighters—and indeed it has. It terrorised the local community in some cases by cutting off people's lips and ears. I shall never forget as long as I live the front page of the paper in Gulu which I saw the first time I went to northern Uganda. There, on the front page, was a full colour picture of a woman who had had her lips cut off by the LRA.

I mention that not to add to the pain and suffering of the people who have experienced it. I have some sympathy with the difficulty faced by the Ugandan Government in dealing with an organisation that did not really have a political agenda and that was therefore extremely difficult to do business with. We said all along that we did not believe there to be a purely military solution, and I think that that is true, because the Acholi community feels itself to have certain grievances. However, there is no doubt that increased military pressure in recent years has pushed the LRA largely out of northern Uganda, via southern Sudan, into the Garamba national forest. Thereafter, political pressure has brought them out of that forest into the peace negotiations that have been taking place.

The talks have ebbed and flowed. In Juba, it looked at one point as though the LRA was not going to return to the negotiation table. My understanding of the latest situation is that it has agreed to return, and I pay tribute to the former President of Mozambique, ex-President Chissano, for his role. The LRA is a very difficult group of people to deal with, as the right hon. Member for Gordon is aware.

Let me say one thing on budget support. We had concerns about governance more generally in Uganda and about the level nature of the playing field in the run-up to the first multi-party elections, so I took away some direct budget support from the Ugandan Government and put it into increased humanitarian effort in the north. We did not punish the people. Similarly, as the right hon. Member for Gordon knows, we completely withdrew direct budget support in Ethiopia because of what happened after the elections there, and we found another way to give financial support to the poorest people. As the right hon. Gentleman has said, people should not be punished twice over for problems of governance in their country.

The Democratic Republic of the Congo is a country that has been raped, pillaged, impoverished and brutalised, first by colonial privateering, secondly by neighbouring country privateering and, thirdly, by Congolese privateering. That is a history of the country over the past 150 years in a nutshell, and it is why the political transition and the elections mattered so much. It is also why it is so vexing that fighting has today broken out in Kinshasa—I was briefed on that on the phone before coming into the debate, and it seems to be quite serious in the centre of Kinshasa. The people of the Congo have above all put huge effort into resolving the conflict by registering in large numbers and by voting. The international community has given a lot of support—Britain was the largest funder of the elections.

As the right hon. Member for Gordon has said, leaders have to lead. The responsibility on President Kabila, on former Vice-President Bemba, who lost the elections, on Prime Minister Gizenga and on everybody else is to use politics to resolve the problems of the Congo, because, if they return to fighting, all the gains of the past three years will disappear and the country will return to impoverishment. There will be little that we can do to help beyond continuing to provide humanitarian sticking plasters. People do not want sticking plasters any more—they have had enough and want the chance of a better life.

I assure hon. Members that we will continue to fund the Panzi hospital and the building of its new wing for treating fistula, and we will encourage others to do so.

The issue of conflict resources and UK companies in particular was raised by the hon. Members for Edinburgh, West and for Hornsey and Wood Green. Of the four British companies named by the UN panel on illegal exploitation of natural resources in 2002-03, the UK national contact point has looked into the matter and made statements in respect of De Beers, Avient and Oryx. The national contact point is continuing to review the information supplied in respect of DAS Air, which was pretty complex, and will make a statement as soon as possible. I understand that the UK contact point is one of a small number of contact points in the Organisation for Economic Co-operation and Development system that seek to look into and investigate the information provided.

One of the things that we have done to try to strengthen the system is establish the new national contact point, which is now run jointly by the DTI, the FCO and DFID. We accept the point that bits of Government need to join up. A steering board is being established to oversee its work. That will include members who are independent of Government, which is another recommendation that has been made to us.

The truth is that we all have a sense of frustration about this issue. As I reflect on my dealings in this area, and having read the reports, I can say that the expert panel may come up with what some people say is evidence and what others say are assertions, but the fact is that to be able to take action—to prosecute—for breach of an embargo, for example, we have to have clear evidence that a company has been responsible. The Congo is a very good example of just how difficult that is. In that country, communication is hard, people can move around and it is hard to see what is going on. With the best will in the world, if the expert panel, which may be in the country looking around and seeking evidence, finds it difficult to obtain categorical evidence that people have been up to no good, it is quite difficult for national contact points in OECD

countries, which are not in the Congo or other countries seeking to do that, to undertake the work.

On Afrimex, my understanding is that in the initial list of companies investigated by the UN—the one that produced the four UK names—it was exonerated. However, recently—some three weeks ago, I think—further evidence was lodged with regard to Afrimex, and the national contact point has written to the parties to follow that up.

On the broader question that the hon. Member for Hornsey and Wood Green raised, we are discussing how best to pursue the issue of trying to come up with a definition within the international system. Quite how long that will take, I do not know. Is the lack of a definition really the fundamental problem? The hon. Lady shakes her head. I must say that I have some sympathy with that view. It would be good to try to secure agreement, but broadly speaking we know what we are trying to deal with. That is why the extractive industries transparency initiative is all about a means of trying to shine a light on what is going on, so that people can see better. A number of right hon. and hon. Members have referred to the Kimberley process, which has worked pretty well. That shows what we can do when we put our minds to it. We also want to improve the current sanctions process and to establish an expert panel in the UN, because if there could be a permanent panel, as opposed to a series of ad hoc panels, that might build up expertise.

Malcolm Bruce: I would like to read out the record of an exchange that took place when we took evidence from Afrimex. It shows why we think that more should be done. The exchange goes:

"Joan Ruddock: At any time did you refer to the Department of Trade and Industry in this country?

Mr. Kotecha: No.

Joan Ruddock: You never referred, you never took advice?

Mr. Kotecha: No.

Joan Ruddock: And they never contacted you at any time?

Mr. Kotecha: No."

This is not just about prosecution; it is about a kind of cultural exchange. If the company is being investigated, it is not satisfactory that there appears to be no engagement between the DTI and the company in that process. I hope that what the Secretary of State has told us about the new co-ordinating methods will ensure that such a situation will not arise in future.

Hilary Benn: I very much hope that the new system will improve the operation of the process. That is why we have set up the new national contact point with the three Departments. That is why we have brought in the independent members, who are in the process of getting on to the panel—so that that wider view can be heard and precisely those questions about how the system has worked in the past and how it can be improved in the future can be asked. That will be a real step forward.

My hon. Friend the Member for Lewisham, Deptford (Joan Ruddock) has had to leave us, but she made a very important point about the role that women can play, which is why I am proud that the UK is one of the first countries to develop an action plan under UN Security Council resolution 1325.

Sierra Leone was mentioned in particular by my right hon. Friend the Member for Leeds, West, who made a very good point about the growth of the cities, including Freetown. The situation in Monrovia is the same. Conflict happens and people come to the cities, because things may be a bit more secure there and to look for a way of earning a living. That is one of the challenges.

Jobs are another issue. There is now relative peace and security in Sierra Leone, and Britain played a very important part in achieving that. I pay tribute to UNAMSIL—the United Nations Mission in Sierra Leone—for the work that it did. It came, it pacified and secured and it has gone, but now that there is relative peace and security in Sierra Leone, where will people earn their living? There is a growing young population. The same is true of a number of other countries, and if people cannot find a way of fulfilling their potential and earning a crust, they may be vulnerable to those who stir up grievances and want to return to conflict.

What is the best thing that can be done to build on the foundation of peace and stability in Sierra Leone? The answer is creating the right climate, in which people from Sierra Leone and outside will want to come and invest their money, to get the economy going and to draw on Sierra Leone's raw materials and natural resources. If we look back in time, we see that Sierra Leone was a pretty prosperous country relative to a number of its neighbours, which shows that it has been the failure of Governments and the conflict that have brought it to its knees and impoverished the people so much.

My right hon. Friend the Member for Leeds, West asked about the Peacebuilding Commission. As hon. Members will know, Sierra Leone and Burundi are the locations of the first two pilots, and yes it does consult civil society organisations as well as those based in New York.

The hon. Member for Sutton Coldfield made a very good point about the nature of our support in the circumstances that we are discussing. He gave us credit, I think, for the decision that we took at the time to provide some of our funding to Sierra Leone in the form of direct budget support because of the needs of the situation, but I continue to reflect on the issue that he raised, because we need to ensure that we give our support in the right way in the right circumstances.

The hon. Member for Edinburgh, West asked about Iraq. It is tough going there, as we know. Our contribution, as he will be aware, has specifically been on reconstruction, water and electricity in the south. Let me describe the real challenge in Iraq. If the people can get peace and security, they have lots of natural resources and lots of wealth. If they can make the system work, there should be no difficulty in funding and supporting redevelopment there. However, as the current terrible conflict, the sectarian butchery and the suicide bombings demonstrate, lack of security is the principal obstacle.

We are a significant contributor to the Afghanistan reconstruction trust fund, which is not budget support, because it pays out only in response to certified expenditures. It pays for teachers' salaries and those of other civil servants. There is progress: 4 million refugees have come back; 40 per cent. of the children in school now are girls. There are about 6 million children

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in school altogether, and 19 per cent. of the people in higher education are young women. The return of refugees is always a pretty good sign that things are improving.

The hon. Member for North-East Milton Keynes, who serves in every sense, both this House and in his service in Afghanistan, speaks with real authority and insight, and I could not agree more with his comments about the need to build local capacity. He highlighted the tension that is there between what is done by soldiers, who we ask to do a very difficult and demanding job, which sometimes involves killing people in the country that they have come into, and what we all know in the long term is required for the country to be able to prosper, which is the country and its own structures being able to act for themselves.

Some of the wells that the hon. Gentleman referred to have been dug as a result of quick-impact projects, but I pay tribute to the British military, because they did not use their engineers and say, "Right, we've got the capacity. We'll go and do the wells." Even with the quick-impact projects, they used and worked with Afghan contractors so that there was a greater local stake. The other wells that we dug were the result of the Helmand rural development programme and the Afghan authorities, which use Afghan contractors and labour.

Afghanistan has thrown into sharp relief some of the choices that we have to make about what we have to do first and when. It is an example of the pretty close working relationship between the Ministry of Defence, the Foreign and Commonwealth Office and DFID, not least because the difficult security situation there has made it such.

Mr. Mitchell: Before the Secretary of State moves on from his discussion of Afghanistan, will he comment on suggestions that Britain is unlike other countries in that it channels its aid through the Afghan Government? Other countries channel far less through them. Is that true? If so, why is that the case?

Hilary Benn: Yes, it is the case. It is principally because the Government of Afghanistan asked us to do it that way precisely so that they have the capacity to deliver for their people in the way that the hon. Member for North-East Milton Keynes talked about and so that their people look not to us, the Americans or other countries that are represented in Afghanistan, but to their own Government to build that capacity.

Mr. Lancaster: The point that I was making was that these matters are quite straightforward and easy in Helmand. There is still conflict, but the military are definitely in the lead there, so the triumvirate structure falls into a natural hierarchy. I am concerned about how that structure will work between the three Departments in other situations, such as that in Herat, where, as I tried to highlight, there is not a natural leader among the three Ds. How will we tackle that issue?

Hilary Benn: The hon. Gentleman makes an important point, because we have to learn from these experiences, some of which are new. In Helmand, we found ourselves in a situation that was more difficult than we had anticipated. All that I can say to him is that although we have not found all the solutions to working together effectively, the three Departments are unquestionably working more closely together than ever before. I am a practical soul; we need to look at what works and draw on experiences, including those of hon. Members who visit and serve there. If we have not got things right, we need to find ways of getting them right.

Mr. Mitchell: In his response to my earlier intervention, the Secretary of State explained that Britain is channelling more budgetary support than other countries to Afghanistan. Will he assure us that he is absolutely happy that the British taxpayer is getting value at the other end for every £1 of aid that we put in, and that the stories suggesting that some of the money is being siphoned off are untrue?

Hilary Benn: Just to be absolutely clear, we are not providing direct budgetary support to Afghanistan. We have put a significant amount of money into the Afghan reconstruction trust fund, which is a multi-donor trust fund and is managed by the World Bank on behalf of all the donors who put cash in. It pays out only in response to certified expenditure, so it is constructed precisely to give the assurance for which the hon. Gentleman asks—quite rightly, because it is a difficult country in difficult circumstances. Britain should be proud of its contribution. In putting that money in, I want to be sure, as does he, that the money gets to its intended destination.

On the arms trade treaty, which was mentioned by several hon. Members, the extra-territoriality rules on brokering apply to long-range missiles, WMD technologies, torture equipment and embargoed goods. The current review will consider whether, in the light of experience, that should change. Some 150 countries voted in favour of the treaty at the General Assembly in December, and a group of experts is being established and will report back in 2008. That is a tremendous result so far, and I assure the House that we will continue to press strongly on that issue. To some extent, it will wrap up some of the work that is being done on small arms and light weapons. There is also a separate UN programme of action on that, but, unfortunately, the July 2006 conference failed to reach agreement on it.

On assault rifles, any weapons in the country that someone proposes to take out of the country would have to go through the export licence process, so safeguards would apply. I must say that I have not heard before the statistics about arms sales that the hon. Member for Edinburgh, West gave. My information is that aid to Africa is about £1 billion a year, and that UK military exports to International Development Association countries—I am not sure whether this includes just those in Africa or all IDA countries—are worth about £100 million a year. Some of the exports to Africa are for peacekeeping missions and sometimes involve dual-use goods. However, I am happy to look into those statistics further.

On Burma, I am grateful to the hon. Member for Sutton Coldfield for his kind words about the work that we are doing there, and for the trip that he took and the way in which he reported back on the terrible sights that he saw there.

On Darfur, which we have debated many times, I share the concerns that have been expressed. I am particularly concerned about the last-minute cancellation by the Government of Sudan of the humanitarian discussion that was scheduled for Monday. I spoke to the Foreign Minister on Monday lunchtime to express my profound displeasure about that. The new head of the Office for the Co-ordination of Humanitarian Affairs, John Holmes, is in Sudan now and will pursue the agreement that we need to allow the humanitarian relief operation to work, because the people there face enormous risks. We need to get the troops in, but President Bashir's recent resiling from the agreement on the hybrid force is very worrying. We wish to increase sanctions upon him, but, in the end, we need a political settlement—and that we will pursue.

Mr. Drew: I know that it is not appropriate to look in detail at what the Prime Minister has written to Chancellor Merkel, but there comes a point at which what has been discussed between western Governments has to be made known, if for no other reason than to make it clear to those who have campaigned for some time for sanctions to be imposed on Khartoum. I simply wondered what timetable we might be working to.

Hilary Benn: We wish to press that. The arms embargo should be extended to the whole of Sudan. We are trying to get consensus in the international community to do that through the UN Security Council and to beef up the sanctions structure that we and others put in place by passing the UN Security Council resolution, so that where individuals are shown to have acted in a way that is contrary to the obligations, they feel the consequences.

Mr. Mitchell: May I reiterate a point that the Secretary of State made on Burma? In such states, people would lose out twice over were they not to receive any support or aid at all—of course, it would not be channelled through the Government there. In the past two years, he has been scaling up the effort inside Burma, and I very much hope that he will continue to do so, because the work that is being done to help the Burmese people to combat terrible diseases is enormously effective. I hope also that he will continue to ensure that the budget, which is very low, is increased in the coming years.

Hilary Benn: I will just point out to the hon. Gentleman that, of the European countries, we are the largest donor to Burma. However, I recognise that its needs are considerable, and as we look at the comprehensive spending review and future profile of our spending, I promise to take into account the point that we were already aware of and that he makes as a result of his visit: there are still huge unmet needs in Burma.

My last point is that when we draw back from the specific cases that we have raised today and think about the impact of conflict on Iraq, Afghanistan, Sierra Leone, Liberia, the Congo, Kosovo, Sudan and many other countries, we do not yet have an effective international system for protecting people from genocide, crimes against humanity or war crimes. We are therefore unable to protect them from the development consequences of the continuing conflict in the lands in which they live. It is a really uncomfortable situation, and the international community is struggling to find the means that it needs.

I am a passionate multilateralist, who wants the institution that we created at the end of the second world war out of the ashes of terrible conflict, the United Nations, to be effective at doing the job, but there is a lack of will and means. For that reason, I am also a strong supporter of the regional efforts that the hon. Member for Sutton Coldfield has mentioned. That also explains why we have been a strong supporter of the African Union, why we are helping it to establish the stand-by force and why we have given so much money to its mission in Darfur. The more that we can build capacity and find reliable ways of funding it—this is why I strongly support UN funding for the hybrid mission—the more we will begin to answer the question of what we should do when conflicts strike.

I shall end where the right hon. Member for Gordon began. He made the point well that because we are passionate about development, we must be equally passionate about dealing with conflict. The lives, future prospects and hopes of billions of our fellow human beings will depend on the extent to which we are successful in that.

Question put and agreed to.

Adjourned accordingly at nine minutes to Five o'clock.

Westminster Hall

Tuesday 27 March 2007

[MR. ERIC MARTLEW *in the Chair*]

Inland Waterways (West Midlands)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Alan Campbell.]*

9.30 am

Charlotte Atkins (Staffordshire, Moorlands) (Lab): I am delighted that you will be presiding over this debate, Mr. Martlew. I will start with some of the history of this issue. In 1994, the Monopolies and Mergers Commission produced a report on British Waterways which said that the high costs of meeting its extensive public service obligations meant that there was a need for it to be publicly funded. The report said:

"It has to maintain a 200-year canal system in a safe condition. This outstanding heritage from the first industrial revolution has many fine listed structures which are expensive to keep in good repair. Indeed the whole canal network is part of the nation's heritage and many canals are themselves listed. British Waterways also has extensive environmental responsibilities, including over 60 sites of special scientific interest and hundreds of conservation areas and areas of special landscape character."

It is not surprising that in 1989 a report of the Environment Committee concluded that

"Given the history of the system, it is unlikely that the Board can ever run its affairs on a wholly commercial basis. Much of the value of the canal network to the community at large lies in its land drainage functions and unquantifiable environmental benefits. It is therefore inevitable that the BWB will continue to rely on public funds for a significant proportion of its annual turnover."

In 1999, two years after a Labour Government were elected, a report entitled "Unlocking the Potential" about plans for the future funding of British Waterways stated:

"Total income has been insufficient to meet the needs of the canal network and a backlog of maintenance, currently estimated at £260 million has built up. Of this, some £90 million is work that poses a serious public safety risk. The Government considers that this backlog of safety-related maintenance is unacceptable."

Based on the funds available to British Waterways, the Government calculated that it would take 15 years to eliminate the backlog. In order to reduce that time frame to seven years, the Government generously allocated an additional £8 million per annum to British Waterways in the 1998 comprehensive spending review. That forward-looking approach led to a renaissance for our inland waterways.

When the Department for Environment, Food and Rural Affairs reviewed the performance of British Waterways between 1999 and 2004, it found that it was successful in many areas and had achieved a step change in the condition, management and reliability of the inland waterways infrastructure. The safety backlog had been eliminated—not the whole backlog, but the safety backlog—and six major restoration schemes had been completed, which cost £177 million and created more than 200 miles of new navigation, together with the associated urban and rural regeneration. That included major new developments, such as the Millennium Link and the famous Falkirk Wheel. British Waterways raised the profile and public awareness of waterways and realised the potential for educational, leisure, and recreational activities. It fully embraced partnership working and achieved a significant growth in directly earned income—an amazing 30 per cent. in two years—by the market pricing of moorings and licences, and through innovation and the professional management of its property portfolio.

Among the many recommendations of the DEFRA review was the long-term funding of British Waterways on a contractual basis. Yet, just two years later, in 2006, not only was there no visible sign of a contract but British Waterways was subjected to an in-year cut of 12.5 per cent. Most of that was imposed well into the financial year, when a very large part of the budget was already committed, so the effect of such a cut was even deeper.

David Taylor (North-West Leicestershire) (Lab/Co-op): I congratulate my hon. Friend on obtaining this debate and on receiving an award from the Inland Waterways Association for her campaign work in the midlands. Does she agree that the economic case is very strong, particularly when we consider that IWA figures show that as many as 300 million visits a year to the inland waterways network do not contribute to the cost of maintaining the network? Therefore, it is entirely appropriate for the Government to maintain the revenue and capital grant to the IWA at its current level. Any further cuts or a failure to restore those cuts would be myopic and would make Mr. Magoo look like a visionary.

Charlotte Atkins: Absolutely. I am pleased that my hon. Friend mentioned the large numbers of visits to the canals because many people perceive that canals are just for boaters. In fact, only 3 per cent. of visits made to the canal network are by boaters. He makes a valuable point about not being able to charge people who use the towpaths, unless we have turnstiles on the towpath, which, even this Minister must admit, is not a serious possibility. My hon. Friend's point is important because it is vital that we understand the public role of British Waterways.

As I was saying, because the 2006 cuts were late in the year, the effect was deeper than a 12.5 per cent. cut. In fact, it represented more than 20 per cent. of the available spend for British Waterways. On the last working day before Christmas in 2006, British Waterways heard that its budget for 2007-08 was to be the same as for the previous year, with the same cuts in funding and no allowance for inflation. So, the budget will be even less than the year before. That is a different scenario from the vision outlined in "Waterways for Tomorrow". DEFRA Ministers have made light of the cuts and have pointed out that British Waterways' ambition is to be largely self-sufficient by 2012. Clearly, the chief executive, Robin Evans, wants British Waterways to generate its own income and to exploit new income streams, but I do not think that he intended to suggest that British Waterways should itself take on such an extensive and demanding public role.

The Government cannot afford to take a back seat because investment in our waterways generates huge public benefits.

Mrs. Janet Dean (Burton) (Lab): I congratulate my hon. Friend on securing this debate. She makes a powerful argument for restoring the funding needed to

[Mrs. Janet Dean]

maintain and improve our canals, such as the Trent and Mersey canal, which passes through my constituency, and other canals, such as the Uttoxeter canal. The Caldon and Uttoxeter Canals Trust has launched an initiative to try to bring back life to the Uttoxeter canal. Does my hon. Friend agree that there is the potential to link the Uttoxeter canal with the quarry north of the A50 and Uttoxeter? A feasibility study needs to be done on that, but without the return of funding, such initiatives, which have been developed elsewhere in the country, would not be possible.

Charlotte Atkins: Absolutely. The project mentioned by my hon. Friend is close to my heart because it would start at Froghall on the edge of my constituency. I agree that if British Waterways does not have the staff to support such valuable initiatives, which are generated by enthusiastic volunteers, the chances of getting a feasibility study off the ground are slim.

Mr. William Cash (Stone) (Con): As the hon. Lady knows, the Uttoxeter canal passes through my constituency; indeed, she mentioned Froghall. On the question of the outline feasibility study, I am sure that she knows that Staffordshire county council, Staffordshire Moorlands district council and East Staffordshire borough council have all endorsed that project, and that the feasibility study is important to see whether the matter can be got under way.

Charlotte Atkins: Absolutely. In fact, we were lucky that a feasibility study was made into the Leek arm of the Caldon canal, which made a valuable case for its development. With those councils and all that political support behind the initiative, it is vital that the expertise of British Waterways is brought to bear in order to ensure that the study and, eventually, the restoration project gets off the ground. Given that British Waterways has sustained a cut of 180 jobs, the chances of its being able to provide such support are much less than before the cuts were implemented.

I was talking about the huge public benefits that investment in British Waterways can deliver—benefits that press all the right buttons in delivering Government targets. They include the healthy living agenda, with walking, cycling and running along the towpaths, regeneration for rural areas and for the inner city, a reduction in carbon emissions, education, biodiversity, and a range of other targets across a range of Departments. There has been much debate about which Department best fits with inland waterways. I do not want to discuss that now, but it behoves the Department with that responsibility to take on board the full range of benefits that inland waterways can deliver—through bilateral and trilateral meetings with other relevant Departments.

I would like the Minister to say what he understands to be the role of inland waterways and British Waterways in delivering Government targets across the board. It would be wrong to take a narrow DEFRA view of what inland waterways can deliver.

Sir Peter Soulsby (Leicester, South) (Lab): I join other hon. Members in congratulating my hon. Friend on securing this debate, which is on a vital issue. She says that she does not want to say much today about the question of departmental responsibility, but does she not agree that the benefits of the inland waterways network are educational and include heritage issues, and that matters such as freight transport and urban regeneration are at the core of the work done by British Waterways? Does she also agree that the fact that none of those are the core responsibility of DEFRA is a fundamental part of the problem and that, far too often, British Waterways and our waterways network are peripheral to the Department's and the Minister's responsibilities?

Charlotte Atkins: I could not agree more. My hon. Friend is absolutely right. That may be one of the problems, because our inland waterways deliver so much; yet DEFRA does not seem to consider them to be a priority.

The Minister may have thought that I was exaggerating when I said that the cuts in British Waterways budgets threaten the survival of the smaller, vulnerable canals such as the Caldon in my constituency. However, I am sure that he will say that my constituency has seen tremendous investment in the canals; we certainly have seen the successful restoration of the first lock and basin of the Uttoxeter canal at Froghall, which is now an enhanced visitor destination with access to all walking paths. We have also seen work done on the Harecastle tunnel on the Trent and Mersey canal.

In reality, however, the future of the Caldon canal is far more dismal. As a cul-de-sac, it does not have the same status as the canals on the north-south through route on the national waterways network. Many of the structures on the Caldon have been awaiting maintenance for years. In the light of current funding cuts, those works are likely to be postponed for even more years. For instance, piecemeal repairs have been made to the Hazelhurst aqueduct and embankment over the last few years rather than the necessary major work that was planned. Its structural failure could easily cause the Caldon to be closed, which would have far-reaching effects for the local economy and the entire canal network.

We should remember that the Caldon was reopened by a dedicated band of volunteers back in 1974, and there is a real risk that, within living memory, those who reopened the canal could see it close again. The water supply from the Rudyard, Knypersley and Stanley reservoirs is vital to the local canal network, yet some of the valve mechanisms are now on the list of structures at risk. The maintenance of the 200-year-old network has to be kept up, because failures of small elements such as sluices and culverts can have a catastrophic effect. For instance, we have already seen the closure of the Long Butts bridge on the Caldon between Baddeley Green and Norton Green. It would cost £130,000 to replace, so when it closed for two months a sticking-plaster job was done. It is therefore fragile and can no longer be used by vehicles but only by pedestrians.

The staff cuts and reorganisations are already having an impact. It is not possible to get rid of 180 jobs and not have an impact on the canal network. British Waterways has always played a vital role in leading and underwriting the construction risk of regeneration projects. It can no longer be assumed that it will continue to do so, which puts the Burslem port and Leek basin developments on hold.

In Leek, the Caldon canal corridor study to investigate the potential for the restoration, extension and development

of the canal in the town is ready to go to the council, but without British Waterways' expert assistance—the result of the staff cuts—it is likely to be put on the back burner. There are plans to bring the Uttoxeter canal back to life, as my hon. Friend the Member for Burton (Mrs. Dean) said, by opening a 13-mile stretch from Froghall in my constituency to the wharf in Uttoxeter. That has the potential to be a real gem of a development.

As the hon. Member for Stone (Mr. Cash) indicated, local councils are already on board, but a full feasibility study needs to be undertaken. That is less likely to happen given the impact of the funding cuts.

Mr. David Drew (Stroud) (Lab/Co-op): I congratulate my hon. Friend on securing this debate. I declare an interest in that I chair the Select Committee investigation into British Waterways, but I do not want to say anything about that now.

Does my hon. Friend agree that one of the problems with the reopening of canals is that a partnership between a range of bodies is required? Although it may not always be appropriate for British Waterways to be the lead body, it will nevertheless play an important part, and that needs to be brought to the surface because it faces financial changes.

Charlotte Atkins: Absolutely. British Waterways plays a vital role in underpinning all those restoration projects. It will not always be possible for bands of volunteers to bring the whole team together, right across the voluntary and political sectors. British Waterways always plays a vital role. Indeed, the chief executive of British Waterways, Robin Evans, has always believed the organisation's vision to be one of expanding the network. Will that change under the new regime? I hope not, and I hope that the Minister will comment on network expansion.

Another victim of the cuts has been British Waterways' central freight unit. The unit has been disbanded, and responsibility for freight has passed to already hard-pressed regional offices. That is likely further to deprioritise freight and reduce the degree to which water freight can help the Government achieve their key environmental objectives by cutting carbon emissions. Coastal and inland shipping emits 80 per cent. less carbon dioxide per tonne per kilometre than road haulage. It also helps relieve congestion by taking lorries off the roads.

There is an extensive network of inland waterways in the west midlands, but it is hugely underused by freight. Nevertheless, the potential is there. The west midlands freight quality partnership is conducting a feasibility study of two waterways—the Wolverhampton level and the Birmingham level—which together provide 87 miles of lock-free transport into the centre of Birmingham, including from the M6.

The Severn-Trent canal proves that things can be made to work. In 2005, a brand new water transport service began on the river Severn, and that was the first time in 10 years that the river had been used for freight transport. Locally quarried aggregates are extracted from a quarry near Ripple and transported 2 miles north by barge to the Cemex plant at Ryall near Upton-upon-Severn in Worcestershire. On average, that happens four to seven times a day.

It is intended that there will also be a twice-weekly service whereby some 65,000 tonnes a year of newly-processed material will be loaded back on barges. Material will be transported down the river Severn, via the Sharpness canal and the Gloucester docks, to the Cemex ready-mixed concrete plant 2 miles south of Gloucester.

When did the Minister last meet his transport colleagues to discuss the carriage of water-borne freight, and what conclusions did they reach? For the Department for Transport to be awarding funds to transfer freight from road to water under the freight facilities grant scheme while DEFRA forces British Waterways to close its central freight unit does not seem to me to be joined-up government.

In case the Minister considers that the issue of British Waterways cuts is not urgent, I should like him to consider just two examples in which urgent action is demanded but money may not be forthcoming due to funding cuts. Those cases have already been covered in the press.

The first is that of Netherton tunnel, near Dudley, which is more than 3,000 yd long. It was the last major canal tunnel to be built in Britain, in 1858, but it could be the first to close, because it has begun to sink as a result of mining subsidence. The bottom of the tunnel is getting closer and closer to the top of the water, making it more difficult for boats to pass. At the same time, the two towpaths have been disturbed by subsidence and were closed to the public before Christmas. I understand that one towpath may be reopened, but no one can say when the works will begin.

Lynda Waltho (Stourbridge) (Lab): The Netherton tunnel will determine whether the Stourbridge arm of the canal stays open. I visited the canal yesterday and the two towpaths are still closed, although the tunnel has been reopened to boats. There is a real fear among boaters and other users of the paths that the whole thing will be closed down, which would cut off Stourbridge from the rest of the network. That would be sad, given that in May the Staffordshire and Worcestershire canal society will celebrate the 40th anniversary of the Stourbridge arm's reopening.

Charlotte Atkins: That is devastating news. I picked up the Netherton tunnel issue from the press and I had assumed that my information was pretty up-to-date, but my hon. Friend has updated us further by telling us that the towpaths are still closed. It appears that there will not be any opportunity to open them in the near future. Will the Minister say what is happening in the case of Netherton tunnel? It would be appalling if the 40th anniversary celebrations were put off because of the effect of these short-sighted cuts.

As I am sure my hon. Friend is also aware, a stone's throw from Netherton tunnel is Tividale aqueduct, which is a grade II listed, double-span aqueduct. Its stone-arch parapets are falling down. If British Waterways does not receive the £150,000 that is needed to repair it right now, it will get worse. In the meantime it is an eyesore that is also being vandalised—it is getting worse day by day. Those are just two examples, picked from the press, of places where the cuts are biting on canal infrastructure and where urgent action is needed if things are not going to get worse and more expensive to repair.

[Charlotte Atkins]

In conclusion, I ask the Minister what progress is being made on developing the long-term contractual agreement between British Waterways and the Government that was flagged up way back in 2004? Even if the Minister cannot say now that funding will increase over the long term, a contract would at least ensure that British Waterways did not face the in-year cuts that so devastated it in 2006. Given that the contract was flagged up as an issue way back in 2004, I should like to ensure that there is progress towards achieving an agreement.

What discussions has the Minister had with British Waterways on the forthcoming comprehensive spending review and on British Waterways' future funding level, given that the present lower level of funding will not sustain the organisation's vital role in clearing its backlog of statutory maintenance work and in helping to expand the canal network? Any organisation can sustain a year of cuts, but if the year of cuts leads to lower funding over time, that will be completely devastating. Those of my hon. Friends who have spoken have already indicated where the cuts are having an impact and the desperate effect that is being seen in their own areas.

Will the Minister make urgent representations to the Treasury to ensure that the canals are seen not just as the responsibility of DEFRA but as the responsibility of a wide range of Departments? So vital are canals to the Government's agenda on healthy living, regeneration, biodiversity and climate change that they must be prioritised in the comprehensive spending review. The British Waterways budget should be restored and sustained over a long period. There has been a renaissance in inland waterways due to Government investment, and recent years have been a marvellous period for them. It would be very short-sighted of the Government to turn back the clock.

9.59 am

Mr. Owen Paterson (North Shropshire) (Con): It is a pleasure to serve under your chairmanship, Mr. Martlew. I begin by congratulating the hon. Member for Staffordshire, Moorlands (Charlotte Atkins) on bringing this important matter to the attention of the House and I endorse much of what she said.

On your way north, Mr Martlew, you might one day turn left and visit my area. You would find a lot of canals there, and it is poignant that we are discussing this subject in the bicentenary year of Thomas Telford. The Llangollen canal has a spectacular viaduct at Chirk Bank, which has attracted international names such as Harrison Ford and Calista Flockhart. A little further on beyond my patch there is the Pontcysyllte aqueduct, which is a world heritage site.

The Montgomery canal in my constituency is a spectacular example of what Governments of both parties have done. The Minister last time made some rather tiresome party political comments, but I would like to stress that this development has been supported by Governments of both parties. Aston lock was restored in 1994. There is a site of special scientific interest beside the canal. I entirely endorse the comments by the hon. Lady that the vast majority of people who visit canals are not boaters; they are pedestrians—people who go to walk beside the canals.

We have seen a tremendous voluntary effort in the area. There is national Government money and local government money and there has been a tremendous effort by volunteers, with people coming up from Birmingham for weekends. As a result, a large section of the Montgomery canal has been reopened and there is more to come. New businesses, such as Barry Tuffin's boatyard, have been created. Such businesses simply would not have existed when there was only bog and mud.

At the other end of my constituency, the Shropshire Union canal is extremely busy, taking traffic up towards the Mersey, going through Market Drayton. The size of that network is significant. The Shropshire Union covers 66 miles within my area—that is, it goes outside my constituency but is reachable from my constituency. Similarly, the Llangollen is 46 miles long and the Montgomery is 33 miles long. Another waterway is 10 miles long. That is 155 miles in total. The group of canals in that geographical area attracts a significant number of visits: 8.3 million a year. Gross direct and indirect spending arising from canal visitors is £54 million, and up to 1,500 direct and indirect permanent full-time equivalent jobs are supported.

As the hon. Lady clearly explained, much of that could be put in jeopardy. Great work has been done over the past 20 years through state action and voluntary action, but due to the cataclysmic incompetence of DEFRA in handling single farm payments, the Government are liable to be fined £130 million and pay £40 million in compensation. It is utterly disgraceful that an area of activity that is completely separate from single farm payments will be penalised.

The sums are pretty simple. The income of British Waterways is £100 million. The subsidy is £60 million, and there is £30 million from the Heritage Lottery Fund and local authorities. If that subsidy is changed radically without planning and at very short notice, it is very hard for British Waterways, which is working its way towards making itself self-sufficient, suddenly to have that reverse dumped on it without being able to plan ahead.

My constituents are very angry. Michael Limbrey, the chairman of the Montgomery Waterway Restoration Trust, who has done a huge amount of work on the issue, reckons that phase 1 restoration of the Montgomery would bring in 100 to 120 long-term jobs, but that that

"could increase to 250-300 with associated developments".

He says of the cuts:

"This could all be very significant for a rural canal like the Montgomery, and if implemented could put the restoration at risk, and prejudice all that has been achieved so far."

Ken and Lindsay Green of Whitchurch said that

"the cuts are to pay the fines imposed on DEFRA for the late payment of farm subsidies. We are just gobsmacked that everyone should be penalised because some people can't do their jobs properly."

Mr. Green says:

"When I ran my own business anyone making that sort of mistake would be sacked."

Similarly, Mr. Alan Wisener from Market Drayton said:

"Why should our Waterways and other environmental departments suffer because of gross bad management by DEFRA?"—

in other words, because of farming subsidies.

Let me explain what this amounts to. As the hon. Lady said, there will first be a degradation of the network, which in the long term will lead to more expensive costs. I have been told that, at Calveley, just outside my patch, in the seat of my hon. Friend the Member for Eddisbury (Mr. O'Brien), the towpath is falling into the canal. At Audlem bridge, again just outside my area, £90,000 is needed. In my area, there is Greaves bridge at Ellesmere, which is a listed 18th-century structure. It will need £150,000 to repair, because the foundations are falling in. If the foundations do fall in, the long-term bill, and the disruption, will be immensely greater.

I raised the question of breaches with the Minister in our last debate, initiated by the hon. Member for Leicester, South (Sir Peter Soulsby), and I have raised it in questions, but I had a wholly unacceptable reply. There were two breaches on the Llangollen, in December 2005 and June 2006. That is the busiest waterway in the country. It is also one of the main means of feeding water to Hurleston reservoir, feeding large numbers of homes and businesses in the Cheshire area. Let us imagine what will happen if there is a significant breach. There are 16,000 boat movements on the Llangollen a year, which could be jeopardised, along with that water supply.

I would like the Minister to give us a very clear answer, because the last time we debated this, my hon. Friend the Member for Banbury (Tony Baldry), who had previously been a junior Minister in the Department of the Environment, said that there was a contingency fund. No Opposition Member is asking for a penny more money from the Treasury. We are just asking that, if there is a breach, which would cause serious damage to the network, the Minister considers using contingency money, which every Government have done for many years.

I would like a clear commitment about what will happen if there is a major breach on the network. The most recent breach was in January on the Brecon and Monmouth canal, which cost £300,000. Luckily, the water just emptied out into a field, but one of these breaches could pose a danger to human and animal life and cause massive disruption to legitimate businesses and jobs. Will the Minister state categorically whether he would be prepared to use contingency funds? They do exist. They have all been allocated; they have all been voted through. It is not new money. If the Minister will not do that, why not?

As for the safety backlog, if British Waterways had continued on the course on which it had been led to believe it was set, it would have eliminated the statutory arrears by 2012. Given that there has now been this complete hiccup, when does the Minister consider that the arrears will be eliminated?

On the British Waterways website, there is an interesting comment at paragraph 5.3.6:

"BW is currently only able to operate commercially on or adjacent to waterways it owns or manages. This restricts both its direct activities and those of its joint ventures. DEFRA and the Cabinet Office are currently considering ways in which this restriction could be removed."

It seems extraordinary that an organisation with great expertise in managing waterways can operate only on stretches of water contiguous to its existing network.

Sir Peter Soulsby: Does the hon. Gentleman agree that the most significant areas of waterway on which British Waterways is not able to operate are those that are managed by the Environment Agency? I understand that it would be a comparatively straightforward matter for those areas to be brought within the area in which British Waterways can use its very considerable experience and expertise to invest.

Mr. Paterson: I am glad that the hon. Gentleman pressed that point, because I was about to make it. I wanted to draw the Minister's attention to our rivers. The Severn is currently navigable only as far as Bewdley; in the 17th and 18th centuries, it was navigable right up through Shropshire. In towns such as Bridgnorth, one can still see the remnants of the island that divided the main river from a weir, which generated power, and the channel through which boats travelled.

There is a triple hit on this. If we made our rivers navigable again, we would have a very significant source of renewable clean energy. Unlike ridiculous wind farms, which demand vast amounts of public subsidy and do not work, water has been a source of power in this country for centuries. I have been told that the Rhone supplies 10 per cent. of France's energy. If we made the Severn navigable, we could use the power from the weir for green energy. We would then get much more activity through the river, by using the lock system. That would have a further impact on general employment outside matters directly related to boating.

I entirely endorse what the hon. Gemtleman said. We have an organisation, British Waterways, which has great expertise in managing waterways. Why on earth can it not get involved in other projects on stretches of water not contiguous to its own network? Everyone would like British Waterways to stand on its own two feet. Everyone would like it to escape from the clutches of DEFRA and the requirement for subsidies. It seems extraordinary that British Waterways is precluded by statute from taking advantage of our natural river system, which could be a tremendous source of energy and of employment and prosperity.

10.9 am

Joan Walley (Stoke-on-Trent, North) (Lab): I congratulate my hon. Friend the Member for Staffordshire, Moorlands (Charlotte Atkins) on instigating the debate. It is very important that we debate canals in the west midlands. It forms part of what is happening to British waterways altogether and to canals throughout the country. The fact that so many west midlands Members are here to support her sends the Minister the powerful message that we want to find a way to work with him to resolve the problems facing our canal structure.

Let me briefly set out my concerns. For some of my first 10 years in Parliament I shadowed the then Transport Minister, and one issue that was constantly raised was what we could do about inland waterways and how we could ensure that we got the investment that we needed. As my hon. Friend made clear, the Labour Government brought about a real renaissance in investment in the canal structure and built on much of the preparatory work that went on before 1997. I was proud of the fact that what had begun as a transport policy ended up as a far-reaching policy that made it clear that canals were important and that we needed to invest in them. The

[Joan Walley]

money that the Government allocated to canals meant that we started to deal with some of the huge backlogs.

The Government therefore have a strong and proud record on this issue, but we now face another problem, as we have heard. Problems with single-pot payments and farm subsidies, as well as the mistakes that have been made, mean that the canal structure has become a scapegoat as we try to find the money that we need for other purposes. I understand the problem that the Minister has to solve and I sympathise with him, but I hope that the debate will allow him to draw on the help of those of us who are present and include us in a partnership, because we can ill afford to lose this money and we need to make good the losses. He has been spectacularly successful at encouraging investment in canals, and that has made it all the more clear to people across the country that we cannot afford to lose what is there now. Given that we have seen local canal partnerships with local authorities, with British Waterways taking the lead, and that we have introduced other regeneration initiatives, I hope that the Minister can introduce similar measures now.

Most hon. Members present have met representatives of British Waterways and will know that there is a need for a new mechanism that will work across Departments and through the upcoming comprehensive spending review process, as my hon. Friend the Member for Staffordshire, Moorlands suggested. We need a pooled budget so that we can make good the current shortfall at DEFRA using money from transport, regeneration and other budgets. Such a measure is urgently needed because, without it, we will lose momentum on important initiatives. We cannot wait for repairs and we cannot have years of indecision only for projects not to go ahead—such urgent decisions must be made now. I want the Government, the Minister and the Treasury to be committed to finding a way of working towards all that.

Let me briefly flag up a couple of other issues. I am grateful for the work that the British Waterways Board has done in my constituency, particularly under the inspiring leadership of Derek Cochrane. I am sad that he is one of the casualties of the cutbacks and is taking early retirement. Of course, he will do great work elsewhere, but he will not oversee the initiatives that are ready to proceed in my constituency. Much of the local knowledge that British Waterways Board staff have built up will be lost once they leave, having become casualties of the cutbacks of which we are afraid. When that happens, who will lead the continuing renaissance that our canal structure needs? It is incumbent on the Minister to tell us what he can do with British Waterways to have those posts reinstated.

When I first came to the House, several hon. Members—you might well have been one of them, Mr. Martlew—told me, "Joan, I've recently been to your constituency." When I expressed surprise and asked why they had been there, they said that they had gone through the canal structure—along the Trent and Mersey—to visit the wonderful tourist attractions in my area, including the potteries and the magnificent Staffordshire moorlands. Many people go to the hidden jewel in our area—the spur of the Caldon canal, to which my hon. Friend the Member for Staffordshire, Moorlands referred, which starts just by the Trent and Mersey and goes through both our constituencies. Many stop off at the improved towpath by the Middle Port pottery, from which, I am pleased to say, the "Antiques Roadshow" will be broadcast in May. Such people come to the area to celebrate the renaissance and regeneration that we have seen, and there have been improvements to the towpath across my constituency, from Burslem right the way up to the Harecastle tunnel. It is essential that those repairs to the tunnel continue, because, without them, Stoke-on-Trent will be completely cut off from a major thoroughfare.

I know many of the volunteers who worked so hard all those years ago to dig and reinstate the Caldon canal, and we will not sit back and see it taken away—no way. We are working with the Inland Waterways Association and everybody who values the canal. We cannot afford to lose parts of the infrastructure that provide the canal with water, such as Stanley reservoir in my constituency and Knypersley pool, to which my hon. Friend referred. At Westport lake, Brownhills high school is building an eco-school as part of a regeneration initiative, but such projects will be under threat if we do not move ahead.

Regeneration is not the responsibility only of DEFRA and British Waterways. There is a great deal of commitment on this issue, and we must find a way not only of reinstating the money and getting the continuing commercial agreement and contracts to which my hon. Friend referred, but of getting funding from other Departments to ensure that we build on what we have. Above all, I want the big Burslem port regeneration project in my constituency to go ahead, and we need the British Waterways Board to help with that. Hundreds of years ago, people met in the The Leopard in Burslem to plan the canal system, and I do not want to have meetings there so that people can complain about the system's demise. We must find a way around this problem and we are here to work with the Minister to do that.

Several hon. Members *rose—*

Mr. Eric Martlew (in the Chair): Order. Three Back-Bench Members wish to speak, but I want to start the winding-up speeches shortly after 10.30 am. Hon. Members can figure that out for themselves.

10.17 am

Mr. William Cash (Stone) (Con): My constituency has quite a network of canals running through it. The Uttoxeter canal has been mentioned, and I pay tribute to Mr. Mike Maryon, who is a county councillor and the chairman of the Uttoxeter restoration committee of the Caldon and Uttoxeter Canals Trust, which is a registered charity. In the past few days, he has held a meeting about the improvement and restoration of the canal, and the hon. Member for Staffordshire, Moorlands (Charlotte Atkins) rightly referred to the need for a feasibility study to help that work get off the ground. Staffordshire county council, Staffordshire Moorlands district council and East Staffordshire borough council have offered their support, but they are, of course, looking for grants, and I look to the Minister in the hope that we may make some progress on the issue. As the hon. Member for Stoke-on-Trent, North (Joan Walley) said, Derek Cochrane is enthusiastic about the proposals for improving the Uttoxeter canal.

The Uttoxeter canal is a rural canal with an interesting history. It was completed in 1811, but closed in 1849. It did not last that long as a canal, but that it is not to say that it does not have enormous opportunities and could not be a hidden gem in the area that I have the honour to represent.

Several hon. Members, including the hon. Member for Staffordshire, Moorlands, have properly referred to the problem of the cuts, which are making life extremely difficult for those with the statutory duty to maintain canal systems. The Minister would do everybody a service by indicating—if not today, certainly in correspondence—just how the statutory duties imposing obligations on canal systems can be fulfilled if money is not made available. A statutory duty can be enforceable against the local authority or, in this case, the inland waterway authority. It is an impossible situation for Parliament to tell such authorities that something must be maintained and, when cuts are imposed, to say, "You've got to find the money, but the question remains how you are going to do it."

I am sure that the Minister will be good enough to respond. I hope that he will forgive me for having to leave. Cheadle fire station has lost one of its appliances, and I have a meeting with the chief fire officer at half-past 10. I hope that he will be kind enough to take that into account.

There is another side of the equation that is a matter of grave concern in the context of cuts. Stone, in my constituency, lies at the heart of the canal system in the midlands. About 7,500 narrow-boats pass through the town every year. That is extremely important to our local economy, resulting in large numbers of visitors. I have a letter from Stone town council to the Secretary of State for the Environment, Food and Rural Affairs drawing attention to the deep concern of Stone town council, and Stafford borough council of which it forms part, about the impact that the cuts will have on the local economy. How and to what extent that can be remedied is a question to which I know hon. Members will be concerned to hear the Minister's answer.

In conclusion, an important part of our economy is tied up in the canal system, whether in tourism, recreation or walking, along with opportunities for improvements for people who live in the area. I sincerely hope that against the background of DEFRA's failures in the context of the single farm payment, the Minister will have something constructive to say on the subject. I hope that he will come up with some useful comments and observations and with some money to help with the feasibility study and the improvement and restoration of the canals. I also think that the Public Accounts Committee should take note of the matter, because of the necessity of maintaining the canals and the cuts that are causing so much difficulty in running them.

10.23 am

Mr. Bob Laxton (Derby, North) (Lab): I am conscious of the time, so I shall be speedy. My interest in canals goes back many years. I own a narrow-boat. I am not a Member for the west midlands, but I probe into them—aiming, steering, at the helm or however it is described, through the west midlands toward the BCN. For those who are not aficionados, the BCN is the Birmingham canal navigation, where one can see the huge impact that canals have made. Regeneration in the centres of our major cities, such as Manchester and Birmingham, has been immense, and much of it, although not all, built around the revived canal network.

My concern is simply that this debate is a bit of a two-edged sword. On one side, we need to raise the concerns of all users of our inland waterways, whether boaters like myself, cyclists, runners or people who want to go peer at flowers. That is absolutely legitimate. We should do it, we should do more of it and we should do it louder and longer. We should raise that profile. The other side of the sword, though, is that if we are not careful, we will generate in the wider public a view that the canal network is all doom and gloom—that it will all go back to being bogs and infested ditches with trickles of water down the middle, and will all fall apart. If that happened, it would be an absolute tragedy. Why? Because British Waterways, notwithstanding the cuts in grant aid from DEFRA that it has had to endure, has been eminently successful in its redevelopment work and remains so. It is doing tremendous work through joint venture companies such as ISIS and one of its other commercial arms, British Waterways Marinas Ltd, which has generated large profits that have been ploughed back into British Waterways.

The conundrum that we face is that on one hand, we should raise such issues, but on the other, we must consider the view of developers, speculators, homeowners and all those who want to live by water. According to the figures, the values of residential properties by water are 20 per cent. higher than those that are not. Everyone seems to want to live by or on water, and I can readily understand that. I see the look on your face, Mr. Martlew. You may not want to live near water. In fact, at times you have had far too much water, with the floods that your constituency has had to endure. You have suffered personally from too much water, but many people like to live by it.

For that reason, we must ensure that we raise the issues but remain optimistic that the canals will remain and improve, and that opportunities for investment and development along the wonderful network of waterways are enhanced and improved. If that does not happen, British Waterways will find that the income that it is trying to generate to maintain the network falls away. It will not just suffer from the sizeable reduction—although DEFRA may say that it is a minor one—in the money made available to it. It will be unable to generate the sort of funds that enable it to maintain the network, and that will send it into a downward spiral.

I want to hear the Minister's views about future funding for British Waterways. To my friends and colleagues here, I say that while raising these issues, we need to maintain a buoyant approach, if they will excuse the pun, to the future of British Waterways. We must ensure in managing the system that it remains as financially successful as it has been in the past, if not more so.

10.28 am

Lorely Burt (Solihull) (LD): I congratulate the hon. Member for Staffordshire, Moorlands (Charlotte Atkins) on securing the debate on this important subject. In the west midlands, we have a proud history of the cut, as it was called in the black country, where I was born and raised. The cuts, bridges and tunnels transformed the west midlands during the industrial revolution, but they are still very much a part of life

[Lorely Burt]

there today. It is therefore extremely concerning to hear of the redundancies that have been announced—80 of the 180 redundancies will fall within the midlands. We are grateful to Advantage West Midlands for the £400,000 boost. It is welcome, but it is hardly likely to soften the current Government cuts.

I was concerned to hear from the hon. Member for Stourbridge (Lynda Waltho) about the threat to the Netherton tunnel, an intrinsic part of the Black Country living museum, which is probably the biggest tourist attraction in that part of the country. That is extremely concerning. Enthusiasts all over the west midlands are concerned about the state of the canal system, and many of my constituents have written to me about the state of the network generally and in my constituency, because towpaths are overgrown and there is graffiti and other undesirable problems.

The cuts are putting our canals and waterways under threat and are having an impact on a wide range of users—not just boat users but holidaymakers, anglers, ramblers and cyclists. Canals are an important community asset because of their natural environment, and they bring wider benefits to local people than their recreation uses. Clearly, tourism will be the first area to suffer. Local pubs and restaurants on canals will be hit hard, as a number of them make their living out of local people's delight in enjoying canals. It is not only boaters who enjoy being by canals and locks.

I have mentioned the number of paid staff who will be affected by the cuts, but it is also worth mentioning that the number of volunteers will greatly diminish if staff are not there to organise, help and motivate them.

Lynda Waltho: I am concerned about a particular group of volunteers. The hon. Lady will know the Bonded Warehouse, which is part of the Stourbridge regeneration. It is staffed by volunteers who spend most of their days there and who have helped to regenerate a whole part of Stourbridge and the Stourbridge arm. I am very concerned about the effect that the cuts will have on them, their futures and the future of my constituency. This is at the heart of what they are about, and it looks as though we do not care; that is why I am so concerned.

Lorely Burt: I am grateful for the hon. Lady's intervention. I know the Bonded Warehouse well and have spent many a happy hour there.

We are talking about cuts of 12.5 per cent., which are largely related to the loss of revenue caused by the Government's appalling bungling of the single farm payment scheme. We hope that the Contingencies Fund will be used to reverse the short-term cuts that arise from that loss of income. I call on the Minister to give full weight to the social, economic and environmental importance of the waterways network when determining future grant levels for British Waterways.

10.33 am

Bill Wiggin (Leominster) (Con): It is a great pleasure to speak in the debate, which I congratulate the hon. Member for Staffordshire, Moorlands (Charlotte Atkins) on securing. She is the primary sponsor of early-day motion 90, which now has more than 200 signatures, and she has asked many written questions on this matter. During our Westminster Hall debate of 6 December, she raised concerns about the Leek and Caldon canals, and I believe that earlier this month she campaigned with members of the public beside the Caldon canal at Cheddleton, so no one could doubt her commitment.

Charlotte Atkins: I got very wet.

Bill Wiggin: I could not possibly comment on that.

This is an important subject. British Waterways is involved in £6 billion-worth of waterside regeneration, including at the Olympic site—quoting figures about the Olympic site always makes me nervous. It manages 65 sites of special scientific interest and more than 1,000 locally designated wildlife sites. It also manages 2,200 miles of canals and rivers, to which there are 300 million visitors a year, 5 million visits by coarse anglers and 9 million visits by boaters. There are also 29,000 canal boats on those waterways. About half of this country's population live within 5 miles of a British Waterways canal or river. British Waterways also manages 11,000 principal assets such as bridges and tunnels, and 12,000 other assets such as embankments, buildings and lock gates. It needs a long-term asset management programme of an estimated £35 million a year—at 2004 prices—to ensure sustainability. That is a significant and important catalogue of what British Waterways does.

We do not want the impact of cuts to be felt either in the west midlands, where waterways have an historic role, or nationwide. Important capital projects have suffered from reduced investment or have been deferred in the hope that funds will become available. The bridge at Trub farm on the Rochdale canal has been able to find an alternative source of money to cope with the £586,000 reduction in British Waterways investment, but others have not been so lucky. There has been a £464,000 reduction in investment in the Ribble link, and there have been deferments of investments of £208,000 for the Coates lane retaining wall on the Leeds and Liverpool canal and £176,000 for the Milton Keynes culvert. There has been a £250,000 reduction in investment in the Rowlington embankment on the Grand Union canal, which has led to a winter stoppage, and there have been deferments of investments of £252,000 for the refurbishment of Aston locks Nos. 9 and 11, of £133,000 for the Tividale aqueduct repairs, and of £592,000 for the refurbishment of the Vale Royal lock at the Weaver navigation. An investment of £485,000 for the refurbishment at Calverley Wood embankment has been deferred, and there are reduced schemes for 2007-08.

There have been further deferments of investments of £540,000 for the piling works at the Shenton embankment and £544,000 for the construction of a new pedestrian bridge at the Long Horse bridge on the River Trent. The maintenance of the Caldon canal has been put back and, as we have heard, towpaths along the Netherton canal and tunnel have been closed. Those are sad statistics to read out, especially given that so many hon. Members care so much about these important assets to our nation.

British Waterways has been told to expect a retail prices index minus 5 per cent. funding formula for the forthcoming comprehensive spending review. It cannot maintain its renovation programme with the current budget plans and probably needs at least £5 million a year more to maintain the network at current levels.

The Minister in our last debate on this matter said that it was clear that because the Government have funded waterways so generously in the past, they probably need not continue to be so generous. That is similar to the argument that we hear about the NHS, but just because something has been funded generously in the past—the Government wrongly call it investment, although they have been generous to the NHS and, to some extent, British Waterways—does not mean that that funding can stop. That is the fundamental problem, and is a great shame. I look forward to hearing from the Minister what we can expect for British Waterways.

My hon. Friend the Member for North Shropshire (Mr. Paterson) spoke passionately about the canals in his constituency, with particular reference to Thomas Telford, including the popular Montgomery canal and the Shropshire Union and Llangollen canals. He also touched on a matter of great importance—the breaches, particularly to the Llangollen canal. I would like the Minister to answer his question about contingency funds. I doubt whether the Minister will give a commitment, but this is a good opportunity to find out what is available.

I agreed with my hon. Friend's comments about what he called the triple hit. If the River Severn were navigable above Bewdley, which is just outside my constituency, there would be a possibility of harnessing green energy from hydro sources. That has been done on the Wye and generates good, clean, sustainable energy. We would also have better transport links, which would move more traffic from the roads on to the waterways. Best of all, more people would be able to take holidays here, which would mean less air travel and would therefore bring a third environmental benefit.

Other hon. Members have made important and passionate speeches about their love of the canal system. The hon. Member for Derby, North (Mr. Laxton) created some wonderful images; I could almost see him in his cap at the helm. He was right about the public relations element to this debate, because we must be conscious not to run down the image of British Waterways or the important work that it does. Its efforts are tremendous. I look forward to going on a canalling holiday because it sounds such fun, and because of the environmental benefits that my hon. Friends have mentioned. I am unable to do so in my constituency because the canal there is still full of mud. All credit to the teams of volunteers who are digging it out, because they do a great job and we should be proud of them.

This is a sad debate to be having again. There are a great many questions for the Minister to answer, and I look forward to hearing his responses. We need to know why British Waterways is having its budget cut in this way. We have all assumed that the reason is the Government's grotesque mishandling of the Rural Payments Agency; that has not been confirmed, so perhaps the Minister will do so.

Lord Rooker has apologised in another place for the initial assertions that cuts will not affect the programme of work. They were clearly not true. Perhaps the Minister will apologise for Lord Rooker's earlier statements, because cuts of this nature do impact on the programme of work. Ministerial discussions need to take place between the Department for Environment, Food and Rural Affairs and the Treasury about the budget for British Waterways. No such discussions had taken place by the time that I last asked about that. Given the importance of the work of British Waterways, perhaps they have now taken place. I think we should know whether they have.

The future of British Waterways is of great importance. Considerations for moving responsibility for British Waterways into the Department for Transport or the Department for Communities and Local Government have been mentioned in this debate, because of the cross-departmental remit involved. The area is clearly not a priority for DEFRA, and that is a tragedy. It might have fitted better under the old Department of the Environment, Transport and the Regions, because the subject does not sit comfortably with the DEFRA brief. We can only assume that that is true because of the nature of the replies that we have received on this important debate.

The reduction in lottery funding could have a disastrous impact because money is now being diverted to the Olympics, and thus other funding sources will have to be found. Such sources may simply not exist. The DEFRA grant is not the only source of revenue for British Waterways, but it is a very important one. It is also one of the keys to unlocking other sources of money and investment opportunities.

The danger of letting the waterways slip into disrepair will affect £6 billion-worth of waterside regeneration, including homes and businesses. I cannot think of anything worse than threatening people's homes and businesses, which is why I agree when the shadow Chancellor talks about the importance of stability and sharing the proceeds of growth. We understand how important people's homes and mortgages are, and how important public expenditure is. That is why we want to share the proceeds of growth.

More than 300 million visitors a year could be affected by this situation. I mentioned that there are 29,000 boat owners, but we have also heard about the freight businesses and recreation—people admiring flowers were even cited; all those people have a valid claim on the Government's ensuring that their beloved canals are maintained. A failure to ensure that inland waterways are maintained will undermine their regeneration and sustainability agendas. We hear all the time about the importance of sustainability, so it is a great shame that we do not see the evidence of that. In fact, we see the opposite—the damage that the cut will do.

There are a lot of unanswered questions. Thanks to the hon. Member for Leicester, South (Sir Peter Soulsby), we tried on 6 December to resolve them. We now need to know more specifics from the Minister. We do not want to be fobbed off with the usual, "Oh, we have been generous in the past" or to be told, "This is just a DEFRA budgeting alteration." We want to know exactly what the Government are doing and why they are doing it, and to be confident and sure that all the good things that we have heard about from hon. Members today will be safe and secure in the Government's hands. Unfortunately, the evidence shows that that will not be the case.

10.44 am

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): I am delighted to be able to respond to a debate that has been going on for some time. I congratulate my

[Barry Gardiner]

hon. Friend the Member for Staffordshire, Moorlands (Charlotte Atkins) not only on securing this debate, but on her studious care and attention to the inland waterways network over a number of years. It has recently resulted in her being awarded the Titania Salver by the Inland Waterways Association. I hesitate to quote from the citation that was used on that occasion, because I suspect that she was partly given the award for her browbeating of me and my Department. The association is conscious of all the work that she has done in her constituency and the surrounding areas for inland waterways over a long period. May I say only that as she has been awarded the Titania Salver, I am pleased to play Bottom to her Titania?

A number of hon. Members have spoken. My hon. Friend the Member for Stoke-on-Trent, North (Joan Walley) made her point courteously. The hon. Member for Stone (Mr. Cash) made his point in an impartial and neutral way—the same point was made in a rather less courteous and extremely party political fashion by the hon. Member for North Shropshire (Mr. Paterson). The point has recurred throughout the debate, so I should attend to it.

I shall not attempt to read out a prepared speech, because much of the discussion that has taken place during parliamentary questions and in other debates in the House over the past months has laid down certain facts in this debate. My seeking to respond to the specific questions raised by colleagues and other hon. Members this morning would be a better use of the available time. First, I shall tackle the key issue assertion that the situation relates in large part to failures in DEFRA's administration of the Rural Payments Agency and the single farm payment.

I should make it clear that DEFRA was seeking to find, in-year, £200 million from within its budget. I have detailed in writing to many hon. Members the exact breakdown of that sum, but I shall rehearse it briefly: £95 million was in respect of legacy issues; £40 million was to help meet various other pressures that had arisen early in 2005-06, such as compensation, structural funds, the final cost of foot and mouth disease and property rent increases; and £55 million related to work on flood management, waste, IT and research and development delayed from the previous year.

So, some £95 million was devoted to legacy issues coming into the year. Some £65 million related to tighter fiscal rules; a surplus capital charge budget was no longer available to fund programme expenditure due to the clarification of fiscal rules. Some £10 million was needed for extra emergency preparation for dealing with avian influenza. Earlier this year, I received many letters from members of the boating community up and down the country saying that this was all a waste of time and asking why on earth we were spending money on avian influenza. I think that subsequent events put a stop to those rather foolish letters, and that the £10 million was deemed to be well spent on the extra readiness that we put in place.

Out of that total of £200 million to deal with pressures, only £23 million—11 per cent. of the total—related to the extra RPA running costs in that financial year. It is extremely ill informed or disingenuous for anyone to suggest that the in-year £3.9 million cut in British Waterways' budget resulted principally from the situation at the Rural Payments Agency. That is just not true; it is not the case, and I hope that this debate has provided the opportunity to lay that to rest at long last.

Now for the figures. My hon. Friend the Member for Staffordshire, Moorlands referred to a 12.5 per cent. cut in the budget, which I shall try to clarify again—I have done so in writing many times—because it is inaccurate. The indicative baseline figure that was set under the 2004 spending round for 2006-07 was in fact £62.59 million. My hon. Friend has held ministerial office and is an experienced Member of Parliament, so she knows that the formal allocation is always worked out before the financial year and that it does not usually bear a strict correlation with the final year of a three-year comprehensive spending review period.

The formal allocation for 2006-07 was £59.429 million. That represents a reduction in the indicative baseline of £3.171 million or 5.066 per cent. Following that, there was an in-year cut—this is the one to which everyone refers—of £3.9 million, representing 6.6 per cent. of the budget. The total is £7.1 million, which even on the indicative baseline figure—that is what my hon. Friend used—represents 11.3 per cent. However, as she knows, as I know and as every Member in the Chamber knows, the actual in-year cut relates to the formal allocation—it always does—which was a cut of 6.61 per cent.—£3.9 million.

I do not want to be tendentious, and I am not trying to say that £3.9 million does not matter, because it does, or that it is a drop in the ocean, because it is not. A cut of the order of £4 million from a total budget of £189.4 million is a sizeable amount for any public body to find and, as my hon. Friend clearly indicated, because it was in-year, it was all the more difficult to find, because many of the funds had already been committed.

I am not trying to diminish the difficulty that such a cut in-year can pose for an organisation, but if we believed that every single one of the difficulties, cutbacks and figures to which hon. Members referred this morning related to that £3.9 million, it would have been multiplied many times. Things were being ascribed to that one-off in-year cut—I emphasise that it is a one-off in-year cut—that were simply not tenable.

Mr. Paterson: Will the Minister comment briefly on the impact that the European Union's £130 million fine will have on DEFRA's budget? Will he also comment on the British Waterways document, which states:

"The grant levels in 2006-07 and 2007-08 are less than planned and will result in circa £5-£10 million of major works not being undertaken"?

Barry Gardiner: I am happy to reply to both those questions. Will the hon. Gentleman remind me of the first one?

Mr. Paterson: I asked about the EU's £130 million fine, and then about the £10 million reduction in major works.

Barry Gardiner: In relation to possible EU fines, a contingency sum will be included in the DEFRA budget. It is a contingent liability, and has not affected this year's funding. It is available if and when the EU

levies a fine against the Government; it is a matter for negotiation between the Department and the Treasury, and is accounted for with a contingency sum. I emphasise that it is a provisional liability that will lie in the accounts. It has had absolutely no effect, and the hon. Gentleman knows that. He understands the working of departmental finance and is more than well aware of the situation. It is somewhat mendacious of him to suggest otherwise.

The hon. Gentleman's other point was about the extent of the reduction in capital work this year. From memory, there was a £5.6 million reduction this year in work that has not been proceeded with as a result of the cuts. He is talking about a reduction in the 2007-08 budget, but I do not know where he got the figure because there has been no projection of it from which to make the cut.

Joan Walley: I know that time is pressing, but the concern is that whatever the extent of the cuts for the British Waterways Board, it is resulting in the loss of key personnel, which reduces its ability to lead. It is that leadership role that results in additional moneys being lost through the failure to bring down other funding streams.

Barry Gardiner: I am glad that my hon. Friend raised that issue, and I stress that, as was confirmed in public by Robin Evans at the boat show earlier this year, where there was a public debate on these matters, the £3.9 million funding cut this year has had absolutely no impact on British Waterways' restructuring programme. That programme was always planned as part of its commitment in its "Waterways for Tomorrow" report, and the efficiencies that it planned better to deliver for the future of the network.

Those elements should be clearly separated out. It may be convenient to hide behind the cuts and to say that the restructuring programme was then imposed, and I accept that British Waterways may have brought that programme forward by a few months in response to the cuts, but the restructuring was always planned as part of its commitment to reduce the in-year grant in aid from the Government.

Before time runs out, it is essential to address the points about British Waterways' long-term funding. We are working with it to develop a long-term future funding model, and to give it the flexibility to engage in more commercial activity to help it to improve its income stream and to enable the Government's grant in aid to be reduced over time. That has always been its intention. We are awaiting its proposals for a regulatory reform order to that effect.

Mines Rescue Service

11 am

Willie Rennie (Dunfermline and West Fife) (LD): I welcome the opportunity to discuss the Mines Rescue Service Ltd, which has evolved and diversified from a service that was purely focused on coal mines to a specialist organisation and a confined-space rescue service. Owing to the shrinking deep coal mining industry, income is falling, but the basic requirement remains the same, and as a result, the whole service is in danger of collapse at a time when the threat from terrorism and the potential for confined-space attacks like the London underground bombings are high.

Mines rescue in one form or another is as old as the coal mines themselves. Standards in the past were slack, and it was common for miners to lose their lives or suffer crippling injuries without the shedding of a single tear from a callous mine owner. Standards developed over the years as tolerance for such atrocities diminished, but disasters still occurred. For example, in my own village of Kelty in Fife, the Lindsay colliery disaster in 1957 cost the lives of nine men, and a further 11 were injured by an explosion. One of the men who was killed was overcome by gas while trying to rescue other miners.

At Hill of Beath in 1901, seven men were poisoned by carbon monoxide that was given off as a result of a fire at the Engine colliery. Initially, two men went in to inspect the fire, and when they failed to return, five miners and the colliery manager went to look for them, but they, too, were overcome by gas. They all died. At Seafield in 1973, five miners were killed. In 1931, 10 miners at Bowhill were killed by a firedamp.

There is a memorial on the site of the Valleyfield miners' welfare club, commemorating the 35 men who died in the Valleyfield pit disaster in 1939. The memorial depicts a woman holding a child, and she represents the lost miners' wives, waiting at the pithead for news of their loved ones. I have selected Fife disasters, but I could fill the whole debate with victims from pits throughout the country. That is why the MRS is so important. We must never return to those days of pit disasters.

The main focus of the debate is the modern MRS. Following privatisation in 1994, the Health and Safety Commission set objectives for mines rescue: to maintain the existing high standards of rescue provision; command the confidence of all who work in the underground coal industry; ensure the preservation of a national mines rescue capability; ensure small and remote mines have access to rescue services; and avoid disproportionate cost burdens on small mines.

In 1996, the company was incorporated to offer a similar service to non-coal mines and to provide other services that would reduce the expense of operating the service for coal mines. It was designated as a non-profit making company, as the mine owners, the Health and Safety Executive, trade unions and the Department for Trade and Industry agreed, and the coal mining companies effectively own it. Today, the MRS has costs of more than £6 million, 122 employees and six sites, and it services 16 coal mines and 28 non-coal mines, storage mines and museums.

David Taylor (North-West Leicestershire) (Lab/Co-op): I congratulate the hon. Gentleman on securing the

[David Taylor]

debate. The Minister responding to the debate also responded to an MRS delegation that I led some months ago. The hon. Gentleman said that 16 collieries are covered, which is true. However, one problem is that five of them do not produce coal at the moment, so the MRS needs to diversify its income, as it has successfully done in the past 10 years. Does he agree that respite funding is necessary for a brief period to allow the service to break even through non-mining work fees so that it can head towards the day when carbon capture technology is in full flow and the need for the service is even greater than during the days to which he referred?

Willie Rennie: The hon. Gentleman is absolutely right, and I was fortunate to have joined him and the delegation that met the Minister. The MRS needs a short-term respite to keep it going. It is an excellent service, and it has shown great efforts to diversify. It is a first-class organisation that deserves support to keep it going, because, as the hon. Gentleman says, there are possibilities for coal mining in the future.

The Escape and Rescue from Mines Regulations 1995 state that every coal mine owner shall ensure that there are two teams of five rescue workers that are capable of reaching the mine within 60 minutes on a 24-hour basis, and that no mine of coal shall be worked unless the owner is participant in a mines rescue scheme approved by the Secretary of State. It is quite a commitment, and in effect it means that to support the 16 coal mines, there must be 48 brigademen and 12 rescue officers in four stations. The four stations are at Kellingley in West Yorkshire, Mansfield in Nottinghamshire, Rawdon in Leicestershire and Dinas in Wales. In addition, there are two training centres, in Houghton in Tyne and Wear and at Crossgates in Fife in my constituency.

Funding has been mentioned. The centres' core funding is provided by the mine owners on a fee per tonne extracted basis. In 1996, 59 mines extracted some 32 million tonnes; today, there are 16 mines, fewer than one third of the 1996 number, which extract 10 million tonnes, which is also about one third of the 1996 amount. During that time, the fee per tonne has risen only from 12p to 16p, and in fact, the 16p rate has remained the same since 2003-04. The income from the mines has dropped from £3.6 million in 1996 to about £1.67 million for 2006-07. As the mining industry contracts, so does the MRS income. The situation will become worse during the financial year ahead. The fee per tonne will not increase, but yet again, costs have risen. The extraction volume is also expected to fall by another 1.5 million tonnes, which means a further reduction in income of £240,000.

For more than 100 years, the MRS has developed its specialist skills, experience and knowledge from working in difficult and potentially dangerous environments to effect the rescue and escape of mine workers from underground. The MRS brings that expertise to support a comprehensive range of health and safety related products. Training and services are available to a range of private sector companies, large and small businesses and public sector organisations, and a variety of courses are provided, with each one structured around first aid, firefighting, health and safety, confined space, breathing apparatus and rescue and consultancy. Its brochure lists 31 different courses, from emergency planning to automatic external defibrillation.

The MRS is also contracted to the Coal Authority to attend all coal mining related hazards to ensure public safety. The MRS has diversified into research, and it receives funding from the European Union and the Health and Safety Executive. The company also has contracts with other underground mines.

In the most recent financial year, the income from non-deep coal mine reserve cover and training was about £4.5 million—three times as much as its deep coal mine rescue income. However, that still left a shortfall of about £150,000, and next year, as I have explained, the shortfall will increase to £250,000. The Minister knows that the MRS team from Crossgates was highly praised for its work at the Stockline Plastics factory explosion in Glasgow in 2004. Brian Sweeney, chief officer of Strathclyde fire and rescue service, said at the time:

"The expertise and commitment of the Mines Rescue team from Crossgates...was invaluable during the search and rescue phase of this tragic incident...This has led to the development of a partnership between both organisations to train firefighters in techniques, to carry out rescues in collapsed structures. The knowledge, skills and expertise of the Mines Rescue staff provide a much valued resource to enhance the skills and safety of firefighters in the area of Urban Search and Rescue."

Here are some more testimonials. Doncaster chamber of commerce has said:

"thank you for the excellent first aid refresher",

while the Environment Agency has said:

"It just goes to show that if you want to have advice on a subject such as rescuing in breathing apparatus, then go to the professional people that do it for a living".

Mr. Fraser Kemp (Houghton and Washington, East) (Lab): I congratulate the hon. Gentleman on securing the debate. On his point about fire and rescue services, I met the chief fire officer in my area on Friday, Richard Bull, who is involved in discussions on, and is writing a paper on, greater connections between the Mines Rescue Service and the fire service. The hon. Gentleman's example of the men at Crossgates is a good example. Would he encourage the use of that skill and expertise, particularly in confined spaces, and greater co-operation with the fire and rescue services?

Willie Rennie: The hon. Gentleman is right to raise that. I had the good fortune of opening the enclosed spaces training facility in Crossgates last year. Some of the organisations that attended, such as the fire and rescue service and the health service, were extremely impressed by the quality of the training provided and were keen to have greater connections. We need to spread those connections throughout the country, to ensure that everybody knows what the Mines Rescue Service can offer. The Under-Secretary of State for Communities and Local Government, the hon. Member for Sheffield, Heeley (Meg Munn), has been extremely helpful in setting up some of those introductions, but much more needs to be done, so I am grateful for the hon. Gentleman's intervention.

British Airways has said:

"The professional way in which the material was delivered also deserves high credit, and feedback from the students was the best course some had ever been on."

Nottinghamshire police said:

"Police drivers are highly skilled officers and require highly skilled training development. The course provided certainly met up to our expectations."

There are many more recommendations from those who have received training from the MRS up and down the country.

What are the solutions? Those testimonials are just the tip of the iceberg. The Mines Rescue Service can provide so much more, but it is in severe danger of collapsing. How do we plug the £250,000 shortfall this coming year and secure the financial future of the organisation with a contracting deep mines industry? Could the shortfall come from the owners of the MRS? Ironically, the deep mines are holding back the MRS, because the fees from the mines do not cover the real costs of providing the service. Fees from other work are much more lucrative. For example, the Crossgates and Houghton stations make a surplus each year, which contributes to the viability of the company as a whole. It is no coincidence that there is no requirement to support the mining industry at those stations.

I therefore believe that the mine owners should be paying more, but can they afford it? Last year, the company that owns most of the country's deep mines, UK Coal, made a £17.5 million operating profit. However, in the previous year the company made a loss of £33 million. The turnaround was due mainly to the revaluation of the land bank, which returned a £69 million profit.

Paddy Tipping (Sherwood) (Lab): The hon. Gentleman is describing the situation with UK Coal, which is clearly in decline in terms of production. The real renaissance of the coal industry is based in small collieries in south Wales, which cannot afford an increase in production costs.

Willie Rennie: One of the objectives that was set out for the company in the first place was that the cost of the Mines Rescue Service should not fall unfairly on the small mines. That is something that we must consider when we are developing policy. UK Coal has made substantial profits in the past year. Perhaps we need to work out an innovative way to ensure that it pays its fair share towards the development of the service, but we must also ensure that the small mines do not suffer and that we support them.

The £69 million profit from the revaluation of the land bank, the £33 million operating loss from last year and the £17.5 million operating profit from this year gives a confused picture. One wonders what UK Coal can actually afford. However, since it made a profit this year, it should be stepping up to the plate and contributing more.

The MRS has made great strides in securing funding from other markets, including from the Health and Safety Executive for research and the European Union. The difficulty with funding from European Union is that a significant bond is required in case the research is not completed to the satisfaction of the Commission. Perhaps the Government could act as guarantors and provide that bond, thereby releasing the MRS reserves for the development of the organisation. I should be interested to hear the Minister's response on that.

The MRS has also been increasingly involved in the provision of training for a large number of private and public sector bodies. There is so much scope for expansion in that area. I am grateful to the Under-Secretary of State for Communities and Local Government for the introductions to the Chief Fire Officers Association, which resulted from a meeting with a delegation of Members of Parliament last year. I was unable to attend that meeting, but I understand that it was productive, so I hope that there will be some more income for the MRS as a result of it. That should help to secure additional sources of funding, when those other services see the invaluable service that the MRS provides. We need every Department in the whole of Government, at the UK and devolved levels, to think about what further introductions can be made. The more introductions that are made, the greater chance we have to sell the MRS's wares. I am grateful to the Minister for meeting us last year to explore some of the quite complex issues to do with the Mines Rescue Service. I know that he is keen to ensure that the service continues.

Most important of all is the essential service that the Mines Rescue Service can provide in the event of violent terrorist attacks that require the rescue of civilians from confined spaces. As we have heard from Brian Sweeney, the service provided by the MRS was invaluable at the Stockline Plastics disaster. However, we could face more underground terrorist attacks like the 7/7 attacks. In such circumstances we would need to call on the MRS for expert rescue assistance. When the MRS currently responds to a national disaster it is not paid for that turnout, nor is it paid a retainer. That must change.

Perhaps we should be turning the MRS into the fourth emergency service. The cost of providing the police, ambulance and fire services in the United Kingdom is approximately £15 billion a year. We are not suggesting anything near that level of funding, especially as the MRS is increasingly successful in training, research and other private work. However, surely the Government could plug the projected current annual shortfall of £250,000, so that they could call on the MRS in emergency situations. That figure is only around 0.0017 per cent. of the total budget for the police, fire and ambulance services—not a considerable sum.

I still consider myself the new boy in the House. I recognise the work of hon. Members who have pressed tirelessly on this issue for some time, including the hon. Members for North-West Leicestershire (David Taylor), for Elmet (Colin Burgon), for Houghton and Washington, East (Mr. Kemp), for Rhondda (Chris Bryant) and for Sherwood (Paddy Tipping), and the right hon. Member for Rother Valley (Mr. Barron). They have been strong advocates for the MRS and I can see why. I am very proud to have the Mines Rescue Service in my constituency. It is an excellent example of a professional and innovative organisation that has triumphed against the odds, and in extremely challenging financial circumstances. In this world, there is little room for reward for things done in the past, but the Government should recognise the value of something when it has it.

11.19 am

Paddy Tipping (Sherwood) (Lab): I am delighted to follow the hon. Member for Dunfermline and West

[Paddy Tipping]

Fife (Willie Rennie). I hear what he said about his recent interest in the Mines Rescue Service, but he has been a powerful champion of it, My hon. Friends the Members for North-West Leicestershire (David Taylor) and for Houghton and Washington, East (Mr. Kemp) and I have been involved in the campaign for a longer period. My association with the Mines Rescue Service goes back to before privatisation. In 1994, I was involved in the debate about the future of the Mines Rescue Service post-privatisation. The service became a limited company in 1996 and, as has been said, it is in effect owned by the coal mining industry.

The Mines Rescue Service has changed dramatically in the past 10 years because the UK coal industry has changed. I strongly believe that there is still a case for the future of the deep-mined coal industry in this country, but it will be far smaller than in the past. That is the essence of the service's difficulty. As collieries have closed and production has reduced, the income or levy from production for the Mines Rescue Service has dwindled away. We have heard the figures in this debate.

In Nottinghamshire, there are still three collieries: Thorsby, Welbeck and Harworth, which at present is mothballed and not producing. The Mines Rescue Service headquarters is based in Mansfield. It is important for the coal industry—the three collieries in Nottinghamshire, the 15 collieries nationally and the30 other mining operations to which the service offers support and assistance. My hon. Friend the Member for Broxtowe (Dr. Palmer) is here, but he is unable to speak in this debate; he knows only too well the value and importance of the Mines Rescue Service and the high regard in which it is held in the Nottinghamshire area.

Under the leadership of Barrie Jones, its chief executive, the Mines Rescue Service has changed dramatically. It has perceived that there is a problem about income and has diversified dramatically. It runs a range of training courses across the country; they are highly valued, seen to be highly professional and provide an alternative income for the service.

David Taylor: My hon. Friend will agree that the issue is about not only the scale of income—although that is clearly the dominant difficulty—but the timing of the cash flows that the MRS receives. The payments that it gets in respect of the coal mines are quarterly in arrears and, given that the triennial valuation of the MRS pension fund is due to report, it is possible that cash flow will be very tight. Will the Minister consider ways of improving how payments are made to the MRS, not least in relation to the frozen £600,000 EU bond in respect of research projects? Perhaps he could talk to the European Commission about whether there is a continuing need for such a security from the MRS, given its great track record.

Paddy Tipping: I have no doubt that the Minister, who has taken a close interest in the issue, will have listened carefully to those comments. As we have outlined, the Department can do things to help the Mines Rescue Service.

I am not confident that income from the levy on production will increase. I am closely involved with UK Coal. The company may be in profit this year, but the number of collieries that it operates is declining. The real renaissance in the coal industry has not been through UK Coal, the principal operator, but through the development of small, independent mining operations, particularly in south Wales. I have a lot of contact with the Federation of Small Mines of Great Britain, and I am not confident that it is in favour of an increase in the levy on production. I see very little prospect of extra money coming from the levy.

For me, the clear way forward for the Mines Rescue Service is increased diversification. There are operational difficulties with that; as has been said, the service has a statutory responsibility to respond with the right amount of support within set time scales. The service has a real managerial balancing act to perform in increasing its diversification and making available core support in case there is an accident.

I have to say that accidents still occur in the UK Coal Industry; at Daw Mill, we saw the first fatalities for many years. We cannot underestimate the ongoing importance of the Mines Rescue Service. As has been said, in the current year, income for the service is not sufficient to meet its expenditure. It can continue to operate by drawing down reserves, but they will not last for ever. A projected budget shortfall of £250,000 year on year into the future is a significant difficulty for the service.

What is to be done? Clearly, the service needs to continue to diversify. As has been said, it can offer a lot of support and help to fire and rescue services. The problem is that those services are fragmented across the country. The Government are not able to issue a diktat to each fire and rescue service that it must take on the resources of the Mines Rescue Service. However, Ministers at the Department of Communities and Local Government have been helpful.

What is clearly emerging is the need for specialist underground resources to help in situations such as the 2004 Glasgow fire. In a period of terrorism and uncertainty, Transport for London ought to talk closely to the Mines Rescue Service, and there is a case for a closer relationship between the service and the rail industry.

The service has real skills and I say firmly to the Minister, who I know is aware of and sympathetic to the situation, that the MRS is an essential, life-saving service that will not exist if it goes bust. There is a clear possibility that that will happen in the not-too-distant future. The Government are aware of that and have tried to help through the Coal Authority, an organisation principally funded by them. Some £2.5 million was made available in 2003-04; in 2004-05 the same amount was made available again. The Government recognise that there needs to be transitional funding to move the Mines Rescue Service from an organisation that is funded by a levy on production to one that is able to wash its own face, as they say, by diversifying into training and other work. I am not confident that the service has yet had sufficient time to do that.

My hon. Friend the Member for North-West Leicestershire is right to say that we need to see whether the cash flow from the levy into the Mines Rescue Service can be speeded up. I am conscious that the money being made available from the Government through the investment aid scheme has all been committed but not yet spent. I have asked on a number of occasions

why that underspent money cannot be allocated to the Mines Rescue Service. I am told that it is because the money does not really exist—that it is hypothetical and not there to be drawn down.

I conclude by saying firmly to the Minister that the Mines Rescue Service has done everything asked of it and more. It is a tremendous and highly professional organisation. We have heard testimony about and endorsement of it today. Most particularly, it is a well managed organisation that knows that it faces a challenge on funding and has responded positively to bring in new sources of income. However, it will not achieve financial balance in the time available while its reserves last, and so the Government must convene discussions between all interested parties—the Coal Authority, the coal producing companies and colleagues in the Department for Communities and Local Government—to consider the way forward.

Conceptually, we want a fourth rescue service, with the Mines Rescue Service more firmly embedded in the fire and rescue service and providing the kind of specialist support that is needed in underground emergencies. We need a debate and a discussion on that. That is what we strive to achieve; it is the future for the Mines Rescue Service. If we are not careful, and do not speed up our discussions or look for new, innovative solutions, there will not be a Mines Rescue Service on which we can build. I do not want to scaremonger. However, it is a serious problem. We all accept that there is a problem, and the Government are willing to address it. Today, we are far from finding a solution to take the Mines Rescue Service into the future.

11.31 am

David Howarth (Cambridge) (LD): I, too, congratulate my hon. Friend the Member for Dunfermline and West Fife (Willie Rennie) on securing this debate on an important subject. As some hon. Members in the Chamber already know, I am the grandson of a miner, and I am fully aware of the effects that mining disasters have on communities. When I was a boy in the village in which my father was born and in which my sister still lives, people still talked about the mine disaster at Pelsall Hall colliery in 1872, which was almost 100 years before then, when 22 people died. The disasters in the 1930s at the Grove colliery in Brownhills and the West Cannock colliery had a similar effect. The Mines Rescue Service is extremely important, and it is right that the coal industry morally and legally should be not allowed to operate without a fully-fledged rescue service in operation.

In 2002, the Health and Safety Executive concluded after considering all the other possible models for running the Mines Rescue Service that the present model was the best. The other options were rejected. That is quite right. The study said, as the hon. Member for Sherwood (Paddy Tipping) mentioned, that one of the long-term problems with the service was financial. As the amount of coal mined declined, the levy per tonne would eventually not raise enough money for the Mines Rescue Service to operate unless the levy were raised or other forms of finance were found. The Mines Rescue Service has been active in looking for other forms of finance.

However, the shortfall of £250,000 needs to be dealt with. The case has been made for extra state funding and, given the wider benefits of the Mines Rescue Service, including those mentioned by the hon. Gentleman, I accept that there is a case for doing that. It seems to me that the fundamental purpose of the Mines Rescue Service remains one that arises from the activities of coal mining. Fundamentally, mine rescue is a cost of coal mining and the coal mining industry should bear its fair share of that cost. That brings us back to the levy.

The levy has not been increased since 2003, when it was increased to 16p per tonne. In the two years that the hon. Gentleman mentioned, when the coal authority paid £2.5 million, that was instead of the levy rather than in addition to it. For the £250,000 gap to be closed just by using the levy would require an increase of between 2p and 3p per tonne of coal, depending on the assumptions about how much coal will be mined in future years. In a transitional year there may be some need for transitional funding, but in the longer term the increase would have to be around that amount.

The question has been raised whether the coal industry could afford an increase in the levy of between 2p and 3p. Well, what is the price of coal? At the moment, it is about $68 per metric tonne. It has risen by about 28 per cent. in recent times. Those figures are all taken from UK Coal's annual financial statement. It seems that an increase in the levy of less than a 10th of 1 per cent. of the price of coal per tonne would not be an unreasonable amount to add to the industry's costs.

The hon. Gentleman mentioned the difficulty for small mines that are starting up, especially in Wales, but the regulations already allow for some variation to deal with that point. Such an increase would add only a small burden on UK Coal, as the biggest player in the industry. My hon. Friend raised the question whether UK Coal, which is now as much a property company as a coal company, could bear those burdens. UK Coal's financial results—let us ignore the property aspects of the company for now—state that deep mining is showing "improved operating performance" and that in the last three months of the previous financial year, the company's coal mining operation was operating at a profit.

I would be interested to hear the Minister's view on the levy. I accept that there might have to be some blending of public funding and levy funding to get the Mines Rescue Service through the difficult period that it is in. However, we should not let the owners off the hook in the way they have been for many centuries.

11.37 am

Charles Hendry (Wealden) (Con): I, too, congratulate the hon. Member for Dunfermline and West Fife (Willie Rennie) on securing the debate. I pay tribute to the way in which the debate has been conducted, and in particular to the hon. Member for Sherwood (Paddy Tipping) for the great knowledge and expertise that he was able to bring to the debate. As we have heard, the Mines Rescue Service covers some 16 collieries, but only 11 produce coal. Its income for the current year is expected to be about £1.6 million, with an anticipated loss of about £300,000. That follows a loss of about £675,000 last year, having brought the pensions obligations into its accounts for the first time.

David Taylor: The income to which the hon. Gentleman has referred is the fee income from coal mining. Almost £5 million per year—a growing figure—of income comes from other sources and that is what balances the books at the moment. That is an important point.

Charles Hendry: Indeed, but the service is making an overall loss even when that is taken into account. The hon. Gentleman is right to say that the figures to which I have referred are for the income from revenues from the coal industry.

If the charge is kept at 16p a tonne, the Mines Rescue Service expects the revenue to drop by some £250,000 as less coal is produced. The UK produced 13 million tonnes of coal in 2004-05, which dropped to 9.5 million in 2005-06. It rose again slightly last year, but is expected to drop in the year to come.

Without any doubt, the Mines Rescue Service deserves a great deal of credit for the way in which it has diversified and been able to bring its expertise to bear in other areas, too. The hon. Member for Dunfermline and West Fife rightly quoted Brian Sweeney, chief officer of Strathclyde fire and rescue service, who paid tribute to the work that the Mines Rescue Service had been able to do at the fire at Stockline Plastics in Glasgow.

A submission that we received from the Mines Rescue Service outlines the main risks that it faces. They include any marked decline in the coal industry greater than that already anticipated, the loss of major customers such as the Coal Authority, the actions of competitors, particularly in pricing where roster restrictions impact on the company's cost base, and the pension scheme obligations. The submission states that

"a triennial valuation is currently under way and the deficit, already recognised in our accounts...is expected to be confirmed as a 'funding' deficit which will mean additional cash contributions to clear the deficit over the next 5 years".

Those are the issues that the Mines Rescue Service recognises as being the most challenging.

There are several key questions for the Minister to answer. We heard about the delegation that visited him last year. Following on from that meeting, can he tell us precisely what steps he is taking to ensure the long-term survival of the Mines Rescue Service? As we heard, three quarters of its work is now not connected with mining; for example, it now works in conjunction with the fire and rescue services. What discussions is the Minister having, or has he had, with the Home Office and other Departments in respect of encouraging and promoting that aspect of its work?

We also heard about issues connected to potential terrorist atrocities and incidents in this country. Conservatives happen to believe that they would be better approached through a department of homeland security, but, in the absence of such a department, is the Minister having discussions with other Government Departments about the role that the Mines Rescue Service can play in this area? It has expertise, but we have heard that it is not actually remunerated when that expertise is drawn on. We must ensure that such expertise is readily available when the country needs it most. That will take the role of the Mines Rescue Service beyond providing a service to the mining industry alone to being something that the nation needs and relies on.

Has the Minister had discussions with the Mines Rescue Service about exporting its expertise? We have seen how the nuclear research establishment has rebranded itself as Nexia and is now selling its expertise around the world so that people who want to know how to build nuclear power stations, and who want to understand all the associated risks and issues, can come to a British company that is a world leader. A similar approach could be adopted by the Mines Rescue Service. What conversations is the Minister having with UK Trade and Investment about the support that it might be able to give in developing such lines of business?

Does the Minister have evidence about whether the coal that is imported into this country—an increasing proportion of the amount that is used—is produced to the same levels of safety protection that we have in this country? Many of us suspect that it probably is not. We can look around the world to countries such as China. It is estimated—there are no exact figures—that between 3,000 and 5,000 people die each year in its coal mining industry. We know that the safety standards in many countries are not nearly as high as they are in this country, and that the price of domestic coal is therefore higher. What efforts is the Minister taking with international partners to ensure that overall safety levels around the world are driven up? In that context, what is he doing with UKTI to increase the export potential for UK coal?

There has been a useful discussion during this debate about the scope for increasing fees. Has the Minister had direct discussions with the Mines Rescue Service board about that? Clearly, there is a dilemma. There is a potential conflict of interest when the board is made up of the people who are actually the users of the service. On the one hand, from the Mines Rescue Service perspective, board members want to charge a realistic price that will cover the cost of the service, but, on the other hand, they want to keep costs down so that they have fewer costs to pass on to their consumers. I believe that we all agree that there should be no compromising of safety, and that the costs must be realistic and reflected in the price of coal. What conversations has the Minister had with the board to ensure that it is truly charging realistic but affordable fees?

Clearly, one way to deal with the issue is to produce more coal in this country. The Minister is well aware of the problems that many of those who are involved in coal production face in respect of planning consents, especially in Scotland. Such problems are hampering many potential new developments that would enable British coal to compete more effectively against cheaper imports. What discussions is he having with Department for Communities and Local Government Ministers about that? Does he expect that the energy White Paper that will be produced soon will address this issue so that the potential for producing more coal can be developed and, therefore, the money available to the Mines Rescue Service can be increased?

I am sure that the Minister is also well aware of the Mines Rescue Service pension deficit. The pension liabilities that the company inherited from the Government following privatisation could threaten the future of the service. Does he have plans for support that might be given, or has he been involved in discussions with other Ministers about the matter?

What came through in the contributions of everyone who spoke in this debate is the recognition that this issue is wider than the coal industry, and that other Government Departments should be involved as well. I hope that the Minister will be able to give us some reassurance in that respect.

This is an extremely exciting time in terms of energy. The energy White Paper that came out four years ago dealt with extending the lifespan of existing sources of electricity supply. Now the debate is about how we can bring on stream entirely new sources of supply that had not been thought of just a short time ago. Those sources will have a fundamental impact on the coal industry. Last week, the Minister and I were discussing a statutory instrument on the use of biomass, and how it could increase the use of coal and give it a more viable future. There is a debate about carbon capture and storage, which also has the potential to give the coal industry in this country an extraordinarily exciting new lease of life. If those developments occur, the Mines Rescue Service will become more important than ever. What is needed is a vision that tides it over this current difficult period to a time when its prospects may be much greater.

There are other areas into which the service could move. Nuclear waste storage is something that Governments have consistently failed to address seriously enough. The approach being taken in other countries of deep disposal would require exactly the sort of service, and the knowledge of underground working and safety provisions that the Mines Rescue Service currently provides. We are approaching a situation in which the Government expect a major expansion of the nuclear programme. Should that come to fruition, it would yet again provide new opportunities for the Mines Rescue Service.

At present we do not know which developments are feasible. We do not know whether carbon capture and storage can be made to work, or whether there will be a new fleet of nuclear power stations. Such matters must be worked out on a cross-party basis.

The Mines Rescue Service was set up with one specific objective—mine safety—but the world has moved on greatly since that time. Opportunities will come from other areas where its expertise can be developed. The time has therefore come to decide whether the current structure of the Mines Rescue Service is right to meet the challenges, or whether its format needs to be restructured to allow it to compete in a new and exciting world. I hope that the Minister can answer some of those questions, and, once again, I commend the hon. Member for Dunfermline and West Fife for raising this important subject.

11.48 am

The Minister for Science and Innovation (Malcolm Wicks): It is a pleasure to serve under your chairmanship this morning, Mr. Martlew. I, too, would like to congratulate the hon. Member for Dunfermline and West Fife (Willie Rennie) on securing this debate. We have debated the issue on previous occasions, but the speech by my hon. Friend the Member for Sherwood (Paddy Tipping) and the interventions by colleagues show the interest and concern in the House on this important matter.

By way of background, after privatisation of the coal industry in 1994, two of the principal stated aims of the Health and Safety Executive were, first, that the high standard of mines rescue provision be maintained, and, secondly, that a national capability be preserved. I am glad to say that those aims have been fulfilled by Mines Rescue Service Ltd. With its origins as the in-house rescue operation of the British Coal Corporation, it has, as a private sector company, delivered the statutory mines rescue scheme for more than 10 years.

I met representatives of the company in the recent past in my former role as Energy Minister and was extremely impressed by the obvious professionalism and dedication that they bring to their work. I note and support the commendations of the Mines Rescue Service that we have heard from colleagues today. Clearly, it is hazardous work. Mining is by its very nature an industry that faces constant challenges involving the control and minimisation of risk. I have nothing but admiration for the workers who day in and day out face up to such risks to win the coal that continues to provide an important element of our energy needs. Members of the Mines Rescue Service and the MRS trained teams at individual mines take such risks a step further. They are the men who choose to make themselves available to enter the most hostile environments, where risk has crystallised into full-blown danger and lives, including their own, may be at immediate risk. Although, I sadly note that there have been recent fatalities at English mines, I am glad to say that such circumstances are rare.

Those who work for the Mines Rescue Service have invaluable, highly specialist skills. Local authority emergency services will in most cases attend fires, explosions and gas leaks that are mainly on the surface in normal residential, commercial and industrial premises, but they do not generally have the specialist knowledge, technical skills and practical experience necessary to cope with underground emergencies, which, as we have heard, require very particular skills in tunnelling, gas management and the use of specialist breathing apparatus. Mines rescuers are the people who do have such skills.

As well as physical risks, those involved in deep mining face considerable commercial risks. That issue has provided something of a backdrop to this debate. Clearly, as production contracts, whether through mine closures or otherwise disrupted production, the MRS levy income suffers. It is an open secret that deep-mine operators have a difficult set of challenges to meet if they are to compete successfully with internationally traded coal. Conscious of those pressures, I understand that MRS Ltd has taken the decision, thus far at least, not to increase the tonnage levy from its current level of 16p. Although I fully appreciate that any increase would be unwelcome from the operators' perspective, we should not lose sight of the fact that it is within the MRS's rights to set the levy at the rate required to cover its operating expenses. I carefully noted the comments of the hon. Member for Cambridge (David Howarth) on that matter and although I am sure that it is constantly under review by the board, it would be a useful outcome from this debate if, on hearing our words, the board revisited that issue as a matter of urgency.

David Taylor: The hon. Member for Cambridge (David Howarth) clearly made the point that for each penny extra on the levy, there would be £100,000 extra

[David Taylor]

income accruing. The gap that we are trying to bridge is only hundreds of thousands of pounds and, although such a figure is a minuscule fraction of operating costs, the mine owners are resisting it. I wonder whether the Minister will also raise that point.

Malcolm Wicks: I will certainly draw my remarks and those of other colleagues to the attention of the board—although I may not need to because I am sure that members of the board are avid readers of *Hansard*.

There is, perhaps, reason for quiet optimism; there have been some positive developments elsewhere in the UK deep-mined sector. My Department announced the establishment of the coal forum in last year's energy review, and over recent months we have worked with a wide range of interested parties to investigate the barriers to optimising exploitation of the UK's remaining coal reserves and how we might overcome them. It is safe to say that it is the first time that such a broad cross-section of senior representatives of coal producers, consumers, plant manufacturers, rail hauliers, port authorities and the like have come together in an effort to find common cause. I understand that discussions are progressing well and that the parties involved consider the process to be constructive.

Any renewed confidence in deep mining obviously augurs well for prolonging and perhaps even boosting levy income for the Mines Rescue Service. However, as we have heard today, it is testament to the forward-thinking management of the company that they have fully appreciated the need to look beyond the immediate realm of their core business if they are to have a sustainable future. I was impressed by that when I met senior management some months ago and they have had some considerable success. For several years third-party income has exceeded deep mine levy income and valuable additional income has been generated elsewhere.

Paddy Tipping: The Minister mentioned the important role of the coal forum, which has discussed an indicative figure for British coal of 20 million tonnes, with a rough split of 10 million tonnes for the deep-mined industry and 10 million tonnes for open-casting. There is a view that it would be helpful not just for the coal industry itself but for the Mines Rescue Service to have those figures included in the energy review. Will the Minister give us any encouragement on that point?

Malcolm Wicks: I am mindful of the fact that I am no longer the Energy Minister and that I am now learning my science, but I think that the coal forum deliberations are proceeding well and that they will, of course, feed into the policy process leading to the publication of the White Paper. The area of greatest success and further potential for the MRS lies in its expertise in working in confined spaces with sophisticated breathing apparatus. That can provide inroads into assistance with training of the established emergency services and, in some cases, into working alongside them. Again, I am echoing the words of colleagues in making that point.

When I met with MRS representatives last year, I noted with interest that two out of the company's six operational bases were no longer involved in the core business of mines rescue at all and, indeed, had ceased to be required in the context of the statutory mines rescue scheme. However, Crossgates and Houghton stations, which serve the latterly isolated collieries of Longannet and Ellington respectively, have remained open despite the closures of the mines because, through training and other third-party services, a surplus has been generated that cross-subsidises the core rescue function.

MRS Ltd has already forged links with a number of regional fire services, the Fire Service College and committees concerned with the operational procedures that underpin the new urban search and rescue capability within the regional emergency services. It has also had recent discussions with ministerial colleagues in the Department for Communities and Local Government and is following up further avenues. Despite all those efforts, I understand that, as was the case last financial year, MRS Ltd anticipates posting an operational loss in the region of £300,000 as at the end of this month. Although my Department has provided the company with substantial funding in the past, I am afraid that, given our own budgetary pressures, it continues to be the case that the Department of Trade and Industry is no longer in a position to provide financial support. I continue to encourage the company to build on the excellent progress that it has made in broadening its client base and its range of activity. Therein, I believe, lies the key to a sustainable future.

I add two things. First, I shall explore with colleagues whether it would be useful—I suspect that it will be—to have a meeting between the relevant DTI Minister, my noble colleague Lord Truscott, and a Minister from the Department for Communities and Local Government. I am mindful also of the interest of the Department for Work and Pensions, through its ministerial responsibility for the Health and Safety Executive. I shall explore that with colleagues. I know that there have been meetings at official level between the DCLG and my Department on the matter. I think that it might now be useful to have a ministerial meeting.

Secondly, I note the comments of the hon. Member for Dunfermline and West Fife about the security that the MRS has to provide in relation to EU grant funding, which obviously ties up cash. Without making any commitments, I promise that we will consider that. We may not have the scope to do much, but I promise to look at the matter.

This has been a useful debate. It shows the deep regard that the House has for the coal mining industry and our warm affection for the valuable and hazardous work of the MRS. In the longer term, there will be solutions as the MRS expands its role. I acknowledge that there are some short-term difficulties; I and my colleagues will continue to discuss them and think them through.

12 noon

Sitting suspended.

Ticket Touting

12.30 pm

John Robertson (Glasgow, North-West) (Lab): It is a privilege to speak under your chairmanship for the first time, Mr. Conway. I am grateful for the opportunity to speak about ticket touting, which each and every one of us has no doubt experienced at least once in our lifetimes.

I have been approached by a variety of radio stations and TV programmes, which have asked me exactly what the Government policy on ticket touting is, because they have been unable to find out. The fact is that there is no Government policy on ticket touting; if there is, the Government have done a great job of keeping it secret—it must be one of the few things not to have leaked out of the Government lately.

Ticket touting has been around for longer than I can remember. Whether the touts are on the streets, at concerts, at sporting events or on websites such as eBay or tickettout.com, everyone seems to be at it these days.

Mr. Jim Devine (Livingston) (Lab): My constituent Rachel More came to see me on Friday. She and her friends had tried to get tickets for T in the Park, but were unsuccessful. Within literally two hours, however, the same tickets were for sale on eBay at nearly three times the price.

John Robertson: I shall mention T in the Park later, but my hon. Friend is right that such things happen all too often.

Touting is rife at major sporting and cultural events throughout the UK. We host some of the world's best events, be they football matches at Hampden and Wembley, rugby matches at Twickenham or music concerts at the Scottish exhibition and conference centre in Glasgow, the national exhibition centre in Birmingham, Old Trafford in Manchester or the Millennium stadium in Cardiff. Ticket touting affects fans all over the country, and the touting industry has grown rapidly with the growth of online purchasing. At the click of a button, people can purchase tickets for any concert at any venue worldwide. Online sites such as eBay and frontrowtickets.com offer easy methods of buying and selling tickets at grossly inflated prices, but no laws deem that to be illegal. Our reputation as the host of some of the world's best acts or sporting events is threatened by touts, and some acts are reluctant to perform in the UK because of them. The question is whether we would have been successful in our 2012 Olympic bid if we had not addressed the problem.

We recently saw the frenzy when Take That announced their Beautiful reunion tour. The tickets were sold out within 30 minutes; indeed, no sooner had the hotlines opened than fans were greeted with a telephone message saying that the tour was sold out. Then, however, they found that the precious tickets that they had been waiting for were on sale on eBay for about three times the original price. A search on eBay on 26 March found that 617 Take That tickets were available to buy or bid for, with the cheapest selling at £200 for two tickets, even though the original price had been £45. That is unacceptable and something must be done about it. It is daylight robbery, and those responsible should be punished for their actions.

It is not only music fans who suffer at the hands of touts, and some of our major sporting events have been threatened. A search on eBay on 6 June 2005 found 137 tickets for sale for the Wimbledon men's final, but they were priced at £1,650 per pair. The site even offered tickets allocated to wheelchair users, but they were double the price. That in itself is a scandal.

Often, sellers pretend that they have a clash of commitments and are no longer able to go to the event. Such people must suffer from amnesia, because the majority sell their tickets only minutes after the tour has been announced, with most tickets being auctioned before they have even been printed or distributed. I have no problem with people who genuinely have to sell their tickets—at the original price—because they suddenly realise that they have another commitment. However, those who fleece people to line their own wallets should face the consequences.

Pete Wishart (Perth and North Perthshire) (SNP): The lack of Government action means that it has been left to music promoters and businesses to introduce measures to beat the ticket touts. Why is it left to them to protect music fans and sports fans from touts? Why do the Government not take action to ensure that they do something to address the problem?

John Robertson: The hon. Gentleman makes a good point and answers his own question. I shall come specifically to what the Government are doing and where I would like them to go further.

It is important to note that fans who buy tickets from touts receive none of the consumer protection that applies when tickets are bought from the original event organiser. Not many people are aware of that, and that can result in innocent fans losing a lot of money when things go wrong. We did not introduce consumer protection laws for touts to undermine them.

Touting is particularly problematic for families on low incomes who save for months to buy tickets to see their favourite artist or sporting hero, only to end up being duped by touts. Those are the people we must protect and they are the main reason why I asked for this debate.

Websites often falsely advertise front-row seats, only for consumers to find out on the day that the seats are actually near the back of the arena. Touting often changes the dynamics of the audience, with real fans—the lifeblood of sport and music—missing out.

I am aware that the Government held summits with the sporting and music industries in November 2005 and, most recently, in February 2007. I welcome the acknowledgement from the Secretary of State for Culture, Media and Sport that touting is a real problem. Her encouragement to the industry to tackle the problem was recognised, and the industry took her recommendations on board.

The concert industry agreed to unite under the Society of Ticket Agents and Retailers so that all tickets would be sold exclusively by STAR member agencies. STAR will agree to a clear refund policy, and those who can no longer use their ticket can inform the agency and be refunded the money and the booking fee. The agency will then resell the ticket.

[John Robertson]

It has been almost three years since the Office of Fair Trading report into ticketing. The OFT said that it would work with STAR to agree terms and conditions, but they have still not been finalised.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): I thank my hon. Friend for securing this important debate. Does he agree that although a voluntary code of conduct would be perfect in an ideal world, we need Government action to protect people such as my daughter? She sat by the phone waiting for Take That concert tickets to come on sale, but the tickets sold out within minutes because touts bought them up and sold them for three times the price.

John Robertson: I have three daughters and I tried to get tickets for them for the very same concert. I failed miserably, and much though they might have thought that an MP can get them everything they want, things did not work out that way.

The key principle that STAR's terms and conditions require the OFT to agree to is that people cannot resell their ticket for commercial gain, and that is quite fair. The Government must pursue the OFT to ensure that it concludes its deliberations and rules that it is a breach of the terms and conditions to resell tickets for profit.

The Secretary of State encouraged the industry to tackle the problem without Government intervention. Primary markets have tried different methods, but there has been no voluntary movement from the secondary markets to sign up to a code of conduct on ticketing. That makes things increasingly difficult for concert promoters and managers, who spend every night of their week dealing with distraught members of the public who turn up at gigs only to find that the person who has their ticket has not appeared.

It should be remembered that doing something about touting was a 1997 Labour party manifesto commitment. I appreciate that the Minister was not sympathetic to the aims of my party at that time, but he saw the light in 1999 and joined the Labour party, so perhaps he could see the light again as regards touting.

The Rugby Football Union spends £50,000 a year on average fighting ticket touts. Although legislation is in place to target some touts, enforcement is poor, and many sports associations must spend their own time and money monitoring the secondary market to ensure that supporters do not lose out to touts. Many websites offering tickets use the official logos of concert promoters, groups and sporting associations to imply that the tickets are on sale from official sites. That is intellectual property theft and must also be stopped.

Many organisers must increase security and the number of stewards on the day of their event to target double-booking, touts not turning up with tickets and fans who are duped into thinking they have seats when they do not, because unfortunately that occasionally leads to violence in arenas and surrounding areas. Not only must stewards act as seating guides and health and safety officers, they must double up as police officers to patrol the grounds. I am also concerned that young people, particularly young girls, who are desperate to see their favourite pop acts spend time hanging around concert venues waiting to buy tickets from touts.

How can we fix the problem and allow loyal supporters and true fans to get the tickets that they deserve? One way is for the Government and the industry to work together. The industry has outlined its needs and has worked hard on its own in the past few years, but it is about time that legislation was passed. The Government recently enacted legislation to prevent ticket touts from operating at the London Olympics. It was easily done through an amendment to the London Olympics Bill. Why can it not be done for all major sporting and cultural events? Should the legal position regarding the resale of tickets change, eBay has stated that for all other sports it will review its policies to comply with any new regulations. What better case is there for the Government to act? Perhaps the 2014 Commonwealth games bid in Glasgow might help. Addressing ticket touting would show the Commonwealth Games Federation that Glasgow and the rest of the UK are serious about tackling the problem, which would help the bid.

In the Australian Parliament, an amendment to the Major Sports Facilities Act 2001 made ticket touting illegal, resulting in the prosecution of three women who attempted to sell tickets to a Red Hot Chili Peppers gig in April for more than their face value. The Police Minister warned that ticket touting, known there as scalping, would not be tolerated and that anyone wanting to make a quick buck would be charged. If Australia can do it, why cannot we? Some believe that the public want a secondary market to buy tickets that sell out within minutes of going on sale. Why, then, have I received letters, e-mails and telephone calls from my constituents and many others thanking me for raising the subject in Parliament and calling on the Government to do something?

I met people from eBay recently, as I was interested to hear what it had to say. It has yielded to public pressure following backlashes after Princess Diana memorial concert tickets were sold at over-inflated prices. When tickets to the memorial of Australian wildlife expert Steve Irwin were sold for commercial gain, they were withdrawn from eBay, a move welcomed by the public. Why should it be any different for someone selling tickets for a profit of £900? Surely denying real fans access to tickets and making obscene profits as a result is just as bad. However, eBay is not the only online company dealing with the problem. It is only a marketplace. Indeed, eBay is not the company exploiting individuals; it is just the middleman.

I welcome the Scottish Sunday newspapers' campaign against ticket touting. They recently profiled the touts caught selling tickets to T in the Park, which my hon. Friend the Member for Livingston (Mr. Devine) mentioned. They are encouraging readers to contact them if they encounter a tout, and have named and shamed touts with photographs. Probably more sinister is Ticketmaster, a primary market that has recently introduced a ticket bidding option on its site. As an example, the lowest original price on Ticketmaster for Genesis tickets was £55. Why, then, is it allowing bidding on the option part of its website to begin at £80, climbing to £440 for a front row, centre stage ticket? I have not yet received any requests for meetings with Ticketmaster, but I would be interested to know why it believes that to be a fair system of accessing concert tickets.

How will the future of concerts and sporting events look if the problem is not addressed? There is a worry

that company shareholders will put their percentage of allocated tickets up for auction in the same way as touts. That means, for example, that 75 per cent. of capacity would sell in the normal way and the remaining 25 per cent. would be auctioned, with grossly inflated profits going into the hands of the shareholders. Either way, the consumer, the electorate and the constituents whom we try to protect with every law that we pass will lose out.

Many artists, promoters and sporting associations have tried their own methods of targeting ticket touting, but to no avail. The only avenue left is through Government intervention and legislation. T in the Park, which Geoff Ellis boasts is Scotland's largest outdoor festival, has been working on the problem for years. He has contacted lawyers to get websites to remove the official T in the Park logos that many use to advertise tickets. Indie rock band the Arctic Monkeys weighed in by offering tickets to the latest gig only to fans on the mailing list. However, that did not prove successful, as anyone could register, as they did, receive a personal identification number, and then flog tickets minutes later in an online marketplace for double their face value.

I urge the Government to conduct a public consultation into ticket touting, taking evidence from all involved, from concert promoters to eBay and other websites, to individual music and sporting fans. The industry has gone as far as it possibly can in self-regulation, something that we do poorly in this country. We need further and stronger Government intervention. The all-party group on music, of which I am the chair, is willing to help. We have contacts among artists, concert promoters and other primary markets who are more than willing to help to tackle the problem. It is not rocket science. The first move to is to make it illegal, and the how will follow.

I am also chair of the communications all-party group. After 31 years' work in the industry and six as chair, I know that the technology exists to stop touting. All that we need is a commitment to the cause from everybody. I recently attended a reception hosted by O_2, where a representative told me of a recent event to which ticket entry involved scanning the bar code of a guest's O_2 mobile phone. O_2 believed that the method worked extremely well and was not complex. I am sure that something similar could be piloted for other events.

I do not begrudge people selling on their tickets for one reason or another, provided that they do not do so for commercial profit, but I do have difficulty with those who advertise tickets before they have even gone on sale or before the date has been set, as with tickets for the 2006 FA cup final, which were sold before either the date or the venue had been decided. I also find it appalling that some set up call centres using more than one identity and credit card to maximise their chances of getting tickets. A telephone line should be set up to allow individuals to contact companies such as eBay to notify them of people trying to make money on the backs of ordinary fans. Feedback forms can be accessed to notify eBay of good and bad selling, but individuals must buy something before they can get to them.

I have specific questions for the Minister. At the last summit, he promised to circulate a statement of collective agreement to which all parties attending the summit could sign up, a key point of which would be a request that all sectors of the ticket industry do all that they can to prevent the resale of tickets for profit. Has that statement been circulated? What action has he taken to ensure that online companies refrain from selling tickets for profit? Does he think that the Ticketmaster option is right? If not, what is he going to do about it? What direct discussions has he had about the problem with his colleagues in the Department of Trade and Industry? Finally, is he willing to meet me and a delegation of concert promoters, sporting event organisers and DTI colleagues to discuss the issue further?

Ticket touting is daylight robbery and innocent fans should not lose out to those who want to make obscene profits. At least Dick Turpin wore a mask when he robbed people: these people hide behind computers and the fact that no laws exist to prevent them from doing what they do.

12.50 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): I congratulate my hon. Friend the Member for Glasgow, North-West (John Robertson) on securing the debate. He raises an important issue that genuinely concerns hon. Members on both sides of the House and is undoubtedly a real problem.

Of course the Government recognise the significance of the problem, and it is right that we should look at it in the round, but our response to it must be proportionate. It is helpful to look at several surveys that have been carried out, the most recent of which, in *New Musical Express*, found that only 5 per cent. of the public who were surveyed wanted a legislative answer to the problem. Critically, it found that the public want touts to be dealt with, but—it is essential that the House recognises this—that they also want to retain their right to resell tickets that they have legitimately bought. Consumers are clearly telling us that they want to be able to buy and resell tickets. The trick is to maintain a balance that enables people to do that, therefore having a secondary market in tickets, while making it extremely difficult for others to exploit legitimate fans.

John Robertson: I accept what the Minister says, but the problem with the surveys that he mentions is the way that the questions are phrased. If I asked members of the public, "Do you think it's right that somebody buys a ticket to sell at an exorbitant price?" about 95 per cent. of them would say "No." I would be much happier with a survey that was conducted by an independent body asking the right questions rather than questions like, "Do you think it is right that you can buy a ticket from somebody?"

Mr. Woodward: My hon. Friend might be frustrated by the speed at which the Government appear to be responding to this problem, but one advantage of not moving too quickly is that it allows us to consider the situation over time. Our survey was not simply a series of pointed questions, but genuinely tried to elicit solutions to the problem, and the answers that we received did not lead us to the conclusions that he has drawn. The clear message from the public in our survey, which I will discuss further if I have time, indicated that they want not a legislative answer to this problem, but agreement by the industry to act. It is in that spirit that my right hon. Friend the Secretary of State and I conducted a

[Mr. Woodward]

series of summits in the past year. In those four summits, we brought together a wide cross-section of the industry and other Government Departments with a view to drawing up codes of practice—my hon. Friend referred to a statement, which I shall come to in a moment—to deal with the problems.

My hon. Friend will know that there are two problems. The first is when people outside venues, who probably are not licensed, try to sell tickets at hugely inflated prices. There is legislation to deal with that problem, but the issue is enforcement. How do we ensure that that legislation is being effectively enforced? That needs to be addressed.

The second, growing problem is with internet use. The internet is undoubtedly a great friend to consumers, but is also the agent by which touts exploit legitimate fans. An obvious area of exploitation to which the internet has given rise is future selling for events. It is significant that we have managed to agree with the industry actions to outlaw future selling. We are working with the industry to draw up statements of principles to establish a fair return exchange mechanism.

Mr. Devine: Will the Minister give way?

Mr. Woodward: I would, but several points have been raised and I have only four minutes to deal with them all.

Online sites are beginning to provide buyers with information about the price that they are paying for their tickets and their location. Consumers buying on the internet have faced the considerable problem of having no idea of the original price of the ticket that they were buying or where it would be located. An agreement is now being drawn up with the industry that that information must be provided when a ticket is put on the internet.

My hon. Friend the Member for Glasgow, North-West drew a comparison with the situation for certain sporting events. One of the reasons why we have legislation to deal with sporting matches is because of the public order issue. My Department is working closely with other Government Departments, including the DTI, to put together a fair, effective and proportionate policy.

My hon. Friend talked about the OFT's important work, and I understand his frustration, but I must recognise the independence of the OFT. I was aware that there was some frustration, and I recognise my hon. Friend's comments; I am sure that they will not fall on deaf ears at the OFT. It would be prudent for me to leave that issue there.

My hon. Friend rightly and understandably talked about the hugely successful T in the Park. The problems with that event reveal the nature of the problem: we have amazing music and sporting events, but there are many more fans than available seats. We could deal with that problem through legislation, as has been suggested, but the public have told us that they do not want their right to resell their tickets to be taken away. We therefore need to work with the industry to produce a fair secondary market for tickets. We must also recognise the abuses that take place in the primary market.

I remind my hon. Friend that technology, particularly the internet, is a friend as well as a problem. This year, the organisers of the Glastonbury festival are taking matters into their own hands and introducing a method whereby people will have to register their personal details to apply for tickets and there will be photo identity documents. That creates an opportunity to outlaw some of the people who have been exploiting the primary market.

I know that my hon. Friend, who has a great knowledge of the music industry, as does the Chancellor, is aware that the Arctic Monkeys are using similar technology for their next concert. Consumers will have to register their personal details and will be given a personal identification number. Only if the PIN and personal details cross-match will consumers be allowed to take part in a ballot for tickets. The problem with that system is that it will be in the hands of the music organisers to ensure that only those with legitimate tickets are allowed into the concerts, so it will be important that the organisers see the system through. They have started well by using technology and trying to create the kind of fairness that my hon. Friend wants for legitimate fans, but people must not be able to exploit the market on the day—either at the primary or secondary stage.

We look to the industry to see what can be done, but I am conscious that we might have to introduce legislation. European directives to encourage fairer selling and practices will be transposed later this year. The Secretary of State and I are aware of hon. Members' concerns and we are making the industry address the problem. However, the industry should be in no doubt that the Government are prepared to act if its application of technology and available enforcement mechanisms ultimately fail the consumer.

Toby Charnaud

1 pm

Mr. James Gray (North Wiltshire) (Con): I am glad to have the opportunity to raise an important constituency matter, which has wider policy implications for the handling by the Foreign and Commonwealth Office of the consular services provided to British citizens who are in difficulties overseas. Although this is a detailed matter relating to a particular constituency, I have no embarrassment in raising it, because it has general policy implications. I hope that the Minister will be able to address some of them.

The case concerns the awful death of Mr. Toby Charnaud. His parents, Mr. and Mrs. Jeremy Charnaud, and sister, Mrs. Hannah Allan, have raised the matter with me. By a poignant coincidence, we are having this debate two years to the day after Toby Charnaud's murder in Thailand on 27 March 2005, and we think of the family at this difficult time.

I am glad to say that the murderers, including Toby Charnaud's ex-wife, have been brought to justice and are now serving life sentences in Thailand, and that Toby's son is settling happily in my constituency. In a certain sense, the family have been able to put all of this behind them, and I am glad about that. I also pay tribute to them, because they are raising these consular matters not to seek any benefit to themselves but because they believe that raising them with the Government in this way may help other families who find themselves in a similar situation in future.

The events were awful enough without their being added to by the inadequacies of the consular service and the British embassy in Bangkok. It is too late to correct what happened, because we cannot turn the clock back, but we want these issues addressed and improved.

The criticisms of the consular service fall into seven categories, which are perhaps best explained by going through Toby Charnaud's case chronologically. Between the time of his disappearance and the discovery of his body, there was a significant lack of activity by the embassy. One of the most obvious and basic things to do in such difficult circumstances is to appoint a police liaison officer in the UK. It took the embassy two weeks before it got round to telling the family that it was possible to do such a thing, and there was then a delay—admittedly, this was the fault of the Wiltshire constabulary, rather than the FCO—before the liaison officer was appointed.

The appointment of a police family liaison officer ought not to be a discretionary matter in future; it should be routine and compulsory when it looks as if some awful circumstances such as this have occurred. The Minister will know that his noble Friend Lord Triesman met the Charnaud family and assured them that aspects of the police liaison service would be addressed. I would be grateful if the Minister would tell us what steps have been taken on that initiative.

The embassy in Thailand was unable to advise or help the Charnaud family in any way, so they had to take the matter into their own hands. Their son had disappeared, they suspected foul play and the embassy would not help them, so they appointed a private investigator. It was thanks to the private investigator, who was at all times aided by an interpreter, that Toby's body was eventually found. Without that investigation, the family would have been kept in the dark throughout. The embassy was able only to give the family various phone numbers, such as the number for Support After Murder and Manslaughter—SAMM—abroad, and to advise them to hire a local lawyer from an inaccurate and out-of-date list that it provided. There was no real reason why the family should have hired a lawyer at that stage, because there was no evidence of foul play. They had no way of communicating with the Thai police and were entirely reliant on the embassy in Bangkok for information about any police investigation. The embassy gave them no such information.

Even after the discovery of Toby Charnaud's body, the consular service's handling of the matter was sadly lacking. It was the private investigator, speaking on the phone from Thailand through an interpreter, who broke the news to the family that their son's body had been discovered in Thailand and that he had been brutally murdered; it was not the consul or the family liaison officer who did so, and that is unacceptable.

The family had to ring the police liaison officer to tell him about the discovery of the body rather than the other way round. The press arrived at the Charnaud family's doorstep in Wiltshire 10 hours before the embassy got round to telling them about the death. The press knew about the situation, although neither the police nor the family had been told about it—the consul may have known about it, but did not tell the family. As a result of the huge press interest, the family called a press conference for 3 pm that afternoon, in the hope that they might be able to handle the matter with some dignity.

Toby's body had been found at 4 o'clock that morning, and a British vice-consul had been present when the body was discovered, so the embassy knew about the situation, but did nothing about it until 10 hours later. The Minister and the Foreign Office must tell us why that was the case. Why were people sitting on the information that Toby Charnaud had been killed for 10 hours before they finally got round to doing anything about it? It was only then, just as the press conference was about to start at 3 pm, that an e-mail—believe it or not—was received from the British embassy in Thailand. It was expressed in the most insensitive terms, which included graphic descriptions of the way in which Toby had been murdered. For example, there was a description of a long and bloody knife, covered in hairs, that had been discovered in the car of Toby Charnaud's wife, despite the fact that there was no suspicion at that stage that she had been involved in the murder. The FCO chose to tell my constituents in an e-mail that their son had been murdered. It did so shortly before they were to give a press conference that they had been forced to call to let people know all about it. That is totally unacceptable.

What went on between then and the perpetrators' trial? The FCO's service did not even improve during that time. Mr. Charnaud's mother had to travel to London to get various documents approved in the Foreign Office. She arrived to find huge queues, and she had to stand up on a boiling hot day, because there was nowhere to sit down. The lady was 70, and she had travelled up a few days after the news of her son's death had been announced. Having phoned people in Wiltshire, she eventually got the desk officer to come down to the

[Mr. James Gray]

front office in the Foreign Office. In a rather relaxed, laid back way, he said that he would see what he could do to help, and then disappeared. He reappeared one and a half hours later to find the 70-year-old lady still standing in the heat in the Foreign Office, and said, in his relaxed way, that he felt that she probably ought to go to the Thai embassy to get the documents dealt with. It is quite wrong for a family to be dealt with in such a way.

It was important for the family to travel out to Thailand several times to find out what on earth was going on in respect of both the disposal of the body and the cremation, and the trial, which was pending by then. The family asked whether the consular service at the embassy could help them with the travel arrangements. They were told that the embassy could not help with flights, but it could provide the telephone number of British Airways, that it could not help to book hotels, but it could provide the numbers of a few local hotels that they might want to try, that it could not provide them with a translator to help them to deal with the authorities, but it could supply the number of a translation service in Bangkok, and that it could not meet them at the airport.

Will the Minister tell us what steps his Department has now taken to clarify the arrangements that can be made for families in such terrible circumstances? Perhaps he could tell us whether families are now routinely met by an embassy car or official for an initial meeting about what has gone wrong and what can be done about it. As it turned out, it was the Charnauds' privately hired investigator who met them at the airport, and got them off the plane and throughthe formalities. That job should have been done by the consular service, but it was not.

The family eventually met the vice-consul, but they did not do so over the weekend because he does not work at weekends. He only got round to visiting them the following Monday to discuss the matter. They explained to the vice-consul that Daniel—Toby's son—was a British citizen whose father was dead and whose mother was in jail, and that they feared for the boy's safety. They were worried that he would be kidnapped by the mother's family.

Despite those concerns, the Charnaud family were told that even if they visited Toby's son and felt he was in severe danger, they would need to contact the Thai authorities to ensure that something was done. No one will be surprised to learn that the Charnaud family do not speak Thai and have no way of communicating with the Thai authorities. Surely it is the job of the British consulate in a place such as Bangkok to act as a go-between for a bereaved family who are concerned that their grandson, a five-year-old British citizen, is in the hands of someone who might be the murderer—as, it turned out, she was. What did the British consular service do? It said, "We will give you the number of an interpreter and you can then go to see the Thai authorities yourselves to secure the well-being of your little five-year-old grandson."

Incidentally, the Charnaud family agreed at that time to have the body incinerated, but the Foreign Office's consular service in Thailand did not tell them that had they had the body repatriated to the UK, it would have been possible to have conducted a separate inquest in the UK. They had the body incinerated in Thailand in difficult circumstances.

Trials in Thailand are strange affairs, compared with British justice, because the court meets one day a week and its sittings are often adjourned. Proceedings are in the Thai language and difficult to follow. During that awful trial, the consulate provided no information whatever about what was happening, and the Charnaud family were not allowed to attend. Information about the trial was almost non-existent, consisting only of a short paragraph stating who had appeared and the date of the next part of the trial.

Eventually, the trial came to fruition and the accused were convicted of an appalling and brutal murder of the worst imaginable sort. They were sent to prison for life—in Thailand life means life, and I hope that those vile people are never released from prison—but an appeal is pending and still little help or information is being provided to the Charnaud family.

The event is history for the Charnaud family. The loss of a brother and a son was bad enough and an awful experience, but they are beginning to get over the aftermath of that dreadful event. However, they want consular handling of people in similar circumstances to be changed. First, the British embassy should provide much better information to families in this country. If the event happens a long way away in a country with a foreign language, the family have no way of finding out what is going on from the local authorities. Surely it is of prime importance that the embassy provides detailed and sensitive information—not a daft e-mail with brutal details—to families here at home.

The Home Office provides a helpful information booklet to families of murder victims in the UK. Could not the Foreign Office provide a similar guidance booklet for relatives in the UK of murder victims abroad? I understand that it has been thinking of doing that, and that such a booklet has been in the offing for two years, so perhaps the Minister will tell us what progress has been made.

Police liaison officers are important, and I believe that the Foreign Office has been persuaded of that. We need to know what progress is being made in encouraging police liaison officers and the UK police to look after the families of the bereaved. Families of Brits who are murdered overseas also need help with the police overseas and with the trial. We need better consular services all round. Another constituent, Paul Lawrenson of Chippenham, lost an arm in the Bali bombing and found that the consular services provided in Bali were equally poor.

There is a more general question whether there has been a decline in British consular services overseas, of which we were once so proud. The British pay taxes for certain services to be provided by Her Majesty's Government. Protection while overseas and assistance if people get into trouble overseas should be a basic, Rolls-Royce service. That is what we need if our brother or son is murdered in Thailand. We need to be certain that local British officials are doing what they can to make the situation better. What does the Minister intend to do to improve that service? I want to know whether he accepts that there has been a general decline in consular services, not only in Thailand but elsewhere. In the months to come, other people who have had a

similar experience with other consulates may like to let the Government know about their experience, and I shall be happy to act as a conduit if that is useful. As citizens, we expect, and are entitled to, proper services overseas when we get into trouble.

I hope that the Minister accepts the lessons of the appalling Toby Charnaud case, and that he will let me know what will be done to improve the service.

1.14 pm

The Minister for Trade (Mr. Ian McCartney): I thank the hon. Member for North Wiltshire (Mr. Gray) for this debate on behalf of his constituents on the handling of the tragic case of Toby Charnaud, who was murdered on 27 March 2005 at the age of 40 in the most appalling circumstances in Thailand, where he was resident. I am sure that the hon. Gentleman has already offered his condolences to the family on this second anniversary of Toby's brutal and senseless death, and I would like to add my condolences and those of my right hon. Friend the Secretary of State.

I am fully aware that the family are unhappy about certain aspects of the way in which information was passed to them. We have apologised to the family in the past and I have no hesitation in apologising again for the insensitive way in which consular staff gave the family this distressing news. None of us would ever want to receive news of this type—news of the death of a child, a brother, or a father—in this way.

I shall set out the help that we gave the family, where we got it wrong, and what we are doing to ensure that it does not happen again. To put the matter in context, more than 750,000 British visitors go to Thailand every year, and it is home to around 30,000 British nationals. The vast majority of those visits are trouble free, but in 2006 consular staff provided assistance to 252 families who had suffered the bereavement of a family member in Thailand. In the majority of cases the death was from natural causes, but three of those who died were, sadly, murdered. We fully recognise that the murder of a family member is a devastating experience for those concerned.

The hon. Gentleman referred to the background of Toby's case and his family's concerns about the level and nature of the consular assistance that they received from the Foreign and Commonwealth Office. I confirm, as Baroness Symons, a former Foreign Office Minister, did in her letter to him on 28 April 2005, that consular officials did everything they properly could on learning of Toby's disappearance, and stayed in frequent contact with his family. When it seemed that the Royal Thai Police had taken no action, we expressed serious concern about Toby at both local and regional level. As a result, a special Thai police team was set up to assist the local police in their investigation.

We also checked with local immigration officials and hospitals to ensure that there were no unidentified foreign nationals in their care, and we checked the mortuaries. As Baroness Symons wrote to the hon. Gentleman, and as is confirmed in our "Support for British Nationals Abroad: a Guide"—hereafter referred to as "our consular guide"—which was published in March 2006, we cannot perform physical searches for missing persons, and that was explained to Toby's family. We therefore provided them with contact details of charitable and voluntary organisations specialising in tracing missing people, a private detective agency and English-speaking lawyers whom the family could appoint to act on their behalf.

When Toby's family decided to travel to Thailand, we provided them with information about local hotels, and offered to make appointments with Thai officials, as well as calls to discuss transportation and interpretation. I apologise that consular staff were unable to meet the family at the airport on their arrival, but we were, fortunately, able to tell the family that before they left the UK, and we offered to help to make arrangements for staff from their hotel to meet them.

When Toby was found, we kept the family up to date with the Thai police's progress on DNA analysis, and on their investigation into his murder. We explained to the family that while we were able to relay key case information and subsequent court dates, it was their lawyer's responsibility to ensure that they received a full report of the legal proceedings. We ensured that we quickly relayed to the family all information that was passed to us by the Thai authorities about the case and court proceedings, and often chased the court for further information on the family's behalf. If the family received conflicting information from their lawyer and the Foreign and Commonwealth Office, we sought clarification from the court on their behalf. Consular staff attended the verdict and sentencing of the four murderers, the details of which were passed immediately to Toby's family.

As the hon. Gentleman is aware, the four guilty parties have submitted appeals to the Thai court of appeal, and I assure him and the family that we continue to monitor the progress of the appeals through the courts, and that the Thai authorities are fully aware of our interest in the outcome. However, we are unable to interfere in the process. I will take personal responsibility in my role with Thailand to communicate with him on behalf of the family to ensure that there is no breakdown in communication about the process and outcome.

I have personal experience of losing a son—indeed, my only son—in tragic circumstances, so I am one of the few people who can begin to imagine the family's distress on learning by e-mail of the discovery of Toby's remains and other upsetting facts about his case, and their continuing distress. As with the Charnaud family, in my case the media were informed of my son's death before I was, so I understand completely how traumatic that was and will continue to be for the family. I know that the family have received apologies, but I apologise again for the regrettable way in which such terrible information was conveyed. I am assured that it was due to a real misunderstanding between the then desk officer concerned and the family liaison officer, and not a result of a fundamental flaw in our procedures. I reassure the hon. Gentleman and the family that our consular staff receive training on the way in which such distressing news should be passed on to the families concerned.

In the event of a death overseas in suspicious circumstances, consular staff can provide practical information on, for example, local post mortem procedures, funeral arrangements, the local police and legal systems and registering the death in the country concerned. We produce an information sheet, which I think the hon. Gentleman inquired about. The sheet that I have with me deals with Thailand itself, and I shall ensure that he receives a copy after the debate.

[Mr. Ian McCartney]

British missions abroad also maintain lists of English-speaking lawyers and translation and interpretation facilities. We provide them to families as necessary, but consular staff are not legally trained, cannot provide legal advice and cannot act as interpreters. There are locally employed staff, some of whom speak good English and have a working knowledge of it, but they are not interpreters.

Where possible, we also meet the next of kin if they travel to the country in which the person died. As the hon. Gentleman knows, consular staff met the family in Thailand. However, we cannot arrange or pay families' travel or accommodation costs. That is the reality of the situation.

Regrettably, there is sometimes a limit to what we can do, but we aim to deliver a high quality service to British nationals abroad, and in most instances we do exactly that. We aim to provide a consistent service worldwide, but we do so within the constraints that I have set out, some of which are genuine policy and resource constraints. Last year, British nationals made 67 million overseas visits and 3.1 million consular inquiries to our posts overseas. Consular staff gave assistance in more than 4,200 cases in which British nationals had died. Sadly, about 70 cases involved the murder of one of our citizens.

I also reassure the hon. Gentleman that we are committed to making our consular staff support as effective and of as high a quality as we can. We take comments such as those that the family expressed very seriously indeed, and we use such feedback to learn the lessons that help improve the service that we offer. We are grateful to the family for meeting our staff in London to raise those concerns.

On the 10-hour delay, the family's private investigator, the Thai police and the British embassy consul were together and talking to the family when Toby's body was found. The embassy therefore assumed that the family had been informed either by the investigator or by the Thai police, and I apologise for that. We will ensure that when deaths occur in future, there is certainty about the process of informing the families of people found dead.

The consulate staff reassured the family in April about those matters, but we are aware that it is important for each UK police force to appoint police family liaison officers. They are responsible for the appointment. We can only recommend that they appoint them; it is for the police to instruct the appointment. Again, however, as a result of the debate, I shall write to the Home Office to ensure that the police liaison arrangements between ourselves and local constabularies throughout the UK operate effectively, so that in such circumstances, a police family liaison officer is appointed at the earliest opportunity.

Where appropriate, our staff attend key court hearings, but we could never give a daily, blow-by-blow account of proceedings, because our staff are neither legally trained nor lawyers. That is why it is so important for families to be able to appoint a local lawyer, which in turn is why we maintain lists of local lawyers—particularly those who can speak English and who are competent in their country's legal processes.

On the legalisation of documents, I can again give an absolute assurance. Owing to the family's feedback and the way in which Mrs. Charnaud was dealt with in May 2005, we have established a new fast-track system for bereaved relatives. Families can wait in privacy while the case officer organises the documentation for them. We also now waive the fees for bereaved relatives. I hope that my response provides some reassurance that we have learned lessons from the tragedy.

It is not natural for parents to outlive their children. As a parent who has suffered the death of a son, I am probably better able than most to empathise with the family. They are grieving for two lives: the life that they had with their son, and the life that they were going to have. That second grieving process is the most difficult to cope with.

This debate is not about my son; it is about the Charnauds' son. However, I genuinely understand the situation, and if the family wish to do so, I am happy to meet them personally to go through what I have said to the hon. Gentleman. Indeed, I call him my hon. Friend, because although we are from different parties, we have known each other for 20 years. I should genuinely like to see the family—if they wish—to talk the matter through and reassure them that we have learned the lessons.

The situation should not have occurred, and I cannot take back what occurred, but from my assurances today, I hope that I can show that we have learned the lessons. I hope also that it can help the family to move on and to cope a bit better with the terrible grief that they have suffered through the loss of their son.

Noise Nuisance (Cars)

1.25 pm

Dr. Tony Wright (Cannock Chase) (Lab): Spring is here, and summer is coming. It is a time for open windows, chairs in the garden, walks in the park and quiet strolls along town and village streets. However, it is also a time when we have to endure a relentless sonic assault from what are known as boom cars. In the United States, they are also known as trunk thumpers and street pounders. They are cars with sound systems that are designed to assault our senses, invade our privacy and pulverise our neighbourhoods, and they are driven by people who have an arrogant disregard for the basic civilities of community life.

We are talking not about cars with ordinary radio or CD players that are played inconsiderately loud, but about cars with separately installed audio systems—often in the boot—producing a relentless, pounding bass beat that can be heard from streets away. The volume output, which can exceed 1,000 W, can shake windows, penetrate walls and set off car alarms. It also causes annoyance, stress and misery to everyone who has such sonic mugging inflicted on them—no doubt adding immeasurably to the satisfaction of the perpetrators.

A recent survey on traffic and vehicle noise carried out by the UK Noise Association, an organisation to which I pay tribute and with which I have worked closely, revealed that boom cars were the greatest source of annoyance to people. There is also a safety factor. Research carried out by the RAC Foundation found that drivers who were listening to loud music with a fast beat were twice as likely to go through a red light, and that they have twice as many accidents. Cocooned in their sound bubble, they are oblivious to other road users and to their general environment.

Boom car equipment is big business. As cars have become quieter, the equipment has ensured that they can become much noisier. It is true of factory fitted sound systems, and even more so of the equipment that is fitted afterwards. System manufacturers have a sales pitch that deliberately plays to its antisocial potential, feeding a culture that thinks that blasting people out of their beds is the height of cool. Sony uses the brand name "Xplod", with the slogan, "Disturb the Peace". Pioneer Electronics has the slogans, "Disturb", "Defy", "Disrupt" and "Ignite". The car audio industry is an effective lobbyist. It has organised against anti-noise legislation in the United States and has sought to defeat attempts by local communities there to act against boom cars.

So what have we done, with our armoury of antisocial behaviour legislation, our respect agenda, our extra police, our community support officers and our street wardens? What action have we taken against the antisocial menace of boom cars? That was the question that I began with, puzzled as I was bythe seeming indifference displayed by the authorities in the face of such a pervasive and unavoidable assault. I have discovered that several pieces of existing legislation might be mobilised for an attack on boom cars, but that in practice none seems to be employed robustly and consistently for that purpose.

For example, section 62 of the Control of Pollution Act 1974 deals with loudspeakers in a street and can be applied to car stereos, the test being annoyance to people in the vicinity. No enforcement agency is specified, but in practice the task falls to local authorities. However, they have no power to stop vehicles and there could be evidential problems in identifying the person responsible. There is also the Environmental Protection Act 1990, section 79 of which had a subsection added by the Noise and Statutory Nuisance Act 1993 to cover noise caused by a vehicle in a street. That subsection allows a local authority to serve an abatement notice. However, there is again no power either to stop vehicles or to require the names and addresses of drivers, and the same enforcement and evidential difficulties arise.

More recently, there has been the Police Reform Act 2002, section 59 of which enables the police to stop and seize a vehicle that is causing alarm, distress or annoyance to members of the public. If a police officer observes a car with a loud stereo, the offender can be warned to turn the volume down. In what was said to be a unique action, in Bradford in 2004, a man whose car sound system regularly caused shop windows to vibrate and stationary vehicles' alarms to be activated had his car seized by police. To get the vehicle back, the owner was required to pay a fine of £105 plus VAT, as well as £12 a day for storage charges, which, if not paid within 21 days, would lead to disposal of the vehicle. Finally, there are the Road Vehicles (Construction and Use) Regulations 1986, which allow the police to take action through an oral warning, a fixed penalty notice or prosecution against the drivers of excessively noisy vehicles. However, there seems to be a question whether the regulations can be applied only to the mechanical parts of vehicles or to loud audio systems, too.

We have several pieces of legislation, with several different kinds of enforcement, which could be deployed against the problem of boom cars. The effect of that seems to be that there is no systematic or effective enforcement at all. As responsibility is diffused across Government and between enforcement agencies, the problem is nobody's particular responsibility—indeed, nobody seems to want it to be. I recently asked the Home Office

"how many prosecutions were brought in each of the last five years for offences involving excessive noise from car audio systems."

I was told that although data were collected on police action for noise offences, under the Road Vehicles (Construction and Use) Regulations 1986, it was

"not possible to identify from the data those offences resulting from excessive noise from car audio systems."—[*Official Report*, 7 February 2007; Vol. 456, c. 970W.]

No mention at all was made in that answer of data on noise offences under any other legislation. There are at least three Departments involved, but no single focus for attention and action. In that respect, it is revealing that when I was approached about this debate, I was asked which Department I would like to answer. I am of course delighted to see my hon. Friend the Minister here, but the answer is that I do not care which Department answers, as long as there is a commitment to effective, coherent, joined-up action across Government to deal with the menace of boom cars.

That should not be too difficult. The noise is plainly audible, the cars are visible and identifiable, and the audio equipment is fitted to produce the intended sonic effects. We need on-the-spot fines, with seizure to follow if necessary. We need action against those who manufacture

[Dr. Tony Wright]

and those who sell sound equipment for cars in terms of its capacity for turning quiet streets into pounding hells. Boom cars are surely one kind of antisocial behaviour that we can do something about if we really want to. We may or may not need new legislation, but we certainly need better enforcement. As we look forward to the pleasures of warmer and longer days, let us resolve to have our peace disturbed no more by the bane of boom cars.

There is one final consideration. If Governments do not act effectively against the daily incivilities inflicted by some people on everybody else, not only will such incivility grow, but its victims will draw the conclusion that Governments are either impotent or indifferent in the face of the problem. That in turn will bring consequences for both individuals and society that we would do well to try to avoid.

Derek Conway (in the Chair): Before I call the Minister, may I say to the hon. Gentleman that I am sorry that some of his speech was interrupted by noise nuisance from outside, which was caused by the work being done to build the visitor centre? I should also like to make the point to the Minister, which he might report to the Parliamentary Secretary to the Treasury, that it is not possible in Committees or this Chamber for civil servants to communicate directly with Ministers. In future, Ministers should either have a Parliamentary Private Secretary with them or a parliamentary colleague acting in that capacity.

1.38 pm

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): Thank you, Mr. Conway. I apologise for the latter, while the former is not really my responsibility. However, as a Minister for the environment, I do have some responsibility for the subject of the debate, which I congratulate my hon. Friend the Member for Cannock Chase (Dr. Wright) on securing. It is customary on these occasions for the Minister to congratulate the hon. Member who has secured the debate, often without really meaning it, but I do mean it in this case. The subject is important and affects us all, including me. I also congratulate my hon. Friend not only on the content of the debate, but on its poetic quality. With the help of the representative of the fourth estate who is here, I hope that the debate might reach a wider audience than those of us in Westminster Hall. It certainly deserves one and would, dare I suggest, make a fabulous "op-ed" piece for a Sunday newspaper.

My hon. Friend is right to identify the problem, which is growing. It causes nuisance and alarm to householders, pedestrians and other road users, and is, quite frankly, dangerous. How many people, I wonder, have been distracted by the sudden "Boom! Boom! Boom!" coming from one of those cars, wondering what on earth was happening, as the ground beneath them shook or the walls and windows of their home vibrated to the heavy thud of some violent bass beat? As a cyclist, I do not mind experiencing the varied musical tastes of car drivers as I sidle up beside them at the traffic lights, but at the appropriate volume. In fact, I sometimes quite like it; it can raise my spirits. However, the monster systems that cause cars to bounce and houses to shake are a completely different matter. They are a menace.

As my hon. Friend said, unwelcome noise can have a highly detrimental impact on our communities and quality of life. Statistics collected annually by the Chartered Institute of Environmental Health show a year-on-year increase in the number of complaints made to local authorities about neighbourhood noise, which has been the most complained-about issue for more than a decade.

According to a MORI poll carried out last year, noisy cars and motorbikes are the second most irritating neighbourhood noise. Some 15 per cent. of the people questioned reported being annoyed by car and motorbike noises and 14 per cent. were annoyed by car or burglar alarms. The level of annoyance is clearly rising, given that noisy cars and motorbikes were only seventh on the list three years before. To some of us, noise coming from a passing car is momentary, so the annoyance goes as the car passes. However, for others, loud music played from stationary cars or those driving past houses—particularly at night—can result in serious disturbance and sleep deprivation.

Although it is unlikely that noise from cars would damage the hearing of residents or passers-by, the volumes that we are talking about pose a serious risk to the hearing of those inside the car. They also cause danger, because the drivers cannot possibly hear anything going on outside, such as another car's horn or an emergency vehicle's siren—certainly not my bicycle bell. Research has shown that loud music in cars causes accidents, particularly if it has a fast beat. The RAC Foundation research to which my hon. Friend referred found that drivers listening to such music were twice as likely to go through a red light and twice as likely to have an accident. There is also the potential to damage the hearing of drivers and passengers.

Modern car stereos fitted with the ubiquitous boom boxes can produce 110 dB if turned right up. That is almost as loud as what we would hear if standing just 30 m from a jet at its point of take-off at Heathrow airport and is far more than the 85 dB limit enforced by the Health and Safety Executive in the workplace. When that limit is exceeded, it is compulsory to wear hearing protection.

As my hon. Friend said, there are powers to deal with this menace, and I urge the police and local authorities to use them. Under the Control of Pollution Act 1974, local environmental health officers can take action where the relevant car is parked. Under the Clean Neighbourhoods and Environment Act 2005, local authorities also have enhanced powers to deal with noise. Under the Road Vehicles (Construction and Use) Regulations 1986, the Crime and Disorder Act 1998 and the Police Reform Act 2002, the police have the powers to act when the car is moving or stationary in traffic. That legislation gives police the power to take action against someone who uses a vehicle in such a manner as to cause any excessive noise. The police may give an oral warning, an on-the-spot fine of £80 or make a report for prosecution, as appropriate.

Since January 2003, the police have also had the power to seize a vehicle, and my hon. Friend referred to a recent example of that in Bradford. Some police authorities have already made wider use of such powers to tackle noisy car audio systems. For example, Lancashire police recently undertook a crackdown called "Operation

Cruiser" and North Yorkshire police have taken action to protect residents along the seafront in Scarborough. I strongly urge other police forces to take noise from car audio systems seriously and to use their powers. I also urge the public to report offenders.

My hon. Friend referred to certain adverts and marketing techniques, and I join him in deploring them. He may be interested to learn that the Advertising Standards Authority investigated a recent complaint against the Sony advert to which he referred. The member of the public concerned believed that the advert would encourage people to behave in an antisocial way. The complaint was upheld, and I hope that that will serve as a warning to some manufacturers that they should be a little more sensible about how they market such equipment.

My hon. Friend urged the Government to be more joined-up on the issue. I accept that, like many other things, noise and environmental quality crosses the responsibilities of a number of Departments. I hope that he accepts that legislation is now in place. However, we need to work more closely with colleagues from the Home Office and other Departments to ensure that every Department takes the issue seriously and that the message spreads to local authorities and the police. We are determined that people's lives and environments should not be blighted by noise or antisocial behaviour. We have legislated for that, although the implementation, certainly in respect of this problem, could be a lot better.

My hon. Friend should be made aware of one other matter that I hope will help us to be more joined-up and strategic. This year, the Government will publish our long-awaited national noise strategy, which will cover both neighbourhood and ambient noise. We intend it to go to consultation soon, and I would welcome the input of my hon. Friend, other hon. Members and anyone who has an interest in the subject. We hope that by highlighting the problem of noise and providing for the first time a joined-up national policy framework within which to work, we will give the issue of noise the importance that it deserves across Government, and that in future it will be addressed in a more strategic and proactive way.

Question put and agreed to.

Adjourned accordingly at fourteen minutes to Two o'clock.

Westminster Hall

Wednesday 28 March 2007

[MR. MARTIN CATON *in the Chair*]

Small Business

Motion made, and Question proposed, That the sitting be now adjourned.—*[Kevin Brennan .]*

9.30 am

Mr. Brian Binley (Northampton, South) (Con): It is good to have your direction, guidance and help, Mr. Caton—I shall certainly need it. I am pleased that this debate was called for this morning because Britain's future competitiveness and the problems relating to ensuring that we are competitive over the next 40 years are vital to all of us. I want to take a positive approach, because I know that my children and grandchildren will be dependent on how successful we are in the task of remaining competitive over that time.

In a way, this is a continuation of last night's Budget debate, in which I was fortunate enough to speak. I spoke on the importance of small business and on the harmful effects of the increase to 22 per cent. of corporation tax for small business, which was contained in this year's Budget. I also discussed the inability of small business to claw back that money through investment and an increased research and development allowance. Those measures will impact on the retained profit of small business, which in most instances—not all, but most—is used to finance growth in the first 10 years of the life of a small business. I feel that anything that inhibits such growth is not in Britain's interest. However, that debate is over and the Budget is settled for another year. We now need to move on to address Britain's long-term economic future, the possible impact on that of small business and how it can contribute to well-being.

I have to declare an interest. As I said yesterday, I am a small business man. In fact, one only needs to look at me to know that that is not the truth; however, I have started two small businesses that have grown, and I am most thankful for that. As I mentioned last night, I started my first small business in 1989. It builds databases for business—mostly for the business-to-business publishing industry—and now employs140 people. That is a measure of what small business can do to contribute to the nation's well-being and to add to the coffers of the Treasury, which is vital. I was then foolish and tried to set up another business in 1993 with a mad South African—everybody has to come across a mad South African in their lives. It was a small publishing company, and by dint of hard work, sizeable risks and sleepless nights we managed to build that company up to the point where it employs more than 80 people. The contribution of those two small businesses is that they now employ more than 220 people, which underlines again the import of the small business sector for providing future job growth.

Although I wish that I were unique, the truth is that I am not. There are thousands and thousands of others like me who have made similar efforts. They did so, of course, first and foremost in their own interests—I do not deny that that is a major motivating factor. However, as part of that process they have created jobs and wealth for the nation and taxation for the Exchequer. In the UK, small and medium-sized enterprises now account for more than half of the employment—58.7 per cent.—of the working population. That is pretty much true for each region of the country. There are 4.3 million small businesses, and I recognise that that number has grown, but much of that growth is down to people incorporating as one-man businesses. I recognise the need to ensure that that loophole is closed because, frankly, it does not help anyone, but I am saddened that the Chancellor used such a large, all-encompassing hammer that impacted so much on many small businesses to close that loophole. I appealed to Ministers yesterday evening to review that position—not for this Budget because it has been passed, but perhaps for next year. There is a need to free small business and encourage small business creation, while closing the loophole that the Secretary of State for Trade and Industry said was the main reason for the Chancellor increasing corporation tax.

Some 97 per cent. of firms in this country employ fewer than 20 people. That is quite startling. Indeed, 95 per cent. of firms employ fewer than five people. Small businesses are a major part of the economic fabric of this country.

Mr. Philip Hollobone (Kettering) (Con): I congratulate my hon. Friend on securing this important debate. Does he agree that nowhere in the country is it more important for small business to be successful than in Northamptonshire, because around 100,000 new jobs must be created in that county's economy over the next 15 years if the hundreds of thousands of people who are coming to Northamptonshire to live are to have gainful employment? The small business sector will be crucial in that respect.

Mr. Binley: I thank my hon. Friend and neighbour in Northamptonshire for that question. I assure hon. Members that the question was not planted—although I wish that I had planted it because my colleague makes a very important point. The sustainable communities project in Northamptonshire will bring 300,000 additional people into the county and add 50 per cent. to our population, so the jobs that he refers to will be required. One of the reasons why I wanted to have a debate on small enterprise is that it is one of the sectors where those numbers of jobs could be created. I thank my hon. Friend for the point that he makes.

The truth is that more than 500,000 people start up their own businesses every year. That is another remarkable fact that smacks people in the face when they see it in print—indeed, it did so to me, as I did not think that the number would be that high. Again, that underlines the import of business creation. Some12 million people work in small firms in this country. Such firms contribute more than 50 per cent. of UK turnover, which is around £1,200 billion—wow! I see my own little contribution to VAT and so on, but it is only when one sees a figure of that size that one recognises the contribution that small business makes.

The final but equally startling fact is that 64 per cent. of commercial innovations come from small firms. That is a massive contribution in total and one that I am proud to be part of. The importance of SMEs is further underlined by the forecast that in a 10-year cycle that began some five years ago, although UK plc

[Mr. Binley]

will shed 1.5 million jobs, SMEs in the UK will add 2 million jobs. I have said before that the sector is rather important to our well-being.

We need to enhance the role of small business if we are to face the challenge of the future. It is worth recording what that challenge is. We know that emerging nations are emerging ever more quickly; it is a trend for globalisation that is impacting massively upon our ability to compete in the world at large. Indeed, the challenge will become increasingly important over the next 40 years. For instance, Office for National Statistics figures show that the United Kingdom's deficit in trading goods with China grew in 2005 to £10 billion. That shows how the emerging nations are competing. The size of the global economy is set to increase by 40 per cent. by 2015, and India and China together will represent a quarter of the world's output.

I know from running a business that long-term planning can be a pretty dodgy exercise; it is as much perception, guesswork and hope as it is defying science. However, we have to take the best figures that we can to understand the size of the challenge that faces us. It is expected that India and China alone will be responsible for 60 per cent. of global trade by 2050—to say nothing of Brazil, Mexico or the other emerging nations that are growing and challenging our trading position. To ensure that our businesses remain competitive, we need to assist them to create more jobs, as that will contribute to our well-being and make a better contribution to our trading competitiveness.

I have already spoken about job growth in the sector, and I have already mentioned innovation. The Government need to encourage an entrepreneurial rebirth in the sector. I believe that the Government recognise that. I have no wish to be churlish about it; statements have been made and there is a real desire to encourage and enhance the sector. I welcome that, and I am delighted that the Minister is a part of that process. I have heard her speak to entrepreneurs, and I know that they accepted her message and were encouraged by it. However, we are not doing so well at the moment. I have already said that the Budget is putting an increasing burden on small business. Indeed, I believe that it will restrict growth, as growth is financed from retained profits in that sector—certainly for the first 10 years of the life of a business.

Government support for small business adds up to a staggering £12 billion per annum. Tragically, however, it is not well directed. I am delighted that the Government accepted the National Audit Office report of 2005. It seems to me that the Government have no wish to hide from the fact that we need to do better; indeed, they said so when the report was published. However, the report was scathing. For instance, it said that there were 3,000 different schemes to enhance and help to create small business. Those schemes were falling over one another to get the audience to the marketplace, but they were not very successful. I welcome the Government's promise—it is work under way—to have a much smaller number. Whether 100 is the right number is irrelevant. We need the most effective number to do the job in hand. I do not hold the Government to such figures, but I do hold them to their promise to improve, so that we become much more effective in our support of small business.

We all know that regional development agencies are variable in their success rate and in the work that they undertake. It is equally true to say that the Government recognise that. There is much common ground. That excites me and leads me believe that there is hope for the future. However, the overall tenor of the NAO report suggested that the organisation of our support for small business was ineffective, inefficient and wasteful. I am delighted that the Government have seen fit to do something about it.

The NAO claimed that we need to address a number of factors. Small businesses need better regulation and better access to finance, not only when one-man businesses become employing businesses but, equally important, when owner-managed businesses become board-managed businesses. Indeed, at the time of that leap, businesses have a massive problem with equity. Finding capital to finance change between £250,000 and £3 million is massively difficult.

The NAO says that we need more effective business support and less Government bureaucracy, and I agree. We need clear communication and information from the Government. Of course, we need a favourable tax regime, and I shall say more about that later. Above all, we need a skilled work force. Those are the areas that the NAO said needed attention, and it is generally accepted that it is so.

I turn to education and skills. The Leitch report said that one in six adults in the UK does not have the literacy skills expected of an 11-year-old. An Institute of Directors policy paper stated that only 14 per cent. of British employees have intermediate level vocational qualifications, compared with 46 per cent. in Germany. The British Chambers of Commerce says that the UK faces a skills crisis.

The Foster report said that 17 bodies have monitory or regulatory roles in further education, yet less than half the budget allocated by local skills councils goes to further education and 60 per cent. of it is spent on remedial training at level 1, leaving hardly any money to be spent on intermediate skills. We need to change that so badly it almost hurts. It certainly hurts our business success and our ability to compete.

The Ofsted report of 2005 is, I am sure, well known to the Minister, so I shall not go into detail. However, it said that the lack of skilled teachers

"is exacerbated by short-term and uncertain funding arrangements"

that hamper long-term planning. We are not well equipped to support business. We have a problem. We also have a social wage and regulatory burden that needs to be understood, and we need to do something about it.

Mr. Andrew Love (Edmonton) (Lab/Co-op): I agree very much with the thrust of the hon. Gentleman's argument, and I want to extend the discussion on how to build our skills base. It is a problem for small business in particular, because allowing employees time off to build on their skills can sometimes prove difficult if there are only four, five or six employees. How should small business be working with Government and educational institutions to overcome some of those real difficulties?

Mr. Binley: I thank the hon. Gentleman for raising a genuine—I know that we always use that word in response

to interventions—and important point. I promise that I will speak later about what we might do collectively, as we are all in this together. Part of our task in this place is to ensure that people can create businesses not only to keep us going but to keep going all those services that live off the wealth-producing sector. I will revert to the subject later if the hon. Gentleman is content for me to do that.

We keep adding to the social wage, and although this is not the right debate in which to go into the areas of employment law, maternity rights and so forth, I want to mark that up as a factor of which we should be aware. The more we impose on small businesses by way of social wage element, the less easy it is for small businesses in particular to compete. That is not to say that we want to return to the 1890s, when workers' rights were largely not what they should be—we would all be fighting for better workers' rights in those circumstances. We need a balanced perspective, however, and we need to ensure that the social wage element burden on small business is in keeping with our ability to compete, by recognising global standards and taking them into account when framing regulation.

The burdens barometer of the British Chambers of Commerce shows that the cost of regulation and red tape for British business increased by £55.6 billion in the period from 1998 to 2006. More important, the Association of Chartered Certified Accountants has observed that the cost of complying with red tape can be proportionately 30 times higher for SMEs than for larger firms. That is a massive figure, which we all need to take into account.

Let me mention the national minimum wage, which is indeed a burden on business. Although I do not argue against it, I am against the rate of increase. An increase of 34.7 per cent. in the past five years has created problems—it is at least three times the rate of inflation. So I hope that the Government now feel that they have achieved their objective and can settle on increases that are related to inflation. That would be a great relief, particularly for small businesses. Those businesses want to employ people and to grow, but they dare not always take the risk, because of the responsibilities that are placed on them by employing people.

What else can we do collectively to ensure that our business sector works well and meets the challenges of the future? There are some big issues, and I shall try briefly to address them. The country's national insurance system is badly in need of wholesale reform, and I believe that we should set about that reform—I was hoping that more would be done in the Budget. The present system costs businesses £760 million per annum—a figure that rises to £2 billion if all Government payroll demands are taken into account. Perversely, that has a considerably greater relative impact on small businesses than on plcs, and we need to consider that fact.

Regulation should be reduced. There was a period when the European Union felt that its only role was to increase regulation on businesses throughout Europe—as though that had no impact on the continent's ability to compete in a globalised trading system. The cost of regulation to British business should also be reduced, because that too has dramatically increased. I recognise that the increase is not necessarily attributable to the present Government; much of it derives from Europe. However, we need to get a grip on it. I hate to say it, but if that means throwing some regulation back to Europe, let us have the courage to stand up and do that. Somebody needs to do it; somebody needs to stand up to the regulatory burden and say, "We as Europeans can't accept it. Our future as Europeans is bound up with the size, rate and burden of inflation emanating from the EU."

There is one area for which this country is responsible, however: gold-plating. The Foreign Policy Centre found, I believe, that 62.5 per cent. of the EU regulations that they reviewed had been gold-plated. Do we really need to add to the burden on business by imposing yet more regulation at our end? My belief is that we do not.

To get rid of the burden of regulation, or at least to increase awareness of its dangers, we should create a network of enterprise champions throughout the civil service. That is not a new concept; champions exist in many different areas of Government. There should be enterprise champions who are committed to the mantra that regulation costs money and reduces our ability to compete in the world.

The Public Accounts Committee has observed that there are no official statistics on the national cost of regulation on small businesses, although it acknowledged, as do I, that the Government have recently embarked on a costing exercise in that respect. That is a move forward and I welcome it.

I have already said that red tape has a heavier relative impact on small businesses, and I have referred to the need for better skills. I have a whole list of such skills. We need to ensure that skills packages derive from the shop floor and are not imposed downwards by the educational establishment. We need to reach out to businesses with skills and involve them in creating skills packages, and we need to take skills packages to the workplace. The hon. Member for Edmonton (Mr. Love) is right that a sizeable number of small businesses are not being reached because they are expected to seek assistance at a higher level than often is known to them. There should be much more involvement in reaching out to them with training packages that are created by business, as well as by educationists.

My own local learning and skills council has 17 members, of whom only four are businessmen. I am not saying that that is the Government's fault; business has a responsibility to help to work in partnership with the Government at all levels to ensure that skills training is much more effective. However, I want to see a change from control by educationists to a situation in which there is much more business input, and I want that to work on the shop floor, in factory sites, in offices and on the ground in business generally. Will that be expensive? Yes, it might be more expensive than at present, but an awful lot of waste in supporting business has been observed. That could be directed to the training activities that I want to happen, and I hope that that gives one possible answer to the point raised by the hon. Member for Edmonton.

I have already commented on how poorly equipped this country is in skills and vocational training, and we need better.

Mr. Charles Walker (Broxbourne) (Con): On vocational training, does my hon. Friend think that it might be a good idea for the Government, or any incoming Government, to consider how young people of 14 are streamed?

[Mr. Charles Walker]

Many such young people do not necessarily want to be learning French or academic subjects. They are turned off by school, but they would appreciate the chance of a vocational education that would begin to train them for work. That is done in Germany, where there are academic and vocational routes at 14.

Mr. Martin Caton (in the Chair): Order. The hon. Gentleman is taking rather a long time for an intervention. I think that the hon. Member for Northampton, South (Mr. Binley) probably has the idea.

Mr. Binley: Thank you, Mr. Caton. I accept the point that my hon. Friend was making—it is an important one. The national target for 50 per cent. of the school population to go to university is not the most helpful target—I am sure of that. I would rather not have a specific target; I would rather enhance vocational skills, apprenticeships and school training for the world of work in a way that might obviate the need for such a 50 per cent. target. That is possible, provided that vocational attainments are worth while, important to the student and important to the world of work.

Mr. Love: May I say how much I agree with the hon. Gentleman's view that education or skills training should be a bottom-up process, rather than a top-down one, but is not the problem with comparing us with Germany that there is no parity of esteem in this country between the academic and the vocational? Until we create such a culture, separating people out will not work.

Mr. Binley: I thank the hon. Gentleman. He always speaks words of wisdom. I said yesterday that I had once had the privilege of going to Sri Lanka with him, and I had a very enjoyable week. I recognise what a wise and credible man he is and I am delighted to pay him that tribute. Of course, I agree with him. We must make the world of work a heroic place to be. We make heroes of pop stars and football players, but we look down on entrepreneurs in some respects. They are viewed with distaste, either as anoraks or as petty crooks trying to screw the whole world for their own ends, and of course, we know that neither view is accurate.

We must build up the esteem in which we hold entrepreneurs, who go out and create business. We must build up a view that good management is a good profession to be part of, and we must create the view that profit is an honourable thing to attain, because it is about growing jobs and businesses. I therefore accept totally what the hon. Member for Edmonton says and thank him for making the point.

Let me bring my speech to an end—you will be delighted, Mr. Caton, I am sure. I repeat that we face a massive challenge; we face a challenge particularly from emerging nations. I have spoken about the need to reduce the burden on our business, which includes regulation. Above all, we need to work together, because that is in all our interests. We share a common interest, as I am sure the Minister recognises. The reason why I wanted to have the debate was to establish that fact if we established nothing else. Unless we do our job now, we will fail our children and grandchildren, and in 40 years' time, it will be much more difficult to compete, and it will be a very difficult world to live in if we are unable to compete on favourable terms.

Mr. Martin Caton (in the Chair): Before I call the next speaker, I advise hon. Members that I intend the winding-up speeches to start at 10.30 am, and I have a list of several possible speakers. I call Mr. Andrew Smith.

10.2 am

Mr. Andrew Smith (Oxford, East) (Lab): I am sure that it will be the common currency of the debate to speak of the enormous contribution that small businesses and all who work in them make to our economy. That contribution comes in job generation, local services and innovation and creativity, and in how small businesses help to shape the fabric of our local communities, both physically and socially.

I congratulate the hon. Member for Northampton, South (Mr. Binley) on securing the debate and on the very positive spirit in which he advanced his analysis. We have had a double benefit: we have listened to him speak from his personal experience and insight twice in the past 12 hours. I can prove that I was listening last night: the hon. Gentleman gave us three very wise precepts for small business success, and they stuck in my mind, although he did not repeat them this morning. He told us that, first, volume is not everything; it is what someone is making out of the volume that is important. Secondly, cash flow is king. Thirdly, what really matters is not investment in plant, but investment in people. The hon. Gentleman might like to turn those three small business precepts into a small booklet to advise people—it was good stuff.

I take the debate as a welcome opportunity to praise the work of small businesses, especially in my own Oxford constituency, and the work put in by area and sectoral local business associations, the chamber of commerce and the Federation of Small Businesses. The hon. Gentleman was right when he said that small business needs to be exercising more purchase on the education and training system. It can do that only through business people giving up their time—time that they have to spare from the very demanding task of running their businesses—so we all owe them a debt of gratitude. The contribution that those people make benefits our communities, as well as the economy. Certainly, I find the comments and advice that they give to me locally invaluable.

We had a good example recently in the excellent conference put on by the Oxfordshire branch of the FSB. That conference centred on very interesting research that it had commissioned and a resulting report—I have it with me—that I think is of broader interest and would certainly be well worth replicating in other areas. It sought to take the sort of evidence-based approach that is applied in the well-known FSB "Lifting the Barriers" survey, but to do so on a local basis so as to analyse the impact of small businesses in the local community, thereby giving a picture that, by its nature, cannot be fully picked up in the national surveys.

Entitled "The Economic Ecology of Small Businesses in Oxfordshire", the report was based on a representative sample survey of the 25,000 small businesses in the county produced by the Oxfordshire Economic Observatory, based in the Oxford Institute for Sustainable Development

at Oxford Brookes university. The study produced a wealth of information, but I shall mention just a few highlights this morning. It underlined what the hon. Member for Northampton, South was speaking about: the crucial importance of the small business sector. In Oxfordshire, it accounts for 57 per cent. of the county's private sector employment. Business growth has been relatively strong in recent years, as we might expect in a generally prosperous county in a generally prosperous region. The number of VAT-registered businesses increased by 9.4 per cent. in the five years to 2006, compared with 6.1 per cent. in the south-east and 6 per cent. in England as a whole.

With regard to size and type, 85 per cent. are micro-businesses, employing fewer than 10 staff; 21 per cent. have no employees at all; 65 per cent. are family owned; 35 per cent. are home-based; and 17 per cent. are female-led. Most small businesses were in services, with wholesale, retail, estate agency and other business activities accounting for about 45 per cent. of the total, but there was a very important, albeit minority, share of small manufacturing businesses as well.

With regard to the overall challenges and obstacles to business, regulation or red tape and taxation issues predictably topped the list. They were regarded as a major problem by 33 per cent. and 26 per cent. of respondents respectively. On more local issues, 13 per cent. identified housing supply and 10 per cent. transport infrastructure as the major problems. Nearly one third said that they experienced skill shortages when recruiting new staff, thus reinforcing points that have already been raised, and 16 per cent. identified planning restrictions as a major problem as well.

The recent survey showed significant optimism about business growth in the next few years, with 75 per cent. expecting to grow their business through a mix of existing activities, new products and services, and new markets. What the survey particularly brings out is what the report calls the small business economic eco-system—drawing an analogy with biology and the importance of micro-organisms in ecological systems. It analysed interaction with other local businesses, so it found, for example, that 50 per cent. of the businesses derive more than 50 per cent. of their annual turnover from local sales and that just over one third place half their expenditure with local suppliers. That is a vital reinforcement of the strength of the local economy. Most of the businesses made good use of local shops, local banking and local post offices, thereby helping to sustain those services for the wider community.

The study also shows the wider value of small business interaction with the local community. That involves things that all too often are taken for granted—for example, the extent of work experience opportunities for young people that are provided by many small businesses and the involvement with schools, charities and sponsorship of various kinds.

In this age of ever more commuting, with all the congestion and environmental costs that that imposes, it is particularly notable that small businesses also provide predominantly local employment, with 75 per cent. reporting that at least half their staff live within five miles of their business premises.

The survey reveals growing environmental awareness and attention to waste recycling, as well as the importance of reducing water and energy consumption. At the same time, however, it reveals concerns about the lack of information on environmentally beneficial options, the lack of time to weigh options up and fears that they might not be cost-effective or necessarily enhance business prospects.

There is a clear case for better promotion of environmental support and advice services locally. In Oxfordshire, we have the Oxford Brookes Environmental Information Exchange and the Oxfordshire Sustainable Business Partnership, but we also have national support and advice from bodies such as the Carbon Trust. At the conference that launched the report, the trust came in for particular praise from a local manufacturer that had used its advice service.

I therefore ask my good friend the Minister to look closely with our colleagues in the Department for Environment, Food and Rural Affairs at what more can be done to ensure that small businesses can readily access information, advice, support and, where appropriate, incentives to enable them to play their part in reducing waste and emissions and in combating climate change.

I commend this path-breaking Oxfordshire report as a whole to the Government and urge that similar studies would deepen understanding of the contribution and needs of small businesses in other parts of the country. If we are to sustain the impressive growth record and employment generation that the stable economy and other Government policies have helped to bring about over the past decade, we need to make even more of the entrepreneurial flair, hard work, innovation and local commitment that we are fortunate to have from the small businesses in all our communities.

10.12 am

Mr. Philip Dunne (Ludlow) (Con): I want to make a modest contribution to the debate. This is an important subject, and I congratulate my hon. Friend the Member for Northampton, South (Mr. Binley) on raising it. I follow him this morning, as I did yesterday evening in the Budget debate, and it is a great pleasure to do so, given his expertise on this issue.

In the Budget debate yesterday, many of my remarks focused on the importance of business—particularly small business—to the economy. I highlighted some of the measures in the Budget that will make life more difficult for entrepreneurs at the smaller business end and I shall not take up the Chamber's time by repeating what I said then. Today, I shall focus on the two issues in respect of which we need to look most carefully at the Government's role.

As my hon. Friend the Member for Northampton, South told us, the small business sector is the critical engine of growth for the economy, employing more than half the people in the country. In rural areas such as mine, small businesses essentially represent the whole economy; indeed, the largest employer in my constituency, which happens to be an international conglomerate, employs 400 people, but the vast majority of businesses employ fewer than 100, with most employing fewer than 25, and they are typically owner managed. Without the entrepreneurial flair of individuals who set up businesses in rural areas, there would be no employment, so the sector is vital for rural communities in particular.

Those who set up businesses are, by definition, entrepreneurs and risk takers. We have heard of my hon. Friend's personal experience, and I echo his point that many

[Mr. Philip Dunne]

Opposition Members have gone through such experiences. I do not wish to blow my own trumpet or to get into a competition with my hon. Friend, but I also set up a business from scratch, and it ended up employing slightly more people than his did; indeed, by the time I exited it last year, we had more than 2,500 employees. My point is that most people who go into business recognise that they need to take risks. To get their businesses off the ground, many people make significant personal sacrifices that affect their lifestyle, and there are many different reasons for doing that. However, such individuals are used to taking risks, and one of my concerns about the Government's approach to business policy is that they often seek to restrict individuals' ability to take risks. They seem obsessed with the idea not just that they know best, but that businesses cannot be left alone to get on with doing their job and need to be micro-managed in many different ways. I hope to be able to illustrate that in a couple of moments in the brief time that I have.

We hear from all the surveys, and we have heard it again in this debate, that business men's two primary concerns about their relationship with the Government relate to tax and excessive regulation, and I shall focus mainly on those two issues. Many businesses, particularly under this Government, start paying tax before they start trading. I am thinking particularly of measures in the Chancellor's 2004 Budget to reform the stamp duty land tax regime for businesses that open new premises and take on long leases. Such businesses must now pay a substantial amount, which is calculated on the duration of the lease, rather than on the first-year element, as was the case previously. That acts as a genuine barrier to business inception.

My business was in the retail sector, and the Chancellor's measure could affect any retailer, because retail premises were typically let on 15-year leases. For a business that is starting from scratch, which does not know whether it will succeed, to be faced with a bill not of a few hundred or a few thousand pounds but, as in one case with which I am familiar, of £15,000 before it has opened its doors for trading and knows whether it will succeed, the Chancellor's measure is a significant barrier to business inception and entrepreneurial risk taking. Of course, that applies not only to retail premises but to all premises, which are typically let on relatively long leases. I accept that the relevant period is coming down, partly as a result of the Chancellor's measure, and that raises separate issues for business investors in property.

Of course, business fulfils a useful function not only as an employer but as a revenue raiser for the Government. The complaint that I frequently hear when I talk to business groups around the country is that entrepreneurs regard themselves as acting primarily in the Government's interests as their tax collector. The degree to which new regulations and new taxes impose an obligation on companies to spend much of their time collecting tax in one form or another seems to increase from Budget to Budget. Clearly, pay-as-you-earn is a significant and efficient form of tax raising, and other obvious examples include national insurance, VAT, business rates and stamp duty land tax. However, there is a host of other measures, such as aggregates tax, which was increased in the most recent Budget, and the tax-collection duty that they impose is an administrative and revenue-raising burden on individual companies.

As regards the most recent Budget, we are of course focused on the increase in corporation tax on small business. That increase sends small business a serious signal that the Government are not particularly interested in it, and I hope that the Minister will pick that up when she winds up. The attempt to characterise the changed capital allowance arrangements as in some way offsetting that increase is a bit of a joke for small business. It might apply to a small number of sectors whose level of investment in capital will allow them to benefit from the changes, but in most cases, small businesses will be disproportionately affected by the increase in tax compared with what they can offset through capital allowances.

David Frost of the British Chambers of Commerce said:

"The rise in small companies corporation tax will have a particularly damaging effect"

on small business,

"with 71 per cent. of those surveyed saying it would harm their business. As a Chancellor who champions enterprise and acknowledges the importance of small business to the UK economy, many of our members feel let down and are dismayed by the measures taken, which will hit their competitiveness and increase their tax burden."

That is not exactly a ringing endorsement of the Chancellor's measures.

The Chancellor said in his speech that the extra revenue from the increased small companies corporation tax rate would be recycled to

"legitimate small businesses investing for the future".

What an extraordinary way to characterise small businesses—to imply that a large number are somehow functioning illegitimately.

The Chancellor may have been referring to the measures taken by Her Majesty's Revenue and Customs three weeks before the Budget, when HMRC decided to halt with a sledgehammer the sideways loss relief, an opportunity for investors to invest in high-risk businesses that allowed them, if the businesses failed, to offset losses incurred from those investments against their other income. It was a useful way for small companies with a significant equity gap in external investment to get it from wealthy individuals. That measure has been stopped. It was stopped in order to deal with abuse elsewhere, but the impact on many high-risk sectors will be keenly felt. I urge the Minister to enter into discussions with the Treasury and the Chancellor to modify that measure during the passage of the Finance Bill.

10.22 am

James Duddridge (Rochford and Southend, East) (Con): This is the first time that I have served under your chairmanship, Mr. Caton, and I hope not to stray too far and incur your wrath. It is a particular privilege to speak after two such experienced people involved in business, who have mentioned with undue modesty the number of people whom they each employed directly as well as the extended number of people employed and supported via the family.

I congratulate particularly my hon. Friend the Member for Northampton, South (Mr. Binley) on his early-day motion 928 highlighting the issue and his continuing work, and the right hon. Member for Oxford, East (Mr. Smith) on his excellent speech in the House yesterday. I heard someone say as they left the Chamber afterwards

that he was running a master class in small business in the House of Commons. Having read *Hansard* this morning, I think that that is a fair reflection.

My first interaction with small business came when I was 18 or 19. I was asked as a Conservative to stand in for a Member of Parliament who was called away at the last minute. I thought that I was going to go along to a group of one or two shopkeepers, newsagents and so on. It was my first surprise at the size of small business and its importance, which has been highlighted today. On my desk, I still have the little chip of concrete from the Berlin wall that I was given. It says:

"The Federation of Small Businesses: chipping away at regulation and bureaucracy wherever it may be found."

Small businesses are great advocates.

I was pleased to have received a note from my hon. Friend the Member for Northampton, South saying that the debate was happening. I looked down the list and saw that everybody to whom he had sent it except me had great business experience. Having spent 10 years as a banker, I became frustrated with people who said, "Those who can, do—those who can, move away from assisting and teaching to set up or help set up very small businesses, but nothing of any size."

Banking has given me an insight, and my work as a constituency Member of Parliament has perhaps given me a deeper insight, into businesses' impact on communities. In Southend, the names of roads, parks and schools all reflect support from business people and entrepreneurs who moved from making money to being social entrepreneurs. Sadly, many of those names are names of 100 years ago. I question whether businesses, especially small businesses, with all the burdens on them, still have the time, energy and inclination to contribute. There are notable examples in Southend, but not of the magnitude of many years ago.

To get more in touch with businesses, I run an annual business survey. I am currently receiving and analysing the 2007 survey, but I shall mention the 2006 survey. This is not a party political point—I do not mean it as a criticism of the current Government—but I suspect that most businesses are not great friends of Government, be they Labour or Conservative. Nevertheless, I was quite shocked by the answer to the first question, which asked:

"Do you believe that the Government understand the concerns of the business community?"

In one way or another, 84 per cent. said no. That is quite a shockingly large number. I will certainly ask that question yearly to monitor the Government's performance, and am particularly interested to see the results as and when there is a Conservative Government.

As a Back-Bench MP, I try to engage with my constituents. Sometimes it is not successful. I have a survey with a Post-It note attached:

"No further surveys. See overleaf!"

I thought that it was going to be a rant at my personal performance.

"Dear James"—

that sounds good so far—

"Please don't include me in any further surveys".

That does not sound so good.

"If that Gordon Brown taxes me or my car any more I am going to close my business and start claiming dole money! It will not be worth my working."

The letter says "by the way" that the taxes and this Government are "a crock of"—well, it goes on further—and ends:

"Good luck with your survey. Hope there will be enough businesses left to fill it in."

Clearly, that came from a very angry man, but a KPMG survey says that 70 per cent. of business regulation falls on businesses with fewer than 10 employees. Calvin Coolidge famously said that the business of America was business. Without business and wealth generation, there is no national health service, no education system, no social security and no society as we know it. My hon. Friend said that we must make heroes and role models of people involved in business, and he was absolutely right. I am rather reassured to see "The Dragons' Den", a popular TV programme about entrepreneurs—I was surprised to see the Clerk of my Select Committee presenting a business idea—but not once have I heard anyone on that programme talk about the Government support and help that they have been given. Most people do not turn to Government agencies.

I mention "The Dragons' Den" because of the excellent Richard report commissioned by my hon. Friend the Member for Hertford and Stortford (Mr. Prisk). I did not appreciate before reading the report a second time that Doug Richard was a dragon from "The Dragons' Den". The Richard report identified £12 billion in spending on support for small business. At the very best, there was no credible link between that expenditure and direct correlation. The Minister shakes her head. I have something from Southend that might in many ways support her point rather than mine—it speaks of the excellent work that Southend is doing at a micro level—and I am sure that she can reel off examples of individual cases that are doing very well, but that is an enormous sum. She might reflect that if that money were taken out of the taxation system, remaining with businesses for them to invest in themselves and the community, it might generate more tax revenue going forward.

I am concerned about the general direction of travel. The complexity of having two leaders is discussed a lot. In my patch, in the south-east, regeneration is a big issue. I become desperately concerned when Government bodies talk about their objectives of creating business, because regeneration organisations and councils do not generate business. That attitude pervades Parliament. A Member of Parliament once said to me, "Being an MP is rather like being a small business man, because we are running an office and we employ people." That MP clearly does not understand business, because it is nothing like running a business. The main part of running a business is making a profit—that is healthy, and is a thing for heroes to do.

10.30 am

Lorely Burt (Solihull) (LD): I begin by congratulating the hon. Member for Northampton, South (Mr. Binley) on securing the debate on this immensely important subject, particularly in the light of yesterday's debate on the Budget. The hon. Gentleman still runs two businesses. I had several, but was unable to juggle my business and parliamentary interests, so I congratulate him on being able to do that.

Mr. Binley: I remain simply as chairman of the company that I founded in 1989, not as an executive officer. I hope that is clear.

Lorely Burt: I am grateful to the hon. Gentleman for that enlightenment. My point is that it is important that we have legislators who understand the challenges of business, particularly small business, from a practical standpoint.

The right hon. Member for Oxford, East (Mr. Smith) talked about a local study of small businesses, which was extremely interesting and useful. On average, 80 per cent. of small, local business revenue goes back into the community, so those businesses are absolutely vital to any community.

The right hon. Gentleman also talked about energy. It is regrettable that the Carbon Trust will not do free energy surveys for companies that spend less than £50,000 a year on energy bills. Will the Minister address that in her comments? Given that there are more than 1 million small businesses in Britain, would it not be sensible to give them more downward help with that? Such businesses are keen to play their part in conserving the environment and, of course, keen to cut their energy bills as much as possible.

I have a few things to say about the Budget. I do not have the depth of knowledge and understanding of these matters of some hon. Members who have spoken, but I think that it is extremely regrettable that £1 billion appears to have been taken away from small businesses to woo big businesses. That is the perception of many commentators. The idea is that there is balance and that the additional money that will be taken away in corporation tax will somehow be restored by the research and development tax credit and the new annual investment allowance of £50,000. However, many small businesses invest in people, not equipment.

James Duddridge: During the Budget debate, I picked up the Liberal Democrat policy change about flexible working being extended to people below the age of 18. What assessment has the hon. Lady made of the likely impact of that on business?

Lorely Burt: That is slightly off the subject that I am currently pursuing. I think that the hon. Gentleman refers to my speech on my ten-minute Bill yesterday, when I said that there should be a full impact assessment and a pilot with pre and post-implementation assessment before the right to request flexible working could be extended to all employees. I said that it would be beneficial to extend to the parents of children between the ages of six and 18 the right to request flexible working. If he reads *Hansard*, he will find that I quoted a number of studies into the beneficial effects that have been observed and measured by the Department of Trade and Industry and other reputable bodies, and other research.

I want to touch on the issue of skills. According to a Federation of Small Businesses survey, 25 per cent. of the people who apply for employment in small businesses have problems with numeracy and literacy. The British Chambers of Commerce commented that 22 pieces of paper have to be completed for an individual to take part in "train to gain". We have to make education in numeracy and literacy easily accessible for people who do not have time to fill in paperwork.

The FSB also discovered, in a survey of its members, that 35 per cent. of them do not employ anyone because of the perceived risks. The Government should simplify the work of employers and ensure that they are not burdened with being unpaid tax collectors and distributors of benefits or with other requirements. It is all too complicated. When I ran a business, I had to employ someone to do the wages because I could not cope with the complexity of having to do all that administration, which disproportionately increases the burden on small businesses.

Will the Minister comment on the fact that some management courses are not available to companies of fewer than 10 individuals? Embryonic, growing companies that seek to increase their expertise and competitiveness should be allowed to access that kind of help. I have a shopping list of things that the Government could do to help small businesses. They have done some work, with public procurement, to simplify and standardise the procurement process, but they could do more to encourage local authorities to use the expertise of local companies rather than continue the current, slightly lazy, approach of seeking to do all their business with a small number of larger companies. If local authorities offered smaller contracts to more local companies there would be a much greater benefit to their local areas, because of the benefits that local businesses pass on to the local community, which I mentioned earlier.

The hon. Member for Northampton, South talked about Government support. Some £12 billion is available, but small businesses have to know that it is there. An FSB survey found that 65 per cent. of small businesses were not aware of the R and D tax credit. Why are only incorporated businesses permitted to benefit from that tax credit?

Time is pressing, so I shall rattle through my final points, the first of which relates to the compliance burden. Is it possible to review the regime for compliance, because intervention should be proportionate to the degree of risk and cost? We could shave a lot from the regulations. On inspections, why cannot certificates with a definable period be issued, so that a company knows that it will not be inspected again for a long time? Can the roles of many of the inspectors be merged, because sometimes there is a long line of inspectors trotting along to a small business? Can we change the role of inspectors? Can we move them away from having a tick-box mentality towards a more supportive role that enables companies to comply, rather than one that catches them out when they do not? Can more people who have business experience be involved in undertaking things such as regulatory impact assessments?

The hon. Member for Northampton, South discussed the regulatory burden from Europe and gold-plating, and rightly acknowledged that we are doing this to ourselves, because although regulations are being handed down, we are making them worse. If people with real business experience, rather than Whitehall bureaucrats and lawyers, were undertaking the regulatory impact work, the Government would be in a better position to serve the interests of business.

10.41 am

Mr. Mark Prisk (Hertford and Stortford) (Con): I, too, commend my hon. Friend the Member for Northampton,

South (Mr. Binley). As he often does, he spoke with passion and knowledge, giving us a comprehensive view of the issues to be addressed. He began by reminding us why small businesses matter. Economically speaking, they generate more than half our national income and employ 58 per cent. of the private work force, and so are crucial to the economy. As several hon. Members have said, they are often the key innovators—the ones who make crucial changes in technology and business development that help the economy move forward.

As the right hon. Member for Oxford, East (Mr. Smith) rightly said, small firms also make a social contribution. I, too, have read the excellent report by the Federation of Small Businesses team from Oxfordshire. I met the people involved last Friday and had the opportunity to examine what they have said. The right hon. Gentleman rightly said that it is often the local, small enterprise that makes a quiet, positive social contribution to the local community, and does so without wishing to seek publicity.

We have heard about how this Government have failed small businesses, and about the rise in the number of regulations. The equivalent of 15 new regulations are being made every working day. They have a disproportionate impact on the smallest employers. The FSB has shown that the burden of complying with red tape costs each small firm seven hours a week.

The tax system has become hideously complex under this Chancellor. Not only are businesses paying more than £50 billion extra, but the charge is made in a punitive way. As my hon. Friend the Member for Ludlow (Mr. Dunne) rightly pointed out, charges such as stamp duty land tax on long leases impact before a business even starts to trade.

While this Budget has welcome news for large companies, it has dismal news for many small businesses. Whatever Ministers may claim, the Chancellor is seeking an extra £820 million by 2009 from small companies. While it is true that the annual investment allowance will provide some support, it will be of no use to millions of small firms. The point is highlighted by a British Chambers of Commerce survey, which showed that 71 per cent. of small firms believed that.

I hope that the Minister will explain why only capital investment is regarded by the Treasury as legitimate. What about innovation? What about the investment in people that was mentioned by the right hon. Member for Oxford, East? Are those things not legitimate? What about shopkeepers, accountants and professional services? All of those small enterprises seek to innovate and change, but they will be completely excluded from any benefit under the allowance in question.

The Government's attack on the self-employed is not limited to corporation tax. Their plans to limit managed service companies follows on from the clunking fist's crude attempts with the IR35 legislation. No one is against preventing unreasonable tax evasion, but the crude way in which this Government seek to attack the self-employed damages legitimate enterprises, especially in fields such as IT, health care and professional services.

The Minister is meant to be the Minister for small business, so will she tell us what meetings she has held with the Chancellor in order to speak up for those businesses in this matter? Did she put their case? Did she ensure that their concerns were properly represented? We need to know the answers, as do they. As we have heard in this debate, small companies are affected by decisions made across Whitehall.

Let us consider the Department for Environment, Food and Rural Affairs, whose shameful incompetence over the single farm payment has severely damaged thousands of small family farms. Did the Minister for small business challenge DEFRA over its incompetence? Did she meet, question or hold to account that Department?

The Department for Culture, Media and Sport was responsible for a huge rise in bureaucracy when it introduced the Licensing Act 2003. Thousands of small pubs, clubs and bars have been severely affected, but did the Minister for small business meet her colleagues? Did she ask why they were introducing the measures? Did she seek reductions in the bureaucracy?

Let us consider the Department of Trade and Industry itself. It is seeking to oversee the closure of more than 2,000 sub-post offices. Many of those businesses tell us that they would dearly love the opportunity to widen the services that they offer, to be able to compete in the market and to offer new services, but Royal Mail and the Minister's departmental colleagues are refusing to allow them to do so. Why is that the case? What has the Minister done to stand up for those enterprises? Has she put their case? She must tell us, and them, what she has done to deserve the title of Minister for small business.

Time prevents me from mentioning a number of issues, but I should mention start-ups. Most start-ups occur not in commercial premises but in a home. Home-based businesses offer many advantages, as the right hon. Member for Oxford, East mentioned. Will the Minister tell us what she has done specifically to help home-based businesses? Just as important, will she tell us which issues the Government are considering in this field? Such businesses are great for female entrepreneurs, given the particular opportunity that exists to get the right work-life balance. I should be interested to hear the Minister's response.

Another part of the Department's remit is business support, which has been mentioned. Sadly, although much money is spent, Ministers all too often have no idea whether their programmes have any effect. The CBI has stated:

> "There is much anecdotal evidence about which schemes work and which ones are less successful. However, there has been no systematic assessment of the business support network to look at what schemes exist and which ones are most effective and add most value."

My hon. Friend the Member for Rochford and Southend, East (James Duddridge) mentioned an interim report that was published last month. The work was done by a small business taskforce led by the entrepreneur Doug Richard, who is an American citizen. It found that overall the Government are spending roughly £12 billion on small business support, but that they cannot, or will not, say whether the money is working. Part of the problem is the fact that the system has got out of control. Roughly 3,000 schemes are being run by approximately 2,000 public bodies and their contractors. Just as concerning as that complex maze is the value that we are getting, because at best, a third of the money is disappearing in administration. In some cases, all of the money goes towards paying an individual, and there is no money left to be handed out.

Equally, business confidence in state advisory services is low. The FSB has shown that just 4 per cent. of small

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businesses use Government-funded support, whereas more than half consult people such as accountants and those in the private sector. Given the amount of money spent it is remarkable—although sadly, less surprising—that the Government can have so little to show for it.

As we have heard in this debate, small businesses matter, but sadly—I say this with no enthusiasm—all too often this Government have failed them. Ministers do not understand them, and are taxing and regulating them without recognising that those same enterprises generate the wealth that pays for the schools and hospitals on which the rest of us rely.

Last week's Budget typifies what is wrong, because the Chancellor is increasing small company taxes and continuing to tie firms up in red tape, while DTI Ministers are silent on these issues. They have shown themselves to be either of no influence in the Government, or so fearful of the clunking fist at the Treasury that they are unwilling to stand up for small businesses. Conservative Members believe that it is time for a fairer deal for small firms. We want a simpler, fairer tax system, and we believe that it is time to reduce the regulatory burden, and that the Government have failed to provide either an effective or an efficient business support system.

In her reply, the Minister must explain herself. She must show us and small businesses what she has done to defend their interests, and why she is supporting the Budget tax hike on more than 1 million small companies.

10.50 am

The Minister for Industry and the Regions (Margaret Hodge): I join other hon. Members in congratulating the hon. Member for Northampton, South (Mr. Binley) on securing this debate, and the way in which he made his contribution in the best tradition of the House.

I have only nine minutes, so I shall deal quickly with some of the issues that were raised. The most important contribution that any Government can make to ensure the well-being and prosperity of the small business sector is to manage the macro-economic environment responsibly and successfully, and that is what we have done. We have had 58 consecutive quarters of growth, and no stop-go, which we experienced under the previous Conservative Government. We have had low inflation and a huge increase of 2.6 million in employment. That good macro-environment has led to success in the small business sector. I could not disagree more with the hon. Member for Hertford and Stortford (Mr. Prisk), who does not represent the small business interest well in pretending that this is an environment in which it cannot prosper. I far preferred the contributions of some of his Back-Bench colleagues who celebrate the success of the small business sector in contributing to UK growth and prosperity.

To take a few figures, we have 600,000 more small businesses than 10 years ago, which is a cause for celebration for the many people who work hard in those businesses. The number of people working in small businesses has reached close to 1 million, and that, too, should be celebrated. Of those working in the private sector, 59 per cent. are employed in small and medium-sized enterprises. That is a cause for celebration. The SME sector now contributes as much as the large-business sector to UK output: 50 per cent. of gross value added and 51 per cent. in turnover. Start-ups have exceeded closures for 11 years running, which is good, and survival rates are much higher today than a decade ago. Small firms' productivity growth has exceeded that of large firms over the past 10 years, and that is a cause for celebration. I agree with the hon. Member for Northampton, South that new businesses are the greatest single source of new jobs.

Unlike the hon. Member for Hertford and Stortford, I celebrate and congratulate the small business sector, and work with it to build on that good record rather than decrying it. I recognise that SMEs are the vital engine of growth in the UK economy; I recognise that they drive innovation; I recognise that they help to drive productivity growth by providing a competitive spur; and I recognise that they are the greatest single source of jobs.

I very much welcome the contribution of my right hon. Friend the Member for Oxford, East (Mr. Smith). I had the pleasure of meeting Sandy Lovatt at the Federation of Small Businesses annual conference and listened to his findings. Particularly important was the role that he recognises small businesses can make in their local community by contributing to employment growth and to economic growth through purchasing and selling within their local community.

The hon. Member for Solihull (Lorely Burt) referred to the Carbon Trust. In an interesting survey in the report, "The Economic Ecology of Small Businesses in Oxfordshire", one of the respondents said of the Carbon Trust that they regarded it as

"the best organised Government scheme."

Special mention was made of its website and the respondent said that in the future he intends to take

"a second interest-free loan from the Carbon Trust to replace old and inefficient machinery."

That demonstrates the importance of the matter.

Turning to the Budget, I want to hit the nail on the head. Let me be clear again—we were trying to be clear last night—about what the Budget is about. We hear the same tedious narrative from the Opposition, full of misinformation and mistakes, which is not worthy of a responsible Opposition—an Opposition who, when they were in government, caused the two worst recessions since the second world war, allowed inflation to run at 10 per cent., let interest rates go up to 15 per cent. and oversaw an economy in which unemployment hit 1.3 million, and 1.5 million people had their lives destroyed by negative equity. That is not how we will run our Budget. The most important imperative in the Budget was to maintain a strong macro-economic environment and continued stability so that we could have continued growth. We will not return to the stop-go of the years of Tory mismanagement, which is why the Chancellor deliberately crafted his proposals in a fiscally neutral way. Let us see what those proposals achieve for the SME community.

There are 4.3 million SMEs, of which 3.4 million operate as sole traders. Those sole traders will not be affected by the changes in corporation tax for SMEs, but they will benefit from the 2p cut in income tax and will be better off. Two thirds of FSB members are self-employed businesses, and they will be better off. For small businesses, we have responded to exactly what the CBI and the FSB have told us and what we ourselves

and I myself believe to be true: that Government support and fiscal policy should concentrate on supporting the growth of the SME sector. That is why, in a fiscally neutral way, we have transferred the resources to increase the tax credit for research and development to 175 per cent. for small businesses; that is why we introduced the annual investment allowance that will support that growth tax free; and that is why—the hon. Member for Hertford and Stortford chose not to mention this—we introduced the specific initiative asked for by the FSB to reduce business rate relief on empty industrial property.

My right hon. Friend the Secretary of State for Trade and Industry said last night that an SME must increase its investment only by £2,300 in 2009-10 to reduce its tax liability by £500 under the new regime. That will offset the tax increase through investment. Ninety per cent. of tax-paying companies would pay less tax if they invested less than a quarter of their profits back into the business, which is what we want them to do.

Mr. Prisk: Will the Minister give way?

Margaret Hodge: No. I am not interested, and I do not have time. I have heard the same speech from the hon. Gentleman three times in the past five days.

Mr. Martin Caton (in the Chair): Order. I have allowed a certain laxity to the hon. Gentleman who has made comments from a sedentary position, but I think the Minister should be allowed to finish now.

Margaret Hodge: I want to deal with the Opposition's absurd report on regulation. First, the research comes from a Tory activist working from his flat—the same Tory hopeful who identified the £21 billion cuts in public expenditure that the Leader of the Opposition is now denying he supports. Those cuts included, interestingly, the abolition of tax credit for films, which would have hit manufacturing hard. The hon. Gentleman asked me what I do for the Department for Culture, Media and Sport. I certainly do not support doing away with that tax credit.

That report demonstrates yet again the Opposition's complete inability to face in the same direction and display consistency for more than two minutes at a time. They criticise publicly funded support schemes by saying that on one hand we spend too much on admin, and on the other hand we should spend more on admin to ensure that we properly evaluate schemes. Those statements are wrong. First, we do not spend too much on administration—less than 10 per cent. through the regional development agencies—and we evaluate schemes because our entire policy is built on what works.

Of course we want to rationalise. We were there a year ago, and we knew that we needed to reduce from 3,000 schemes, which is why the Department of Trade and Industry has reduced from 100 to 10—

Mr. Martin Caton (in the Chair): Order. We must now move on to the next debate.

Western Balkans

11 am

Mr. John Randall (Uxbridge) (Con): I am very grateful to Mr. Speaker for the opportunity to address once more the situation in the western Balkans. It is almost exactly eight years since NATO decided to intervene in the region with the bombardment of Kosovo, and of Yugoslavia, as it was then. We are entering a crucial period, with the Ahtisaari plan being put before the United Nations shortly. There is a meeting of the contact group today in London and, later this week, European Union Ministers will meet in Bremen, where Kosovo will be high on the agenda.

The Minister who is present visited the area recently, about a week before I and a cross-party delegation, sponsored by the Inter-Parliamentary Union, visited. All in the region very much welcomed the Minister's visit. From what I heard, not only was it welcome, but very constructive discussions were held. Our group of four Members visited Serbia and Kosovo to find out what was going on. I thank the IPU for sponsoring our visit. I also thank the British embassy and our ambassador, Mr. Wordsworth; the British office in Pristina, and Mr. David Blunt and his staff; and the co-ordination centre for Kosovo and Metohia, and the person in charge there, Sanda Raškovic-Ivic.

It was interesting for me to visit Kosovo in particular, because I had not been there for some time. We went to see what had happened on the surface, and without making myself too unpopular in many quarters, I can say that most people—most people in Serbia, too—recognise that Kosovo has become de facto independent. All but the most extreme nationalists recognise that Serbia will not be in charge of administration or other such matters. We met a variety of politicians and members of civil society in Kosovo, and people acknowledge that there is a great deal of sincerity among the political class, the leaders of civil society, the law and the police force. There is a willingness to try to improve the situation, so that they come up to the standards that the west would like to see.

However, when one scratches the surface, people also acknowledge that there is still a huge challenge. What one sees in Pristina is not necessarily replicated in the countryside, and we can understand why. Many people in the city are educated, but the population is mainly rural. We all know—I shall not rerun history—that it is an area where there has been a great deal of conflict, and there are many scars.

People recognise more than ever before that Kosovo has become an autonomous—as I said, a de facto independent—area. It still has large enclaves of Serbs and other ethnic groups, and in Pristina we were impressed by the readiness of politicians to speak about their hopes. In Belgrade, all political parties bar one—the Liberal Democrats, which has very few members—want Kosovo to remain part of Serbia, in name at least. It goes back to United Nations resolution 1244, which stated that that would happen.

I am sure that the Minister is aware of one feeling that we experienced. We were in Pristina three days after a violent demonstration that ended in the deaths of two pro-independence demonstrators. Rubber bullets were fired into the crowd when it surged towards the Parliament

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building. We met Joachim Rücker, head of the United Nations Interim Administration in Kosovo, who told us that he was waiting for the outcome of an inquiry into the demonstration in order to determine whether there was anything to be done. He said that he certainly would not call for any resignations, although the Interior Minister in Kosovo had resigned. However, we discovered—literally as we left the meeting—that Joachim Rücker had called on the UN police commissioner, Mr. Stephen Curtis, to resign. It left ourselves, and many of the people whom we met subsequently, with the view that the UN was perhaps dancing to the tune of the Albanian politicians, and it concerned us. Mr. Curtis was treated very badly by that precipitate action.

While we were in Kosovo, we also visited some enclaves, particularly the area around Gracanica, and it was disturbing to see the centuries-old church having to be guarded by heavily armed Swedish soldiers. One of our party, which included two members of the Select Committee on Defence, is an expert on those matters, and he informed me that the sentries' weaponry was very serious stuff indeed. It was not ceremonial or a warning; the sentries were prepared for serious problems.

Most worryingly, some of the people who were evicted from their homes during the events of March 2004 still live in what can be called small containers. Such container cities—there are several in Kosovo—are very concerning, and I am sure that the Minister agrees that there is no place for such cities in a modern Europe.

We met representatives of the Serb community, and in Belgrade we also met some of the internally displaced people who had to leave their homes, particularly in March 2004. We were surprised by their optimism, and their desire to return to their homes. They had left properties and farms, many of which had been in their families for generations, and they genuinely wanted to return. However, those people in the Serb community were very scared to return. That is something that I can understand. We had to change the number plates on our car as we crossed the border, because we had Belgrade plates on and we were told that it would be too dangerous for us to continue with them.

The incidents that are taking place in Kosovo indicate that, despite the best efforts of the international community, violence is sadly still prevalent. In fact, whether or not it was a personal statement, three days after we left our hotel in Pristina a hand grenade was launched into the said hotel's car park. To judge from the websites of various news agencies in the region, grenade attacks seem to be quite common. Admittedly, such incidents take place on a small level—we are not talking about things of the sort that are regrettably going on in Afghanistan and Iraq. However, such incidents indicate that there are large amounts of munitions in the hands of people who would perhaps be better off without them.

That is why the Serbs feel so frightened. They said to us that, despite the assurances that the Kosovan Albanians had given them that they would be safe to return to an independent Kosovo, they genuinely felt that they would not be. Nothing that has happened in the past few years—not just since 1999, but since 2004, when there was quite a serious eruption of violence—has indicated to those Serbs that the assurances of those in authority that they were welcome and so on have been matched on the ground. Interestingly, some of the people we met had had personal experiences of the problems. For instance, we talked to an interpreter from the British office, who was a nice chap and very moderate. During our conversation he told us that his father had been kidnapped several years before and that no sign of him had ever been found. Of course there will be stories on the other side. Sadly, that is the nature of the place.

We are approaching the period when former President Ahtisaari's plan is to be put to the United Nations. Over the past few years the Serbian Government appear to have put their head in the sand. They are rather like somebody with a debt who keeps hiding their bills in drawers, hoping that it will go away, but now the bailiff has arrived and they suddenly want to sort the situation out. There is pressure from those on the Kosovan side to try to get the situation resolved in the way that they want—in other words, independence.

We would of course all like the problem areas in the world to be solved, but we have waited years to get to where we happily are now in Northern Ireland. Cyprus is another example. However, we are still talking about trying to impose a solution if we cannot get both parties to agree. I cannot help feeling that that will just lead to further problems. I do not think that the two sides are so implacably opposed that we shall not achieve a solution. We might have said that about the political parties on either side in Northern Ireland a few years ago. However, this week we have seen two people who we never thought would be sharing power doing exactly that, and setting it up for May. I therefore urge the Government, along with other European Union countries, not to press ahead with haste.

There is of course another angle to the situation. I should be interested to hear what the Minister will say about the Russian influence. The Russians are talking about possibly vetoing the proposal at the United Nations Security Council, although my advice to the Serbian Government is not to necessarily rely on that possibility, which might not be what it appears. I should also be interested to hear from the Minister what other EU partners' views on the issue are. Spain, Greece, Slovakia and other countries will have concerns. Those concerns are quite obvious—namely, that if we start effectively changing the borders of countries, whether as a result of military intervention or based on ethnicity, that will open the proverbial box of Pandora. There are areas throughout the world, including in Europe, where people will say, "If it's good enough there, it could be good enough elsewhere". Even within the Balkans, one only has to think of Republika Srpska, and the areas in Macedonia with a large Albanian population and the Presevo valley in Serbia, where those issues could become fundamental.

The British Government and the west say that what is proposed is a one-off, that the same would not happen elsewhere and that giving Kosovo independence would be a force for stability. The other side will say that the proposal is the very opposite and would bring instability. Therein lies the problem: nobody knows what the answer will be. We can make a guess at it—I have a different view from the Government on what will happen—but we are as one in saying that the situation must be resolved for the sake of Europe. The area is a fundamental part of Europe. In years to come the European Union will be part of the solution, but not yet.

There are lots of organisations doing work out there, such as the Westminster Foundation for Democracy from this country, trying to help the political process in Serbia and Kosovo. However, some of the things that we should be doing are not necessarily at the political level. One charity that I should like to mention that has worked throughout the region, but has been particularly active in Serbia, is called SOS Kit Aid. It provides rugby kits and helps rugby clubs in Belgrade. Rugby is not a big sport in Serbia at the moment, but the charity helps to bring teams over. I talked to a deputy in Pristina who said that he had been encouraging similar things in Kosovo. There must be a way of bringing people together not only at the political level of arguing over things, but through sport and culture, although that might not necessarily be rugby. However, that will take time.

As I am keen to hear what the Minister has to say, I shall wind up. I labelled this debate as being on the western Balkans, but I have concentrated entirely on Kosovo. I have another question, to which I do not expect the Minister to have an answer. There is still a pressing problem with Macedonia and the frontier area, particularly around the villages of Debelbe, which are disputed. The problem is that the Macedonians have been told that the problem is a result of the break-up of Yugoslavia and that they have to talk to Belgrade. Other people say that the Macedonians have to talk to Pristina and that it is not for Belgrade to decide the international frontiers. Finally on the Macedonian situation, there is still a strong grievance from that country, which is a candidate for the EU, that even its diplomats and business men have to go through visa controls. My final message to the Minister is, please do not try to impose a solution so urgently that we lay up more problems for ourselves in the future.

11.18 am

The Minister for Europe (Mr. Geoffrey Hoon): I congratulate the hon. Member for Uxbridge (Mr. Randall) on securing this debate and on his continuing expert interest in the western Balkans. We may not always agree on the detail, but I acknowledge his real expertise on the questions involved.

The hon. Gentleman is right to remind us of the work that still needs to be done in the western Balkans, but it is also right to recall how much has been achieved in the region. Progress has been made since the wars of the 1990s. All the countries of the western Balkans are now somewhere on the path to eventual membership of the European Union and NATO; I visited Croatia on Monday and saw for myself the transformative effect of the EU accession process. I am confident that that will be repeated across the western Balkans.

Like the hon. Gentleman, I want to focus on Kosovo today. I remember my first visit there in 1999, when I witnessed the destruction and misery on the faces of Kosovo's people—a shocking sight in modern Europe. However, Kosovo has come a long way since 1999, as I witnessed on my most recent visit last November. An elected Kosovo Government were gradually taking over responsibility for their own administration from the United Nations. I saw new buildings and new businesses in Pristina. Perhaps most importantly, people appeared more optimistic about their future.

However, Kosovo's economic and political development continues to be inhibited by the uncertainty over its status. The current situation—an unresolved status while Kosovo is administered by the United Nations—is fundamentally unsustainable, failing to provide the clarity needed for sustained economic investment or to fulfil the aspirations of the vast majority of Kosovo's population. In recent months, we have seen the potential for instability: in Pristina on 10 February, two Kosovar Albanians tragically died when a demonstration organised by the self-determination movement turned violent.

However, after almost eight years of UN administration, the way forward is in sight; on 26 March, UN special envoy Martti Ahtisaari submitted his final settlement proposals to the UN Security Council. The recommendations reflect more than a year of negotiations and detailed discussion with Belgrade and Pristina. They strike a balance between meeting the aspirations of the majority in Kosovo and providing far-reaching guarantees to protect the rights of the non-Albanian communities, especially the Kosovo-Serbs.

We would all prefer a negotiated settlement that was mutually acceptable to the parties. However, it was clear from the special envoy's consultation process in Vienna in February and March that the gap between the two sides is, at least for the moment, unbridgeable. The choice is therefore between prolonging the current unsustainable situation or grasping a clear opportunity to move forward.

Ahtisaari describes his proposals as representing independence for Kosovo, supervised by the international community. That is the outcome that Kosovo Albanians—90 per cent. of the population—want and expect, and it would give Kosovo the clarity that it needs to develop politically and economically. Furthermore, the proposals contain robust mechanisms to defend the rights, culture and heritage of Kosovo's Serbs and other non-Albanian communities. Protecting multi-ethnic society in Kosovo is a fundamental element of the plan. In particular, the settlement provides for minority participation in central Government and for far-reaching decentralisation, including through the creation of new Serb-majority municipalities. Furthermore, the plan would create protection zones around more than 40 key Serb cultural and religious sites in Kosovo.

Kosovo will continue to require international supervision, assistance and support in the years to come. The UK will continue to play a role in supporting the implementation of the settlement. We look forward to contributing to both the NATO and European security and defence policy missions envisaged in the proposals. We shall also maintain an active diplomatic presence in Kosovo. Discussions on the proposals have now moved to New York. We are in touch with our Security Council partners and are underlining the need for the Security Council to act decisively to resolve the issue and secure the best possible future for all Kosovars.

The hon. Gentleman asked about Russia in particular. We work very closely with the Russians in the contact group. They, too, have a clear interest in resolving Kosovo's status. Obviously, it is not for me as a UK Minister to go into detail on the Russian position, but I can say that, as the hon. Gentleman mentioned, Balkan directors from the contact group countries, including Russia, are meeting in London today. I spoke to all of them this morning, and made it very clear that we now need to bring the process to a successful conclusion.

The hon. Gentleman also referred in passing to the EU's position. There has been some discussion. As the

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hon. Gentleman made clear, there are sensitivities in some states. However, the discussion has consistently led to clear messages in support of the work of the special envoy and congratulations on his efforts. On 12 February, the General Affairs and External Relations Council

"expressed its full support for the UN Special Envoy Martti Ahtisaari and his efforts in conducting the political process to determine Kosovo's future status."

I accept that we will need to ensure that, in the short term, a settlement in Kosovo does not heighten tensions in the region. Keeping Serbia firmly on the path to the European Union will be a priority. As the hon. Gentleman mentioned, I visited Belgrade on 7 February. It is very important that Belgrade and Serbia seize the opportunity available to them. It is crucial that when they are formed, the next Serbian Government quickly make sufficient progress on co-operation with the International Criminal Tribunal for the Former Yugoslavia so that the EU restarts stabilisation and association talks. It is also important that Kosovo and Macedonia demarcate their border in an orderly manner; I accept that that is a continuing issue. Having also visited Macedonia relatively recently, I think it important that we find a sensible solution to the problem.

Ahtisaari's proposals provide for a joint technical commission physically to demarcate the border and address other outstanding issues in the next year; there is a mechanism for dealing with the issue. For the sake of completeness, I should say that we remain actively engaged in Bosnia, although the security situation there is now stable, allowing us to withdraw our troops, who have done such an excellent job in the past 15 years. However, there is still further work to be done in taking forward the necessary reforms, particularly to the police and armed forces.

Kosovo is the last outstanding status issue subsequent to the break-up of the former Yugoslavia. Martti Ahtisaari's proposals offer the Balkans a chance to draw a line under the conflicts of the 1990s, take a decisive step to underpin multi-ethnic, democratic societies and move further down the path towards membership of the European Union. His proposals offer a better future for all in Kosovo, and the Government unequivocally support his recommendations.

11.26 am

Sitting suspended until half-past Two o'clock.

Theatre Funding

2.30 pm

Glenda Jackson (Hampstead and Highgate) (Lab): May I say what a pleasure it is to serve for the first time under your chairmanship, Mr. Caton? It is traditional in the House to offer thanks for the opportunity to introduce such a debate. In one sense I am thankful, but in another, I have an overwhelming sense of déjà vu. It seems to me that I, in concert with many others, have been making the case for a secure subsidy to British theatre for the whole of my adult life. Clearly, my arguments have proved remarkably unsuccessful, so let us hope that I will break that trend today.

I want to begin by paying tribute to our Government, who became an oasis in the financial desert of subsidy for British theatre. They listened to the arguments that had been put to them and, in 2000-01, made a subsidy to the theatre of £120 million. Equity—I am tempted to say the actors' union, but it does not like that phrase and prefers to be called an association—made its case for investment in subsidised theatre in an extremely helpful document called "A Brighter Future", and it made several important points about the benefits that accrue from subsidy to our theatre. The public, the theatre sector and the economy all benefit.

Equity made the point that, from the Government subsidy of some £120 million, the economy benefits by £2.6 billion annually. As Equity says, the theatre sector as a whole benefits, because subsidised theatre increases interest and attracts greater audiences by virtue of the high-quality and in some instances rather difficult work that it can produce. That has a knock-on effect of enormous benefit to commercial theatre. I am grateful to Visit London for an extremely helpful briefing, which makes precisely that point. Visit London would prefer that we did not use the word "subsidy" but "investment".

The briefing from the Society of London Theatre and the Theatrical Management Association, which was furnished to me via Visit London, said that theatre is an enormous attraction for foreign visitors. The briefing gives figures that are exclusively for London, but I am sure that other hon. Members will be able to paint an equally rosy picture of the benefits that have been brought to all the United Kingdom's regions by virtue of what is, in effect, a small amount of money.

Visit London made the point that

"theatre plays a major role in attracting foreign visitors to London—many of them would simply not have come"—

without the attraction of the theatre. It said that

"2006 was a record year for theatre in London. Ticket revenues rose"—

by almost 5 per cent.—

"and broke the £400m level for the first time, while attendances were at 12.4m. At the end of the year, advance ticket bookings of £57m were double those at the end of 2005."

Visit London went on to make an interesting point, by saying that the massive revenues generated for the Exchequer would pay for

"the equivalent of 130,669 nurses, 92,690 police officers, 53,760 doctors or 108,387 primary school teachers. Increased investment would see an increase in this return. Tourism is already our fifth biggest industry—in London it generates £15bn of expenditure from visitors, or 10 per cent. of London's GDP."

I hope that I have managed to show that a comparatively small amount of national money produces enormous

financial benefits for the country. That has undoubtedly been my experience in other parts of the world. For example, in America, I once did a tour of various cities whose indigenous economy had totally disappeared. Great amounts of money had been invested in those cities to try to re-attract business and to bring visitors. The areas in those cities that had created an endemic economy were sited around centres of cultural excellence—theatres, concert halls or art galleries. Those are venues to which people are prepared to go regularly, and other smaller businesses therefore grow up around them: cafés, restaurants, bookshops and art shops. They were the thriving centres.

The argument is virtually irrefutable that culture—certainly theatre—has strong economic drivers. That has never been the reason for my commitment to subsidised theatre. I am grateful for the fact that the theatre produces economic benefits, but it seems that a society that values its theatre and regards it as something for which there should be consistent support by the nation state is one that acknowledges that the spiritual health of the nation—I am tempted to say—benefits from such subsidy. The theatre is not merely entertainment or a place for spectator sport. People should not go to the theatre if their lives are ideally spent as couch potatoes. The theatre makes infinitely greater demands than that on those who participate and those who visit. Only the subsidised theatre can begin to explore such demands if the overwhelming and crushing burden of having to make a profit at the end of every week is lifted from it.

I am not arguing for any kind of feather-bedding for the theatre. My argument has always been that, when the country is doing well and if we genuinely value our theatre, it should have a proper share of the national cake. If the economy is not doing very well, the theatre, along with the other vital factors of a cultivated society, should consider cuts. The central crucial argument for me—it has still not been made, put away and accepted totally—is that theatre is as vital for our society in many ways as anything else that the state regards as a basic function that it should provide for its citizens.

It is entirely shocking and utterly disgraceful that the birthplace of the greatest dramatist that the world has ever and is ever likely to see—William Shakespeare—has still not accepted that argument. Shakespeare did not chose to express his genius by writing a book or a pamphlet, or by putting notices on the wall. He chose the very medium that can most directly and fundamentally express the exchange between what happens in the light and passes through to the dark.

It has always been my somewhat idealistic belief that theatre at its best is a model for an ideal society. What happens when people go to the theatre? It is quite remarkable. For no reason other than that they think, "Oh, I'd like to go and see that tonight", a large group of strangers decide to go to one theatre on one night of the week. They sit there in the dark, and another group, who are strangers to them, come on into the light. When it is working well, an energy goes from the light into the dark, is reinforced and is sent back. On a really good night, a perfect circle is created. It is a unique and transforming experience. As an actor, it lasted no longer than the walk from the stage to the dressing room. For an audience, it might last no longer than the walk from the seat to the exit. However, it happens; it is real; and it happens nowhere else. It is a remarkably unique experience. It does not happen every time, but it happens often enough for people to have tasted it, to have felt it and to want to experience it again.

I have referred to Shakespeare, and he is not the only reason why theatre's value in our society should be treasured and valued. We should not have to make the same old argument every decade or so that it must be invested in by the state. I have made the point that the amount of investment from the state can transform not only the theatre and those who practise in it, but attendant industries and businesses. There are other benefits, too.

The Government, to their credit, have acknowledged those benefits. They have supported, for example, programmes that invest in interesting young children in how the theatre can be part and parcel of their lives in the most practical sense. Such programmes work: young people do become interested, and they find that the disciplines that are an absolute requirement of any professional or theatrical performance can have a profound effect on how they view the world. They learn how to work in teams, and take on responsibility and carry it through to the end. I hope that hon. Members will not take this personally, but if this place had to run according to the disciplinary mores of the theatre, we would get through 10 times the amount of business in one quarter of the time and probably at a fraction of the cost.

We have also seen at the other end of the age scale how drama and the telling of a story in an exchange between human beings can have a profound effect—for example, in respect of elderly people who suffer from Alzheimer's and are losing their memory. An interesting programme of work was carried out by an organisation called Age Exchange. Its director processed her experience in theatre and education into working with elderly people, initially in hospitals and residential homes over a wide area. The work that she did with people who are suffering the loss of memory has been taken on board by the medical profession not only in this country but in other European countries. It has immense potential for the exploration of whether there is some way to break through the barrier of forgetfulness, and it is drama—that exchange—that seems to do it.

We know also of the immensely valuable work that drama can do in assisting people who are in prison. I do not have the actual data on the tip of my tongue, but there is undoubtedly an improvement and a reduction in recidivism when people in prison are engaged in such programmes.

We have seen the enormous benefits of organisations and companies working with homeless people. They give back to people something that is easily lost but can be immensely difficult to restore: a sense of themselves as being human beings who, by virtue of their humanity, are valuable. That is, in essence, one of the most valuable things about theatre, and it is why we would be foolish as a nation to ignore the possibilities to maintain, retain and enlarge it.

To go back to the greatest dramatist that the world has ever seen or is ever likely to see, what are the questions that Shakespeare poses in a variety of guises in pretty much all of his plays? There are three of them, and I have always thought that they are very simple. All he ever asks is, "Who are we?" and "Why are we?" and "What are we?" No one has or ever will have the answers, but the pursuit of the questions and the possibility of answers are central and essential to our being human.

[Glenda Jackson]

In my humble opinion, there is no better arena for examining and pursuing such quests than the theatre, which is why I hope that the Government, to whom I pay full credit for what they have done in the past, will think about the minute amount of money that is required to maintain British theatre in its excellent state and to give it possibilities of expansion. I understand that the amount is as minuscule as £3.5 million a year. To go from the sublime to the ridiculous, and having mentioned Shakespeare, that is surely a mere spit in the ocean. I have seen the odd nod here and there, so I am fairly certain that other Members will help to ensure that the argument about whether this country should put money into its theatre will never have to be made again.

Mr. Martin Caton (in the Chair): Order. Before I call the next hon. Member to speak, perhaps I should advise Members that I intend to start the winding-up speeches as near to 3.30 as possible, votes in the House permitting. I already have a long list of possible speakers, so would hon. Members please bear that in mind?

2.44 pm

Peter Luff (Mid-Worcestershire) (Con): Thank you, Mr. Caton. I shall be brief.

It is a great privilege to follow that very fine speech by the hon. Member for Hampstead and Highgate (Glenda Jackson). I agree with every word that she said. As I cannot begin to match her eloquence, I shall make a much more pragmatic and mundane contribution to the debate.

I want to speak about one thing. Although I agreed with every word that the hon. Lady said, we must remember that this debate is not just about London, although it is tremendously important. I declare an interest: I am a passionate theatre-goer, and a strong supporter of the Royal Shakespeare Company in particular. I was privileged to see Patrick Stewart's extraordinary performance as Prospero in "The Tempest" only the week before last. That company gets 43.4 per cent. of its income in grants of one kind or another. For the sake of propriety, I should declare that my son is currently at drama school training to be a stage manager or technical theatre expert.

Theatre, like all art, has always been subsidised. I sometimes hear the argument that art should stand on its own two feet, but great art has almost never done that. There have been patrons of the arts down the centuries: princes, kings, counts, dukes and rich people of one kind or another sought to immortalise themselves through their patronage. The leading patron now perforce must be the state.

I welcome the increase in funding that the Government have made available to the Arts Council over the years, but we must remember two things. First, theatre funding is 0.02 per cent. of all public expenditure, so it is hardly a great sum to maintain against all the other competing priorities. I hope that that will help the Minister in his negotiations with the Chancellor. Secondly, there have been net reductions in real-terms funding for the arts since 2005. I agree that they have been modest, but I hope that we can at least put the arts back into a period of stability again, after the welcome growth that they experienced earlier.

I am concerned about the financial pressures that the Department for Culture, Media and Sport and Arts Council England are likely to be under, as their core funding—and, therefore, the funding for individual theatres—is threatened. I am also worried about the lottery, which, since its inception under John Major, has made such a big contribution to theatre life. I do not want to be partisan in what should be a bipartisan debate, but I fear that the rising costs of the Olympics could have serious implications for many theatres the length and breadth of the United Kingdom. I look for reassurance from the Minister about how he hopes to maintain the funding streams to performing arts in general and the theatre in particular in the face of that real challenge.

I said that not just London is involved. There is a huge variety of theatre. Theatre companies that serve my constituency, broadly defined, include touring companies such as Shindig, and Collar and Tie, which go to schools and rural communities. We should not forget amateur theatre in this debate. There is a small amateur theatre in Droitwich Spa, the Norbury, which faces huge challenges to keep itself on the road. It would normally have looked to lottery funding to do that.

There is an absolutely fantastic arts centre called No. 8 in Pershore, which is just outside my constituency. We should pay tribute to the work done by many councils. For example, Wychavon district council provides No. 8 with its accommodation at a peppercorn rent, which enables it to do a fantastic job for the people of Pershore. The theatre works almost entirely with volunteer management and staff. It hopes to apply for core funding from the Arts Council, but it thinks that the funding taps are being turned off because of the Olympics and so on and that theatre groups and art centres that are not regularly funded organisations at present will find themselves left out in the cold. Its excellent managing director, Ray Steadman, is genuinely apprehensive that the tendency will be to concentrate money in strategic areas—mainly urban areas—leaving rural areas to suffer.

The financial pressures on Worcestershire county council mean that it no longer has an arts officer or assistant. It will be interesting to see how Arts Council England will negotiate an appropriate settlement for No. 8, should it be minded to pay it at all, because, historically, the advice of the county council has been of great importance to Arts Council England.

I think of Malvern Theatres, which has benefited hugely from lottery funding and modestly from continued funding from Arts Council England. It is privileged to get many west end try-outs. I saw Felicity Kendal in "Amy's View" there a few weeks ago before its west end run. Again, the facility exists in its current fine form only because of the huge amount of money that it has had from the lottery. The Birmingham Rep is a fine repertory theatre, and the Hippodrome was a huge lottery winner. Millions of pounds were spent on refurbishing that theatre, and many of the companies that perform in it are subsidised by Arts Council England or other parts of the Arts Council budget.

On other parts of the Arts Council, I particularly wish to highlight the threat to funding in Northern Ireland. Those of us in the performing arts alliance group were very disturbed indeed to hear a presentation from the Arts Council of Northern Ireland about the significant real-terms cuts in funding for theatre there. At a time of great hope for peace in Northern Ireland, it

would be tragic if the arts, which can make such a major contribution to building a sense of social cohesion, spirit and harmony, were to suffer a significant reduction in their budget. All the evidence points to that happening, and on 21 March "The Stage" website said:

"Northern Ireland's theatre companies are facing a third successive year of cutbacks after the arts council announced standstill funding allocations for 2007/8."

Such matters are of real concern, and I want to reinforce everything of a philosophical and powerful nature that the hon. Member for Hampstead and Highgate said. I issue a strong plea from the provinces at all levels for Arts Council of England funding, for adequate funding for councils to do their job and for the lottery, which has done such fantastic work in my constituency and county over the past years. Of course, I also issue a plea on behalf of the Royal Shakespeare Company at Stratford, whose fine new theatre is shortly to be developed. The last performance in the old theatre will take place some time this week—on Saturday, I think—after which the old auditorium will close for major refurbishment.

I wish to draw the Minister's attention to one other thing, if he is not already aware of it. Not only does the theatre face significant cuts in funding in real terms, but it may face an increased bill from the Government if Ofcom proceeds with its auction of spectrum, as it currently intends. I have heard hopeful indications that Ofcom is rethinking its position and promising a new consultation paper after the first consultation ends on the programme-making and special events sector, which covers drama, news gathering, sports and all kinds of other sectors, too. If the auction of spectrum proceeds on its current basis and is released for the digital dividend, there is a real risk that the radio microphone frequencies might be no longer available. If theatres cannot get that spectrum, it would mean the end for large swathes of theatre, and if they get it at a high price, it would mean a huge new bill for large sections of the performing arts in the UK. So I plead with the Minister to keep a careful eye not only on the Arts Council of England to negotiate sharply with the Chancellor, but to watch what Ofcom is doing, too. If the Government do not do that, we could land a massive new bill on our theatres with serious consequences for all of them.

2.52 pm

Kelvin Hopkins (Luton, North) (Lab): I congratulate my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson) on securing this important debate—it was not before time. It is a privilege to follow my hon. Friend, who is not only a fine friend and parliamentary colleague, but one of our most distinguished actors with whom we cannot hope to compete in terms of speaking ability. I wish to declare an interest as my son is a member of Equity and I love the theatre. Beyond that, theatre is important for all of us—for our culture and our future. That is not just because the greatest playwright of all time is one of our past countrymen, but because it is important to how we develop as human beings.

We are fortunate that we have the English language, which means that we have a thriving commercial theatre in London that serves a massive worldwide English-speaking audience. Many countries do not have that and subsidise their theatres to a much greater extent to sustain their own languages and cultures. We have the benefit of English, but that is not enough. We boast about our wonderful theatres in London but neglect the base from which our performers and domestic audiences come. We must spend more locally and regionally and redevelop a professional theatre at that level.

The hon. Member for Mid-Worcestershire (Peter Luff) said that the arts in general and theatre in particular have always been subsidised. There has been some mass popular theatre, but of course that took a big knock in the 20th century from radio, television and film, which provide a very different experience from a live performance that is life-enhancing and stimulates the imagination. We learn to suspend disbelief when we see a live play on a stage and two or three people pretending to be someone else. That is different from watching soap operas on television that attempt to look like reality. Theatre provides wonderful exercise for the mind, but also looks in a very intense way at the human condition—fear, love, war and all the things that we debate in this Chamber and, indeed, in Parliament can be found in theatre. I sometimes think that we have been half expecting what I would call a "Julius Caesar" moment in our own party—although it will not actually happen as I think that the relevant person is retiring from the scene. Nevertheless, something in Shakespeare will always fit with what we are doing at a particular time in politics. Shakespeare had a wonderful understanding of politics and the things that drive human beings in politics and elsewhere.

My own children both love the theatre and performed when they were young. However, nothing was as great as when the Royal Shakespeare Company once came to Luton about 23 years ago with a travelling theatre—they set up their own stands and seats. Both my children saw Fiona Shaw in "Much Ado About Nothing" and "The Merchant of Venice" and went behind the scenes and met the actors. It was an experience that they never forgot, but the Royal Shakespeare Company has never been back. Why not? Why do we not say that the Royal Shakespeare Company should visit every town regularly? That would make a real difference but would require money and subsidy.

I love the familiarity of the magical world of performance and have seen young people transformed by performing at school. However, nothing compares with seeing professionals performing brilliantly, which also provides something to aspire to. Amateur theatre is fine and we all have local amateur theatres that do a great job, but it is not the same as seeing professionals. The same can be said for music, which is another passion of mine. The experience of seeing the great orchestras of the world and musicians play is very different from going to see the local town band—although that is both welcome and enjoyable. It is important for everybody to see the arts at their best and in their locality.

The issue of local theatres is my main theme. Some 40 years ago there were two theatres in Luton, but they were knocked down to make room for a large shopping centre and various car parks, which were considered more important. I consider that an act of barbarism. Since then, we have tried to build a new theatre in Luton, but there has never been enough money. We have a bowling alley and various other enjoyable things that make money, but we do not have a theatre and young people from the schools in the town cannot see a professional performance. I would like to have a subsidised local theatre in all major cities so that every schoolchild would consider it normal to be taken to the theatre during school time to see professional acting, to be

[Kelvin Hopkins]

inspired and to feel a sense of wonder at proper theatre. Of course, initially some children may find theatres embarrassing because actors are a bit like politicians and when they speak they are rather intense and embarrass people. However, although we happen to be a naturally reserved people, we should perhaps break out of that and learn that intense experiences and understandings deserve to be expressed in an intense manner and there is nothing more intense and wonderful than the theatre. As I have said, theatre is about human relationships, an understanding of the human condition, and politics.

I want local theatres to be expanded and for the Government to spend a lot more on them. My hon. Friend talked about the figure of £3.5 million, but losses from VAT fraud alone amount to £1 billion every month—I want a bit of that. We should collect a bit more VAT with a few more VAT inspectors and spend it on theatre—that would be very good value for money. We still do not take the arts in general and the theatre in particular seriously in this country. On the continent of Europe they spend a lot more on such things.

I will finish with an anecdote. When Vaclav Havel and his new Government first came to Britain to meet Mrs Thatcher after the fall of communism in Czechoslovakia, as it was then, he brought about 12 people with him. They went to Downing street and Mrs. Thatcher was introduced to the spokesmen for foreign affairs and for energy and transport. There were also five other people there and when she asked who they were President Havel said that they were representatives for culture. It is unimaginable that Britain would take 12 people abroad, five of whom were representatives for culture. I know that he was a playwright and had an interest in such things, but nevertheless I believe that on the continent they take cultural issues more seriously than we do. We should imitate that. As my hon. Friend said, we believe that we have the greatest playwright in history. I certainly believe that, and it is about time that we celebrated it by having a properly funded theatre ourselves.

2.59 pm

Susan Kramer (Richmond Park) (LD): I congratulate the hon. Member for Hampstead and Highgate (Glenda Jackson) on obtaining this important debate. I recognise that time is short, so rather than covering the full range of topics I will focus on one issue—the relationship between spending on the 2012 Olympics and funding for the theatre through the lottery. When, in 2005, we heard that London had been awarded the Olympics, it was a moment of joy and celebration for me, as for many people. It meant even more to me when I heard that there was to be a cultural Olympiad. I do not wish to be a pessimist, but it is probably unlikely that in 2012 people will leave London talking about the extraordinary prowess of the British in sports and games. However, there is a good chance that they will go away imbued with admiration and feeling much enriched by the cultural life on offer in London and the United Kingdom. That is something to be valued and we must hold on to it.

In order for that cultural happening to flower, we have to ensure that the roots continue to be nourished. The roots of great theatre in London and of the great performances that we see in the big theatres are to be found in our local theatres, but they have been under pressure and are somewhat in decline. I look with great pain at some of the cuts in lottery funding; they go to the heart of the issue by threatening some of that regional and local theatre funding. I hope that we hear today an assurance that that will not happen, but I have seen the numbers. There is a cut in the Arts Council of England lottery funding of about £112.5 million; for Scotland the figure is £12.5 million; for Wales it is £8.1 million and for Northern Ireland it is £4.5 million. Those are terribly serious numbers for that sector of our communities.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I understand what the hon. Lady is saying, but will she not acknowledge that lottery funding for the theatre rose to £100 million in 2004-05 and then dropped back to £26 million in 2005-06? That shows that the theatre sector is robust and that a lot of grant money has been going to the theatre directly from the Government. Although we all have some concerns about the subject, the hon. Lady should not overplay it.

Susan Kramer: I thank the hon. Lady, but the community to which I speak expresses a great deal of concern and worry, and it is looking for reassurance.

In my community, we have the Orange Tree theatre. It calls itself a mini-National Theatre, but although it is only one small theatre, the talent that it nurtures stimulates the infrastructure of the commercial theatre in our area. We had a meeting in the House with actors, ranging from those who will be familiar to everyone in the House—many of them at the late end of their careers—and young schoolchildren. The children were incredibly excited and were invigorated by being able to share in that meeting. It struck me then that communities can be built upon the relationship that the theatre uses to bring people together across age groups and generations. In my community and in much of London, that kind of connection is sorely needed.

My community also has the Barton Green theatre. It is a small, amateur youth theatre in the heart of the community, yet virtually nothing else is on offer for the young. It will be applying for lottery funding; otherwise, the roof will fall in. The great fear is that, as all the various sources of funding disappear—a bite taken here and a large chunk taken there—those projects will be the ones to suffer. As the hon. Member for Luton, North (Kelvin Hopkins) so eloquently said, once we lose those theatres the chances of bringing them back are minimal. If the theatres are not there for the oncoming generation, that generation will be lost to the theatre. I am extremely concerned about that.

We have a unique opportunity to use the Olympics to express a great deal more than our sporting prowess; we can use them to build up the arts and culture, and to build up the theatre. As part of that, we must look back to the roots. I should like to hear how the Government intend to fund that sector, and how it is to be protected and nourished.

I have one niggle, but it is not a partisan point. The Olympics funding includes money being set aside for contingencies—in other words, money that people hope will never be spent. For that to be a reason for losing local theatres would be a tragedy. Money provided for the Olympics by the private sector has not yet been pulled together and does not yet seem to be available; that that should be a reason for taking funding from our theatres would be another tragedy. I hope to hear answers on those issues today.

3.4 pm

Chris Bryant (Rhondda) (Lab): I declare a very minor £1 interest in the National Youth Theatre, as an associate. I pay tribute to my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson), not least because in her acting career she did more than many could aspire to do for British theatre, even making some shows commercially viable that many might have considered to be commercially impossible. For instance, productions such as "The White Devil", "The House of Bernarda Alba" and "Hedda Gabler" are all doing extraordinarily well in this country, and "Hedda Gabler" is also doing very well abroad.

There are many utilitarian reasons why the theatre is vital. Its importance to the economy has been cited. Stratford says that the Royal Shakespeare Company brings to the region about £58 million a year. That simply would not happen if it were not for the theatre. In London, three times more people go to the theatre than attend football matches. Theatre plays a key role in London's economy.

Theatre also has an important role in education. We will have no great teachers of drama in schools without a strong theatre tradition throughout the United Kingdom. Theatre in schools can make a dramatic difference, enabling some of the kids who have had a difficult family background to achieve self-confidence and the ability to communicate that they would otherwise never achieve. As my hon. Friend the Member for Hampstead and Highgate said, that is true also in many prisons. It applies also to youth clubs. The ability to communicate is sought by most employers. Those who do not have the personal confidence that acting on a stage can give—even if only in a small part—will not have such good opportunities at work.

Acting also gives individuals the skill of working in a team and the understanding that it is not enough for them to shine on their own if the entire cast are not performing together, and that if one does not turn up on time, the rehearsals cannot happen. All those disciplines are essential to the skills that people need—in life and in work.

As my hon. Friend the Member for Hampstead and Highgate said, theatre is important also to the British tourism industry. When questionnaires are put to tourists asking what were their main reasons for coming here, an extraordinary number cite the British theatre; it is either first or second on the list of priorities for the majority of international tourists.

The theatre is vital for training people in the television and film industries. Apart from the United States, Britain is the only country that has a positive balance of trade in television shows. In large measure, that is because of the training that people have had, both backstage and on stage, and the skills that they have acquired through their experience of theatre and of performing before live audiences. The UK can be proud of our Oscar winners; not a single one of them would have risen to prominence without experience in the subsidised theatre. The spin-offs for all sorts of creative industries are dramatic.

The last of the utilitarian reasons why it is important to have a strong theatre industry, but the most important to the Treasury, is the VAT that the theatre pumps into the Treasury—to the tune of £100 million a year. That is only £20 million short of the state's subsidy for the theatre. The truth is that British theatre receives only £20 million from the state. It is a pretty poor show.

However, there are less tangible reasons why we should be passionate about supporting the theatre. We have referred to Shakespeare, but his understanding of holding a mirror up to nature is vital. Politicians should be forced to go to the theatre more often, especially when it shows us at our worst.

Kelvin Hopkins: Is it not disappointing that several of our later Prime Ministers appeared to have no interest in the arts, and would it not have done them a lot of good to have been to the theatre?

Chris Bryant: Funnily enough, apart from in the House, the last time I saw the Prime Minister was in a theatre. I would not go quite as far as my hon. Friend.

In the theatre, the sense of being able to peer into the heart of humanity can be achieved, both to laugh out loud and to enjoy oneself but sometimes to cry with pity at what has been seen. I think of those classic moments of Shakespeare, such as when Cordelia is found dead or when Leontes finds that Hermione is alive despite what he had done to her years before. All those are reasons why we should be passionate about theatre.

However, there are real problems. I hope that my hon. Friend the Member for Hampstead and Highgate will not mind my mentioning this, but I wrote a rather poor biography of her a few years ago. In the process of doing so, I had to visit an awful lot of people with whom she had worked in the theatre. In their day, many of them had been famous performers, but many were living in abject poverty in retirement. That may have been because of the feast-and-famine nature of many performers' salaries, but it is also a fact that the theatre's biggest subsidisers are the actors and performers themselves. In that respect, it is a disgrace that the minimum that can be paid in the west end is as low as £366.82 a week for eight performances, and that should be dramatically higher. Nearly half of all performers earn less than £6,000 a year, and such poverty should not exist when we take so much pride in the theatre.

There is also a problem with west end theatres. Although they are very beautiful—Frank Matcham did a wonderful job in his time—many are now dilapidated and clapped out, and the seats in many of them are too small for modern posteriors. Despite the fact that many are commercial theatres, it is time that the state made an investment in them. The theatre management has no interest in limiting the number of seats, and it is important that we make a contribution. A report in 2003 urged the Government to take action, but there has been none so far, although I note from the DCMS website that discussions are ongoing.

My final point is that the commercial theatre, the subsidised theatre and the amateur dramatic world are one, and we cannot put money into just one of them—they are all part of a whole, which is why we must make a dramatic contribution. In that respect, let me mention another production in which my hon. Friend took part—"Hedda Gabler". She gave a very fine performance as Hedda, and many hon. Members may have seen it. What is interesting, however, is what the other performers in that production have done since. Pam St. Clement has gone on, most notably, to be in "Eastenders", which is a very successful television programme. Patrick Stewart has continued to do a great deal of subsidised theatre and is in the subsidised theatre at the moment. Incidentally,

[Chris Bryant]

he is also a great supporter of the Labour party. He has also done a great deal in television and was in "Star Trek". Celia Imrie is another television performer, but she is also frequently on the stage. Oz Clarke was also in the production, but he is now better known for his contributions on the subject of wine.

If the Minister has not yet wrestled with the Chancellor over the funding for theatres in the comprehensive spending review, I very much hope that he will wrestle ferociously until he manages to get at least another £20 million out of him.

3.13 pm

Mr. Neil Gerrard (Walthamstow) (Lab): I shall be brief because I know that other hon. Members want to speak. I welcome the debate and the contributions that have been made so far—particularly the opening speech by my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson).

As my hon. Friend said, a look at the finances and at what has happened over the past few years reveals that the Government were responsible for some massive increases in theatre funding in 2000. There is no question about that—it was absolutely unprecedented. If we compare where we are now with where we were in 1997, we see that Arts Council funding to subsidised theatres has more than doubled in the intervening time. There is therefore no question but that there has been an enormous improvement. However, that improvement has been slowing down, particularly since 2005.

Since 2000, there has also been an increase in private funding to those same theatres, and it is no coincidence that that increase has happened at the same time as the increase in public subsidy, because private investors will put money in when they have some confidence in where the sector is going. In itself, therefore, that increase in private funding illustrates the importance of public funding.

If we look at the consequences of that investment between 2000 and 2005, we see that there has been a dramatic improvement in the financial status of many theatres and that collective deficits have been wiped away. There has also been an increase in the number of performances. In addition, it was striking that the Arts Council submission to the comprehensive spending review, which looked at the effects of the spending that I described, noted that there had been a significant increase in the number of new works that had been commissioned. I shall return to that later, but the number of such new works is a key indicator of the health of the theatre. Between 2000 and 2005, there was a more than 20 per cent. increase in the number of such works.

There have also been increases in the work force and big increases in the levels of educational activity delivered through theatres. In some of the major regional theatres, furthermore, there have been significant increases in attendance. One survey showed that 40 per cent. more people had visited such theatres over the period that I mentioned.

I spent 10 years on the board of the Theatre Royal Stratford East, although I am no longer a board member. The theatre is one of the really important producing theatres in the country and has prided itself on innovation over the years, going back to the time of Joan Littlewood and the Theatre Workshop. It relies on developing new work, not on touring performances or on going back to well-known plays. In particular, it has an outstanding record on developing new work by black and minority ethnic writers and performers.

From my time on the board, I know how important public sector funding is for the theatre, and that includes the funding that it got from the Arts Council and the local authority in Newham, which was a generous supporter of the theatre. Without that funding, the theatre would not have been able to do the work that it did. Nor would it have been able to take the risks that are inherent in being a producing theatre that develops new work. When a theatre does such work, it is inevitable that things will not always come off and that there will be a flop. That is just part of the business of developing new work, but it is difficult for a theatre to take such risks if it feels that it is in the business of having to turn in a profit at the end of every week and every month.

We want to have innovation in the theatre and to encourage new writers, new performers and audiences, particularly among the black and minority ethnic communities in places such as Stratford. We would never have seen such people in the theatre some years ago, but they are now taking part in significant numbers on the stage and in the audience. However, we will not achieve that without the public subsidy to enable theatres to work. If nobody is there doing that work and taking the risks, theatre as a whole will be poorer as a result.

Public subsidy is essential for core funding. It is possible to ask sponsors to sponsor a show, and although they might be interested in big events to which they can attach their name, they are never interested in the core, day-to-day funding that keeps a theatre running. My experience from serving on the board of the Theatre Royal Stratford East, which is, as I said, one of the most important developmental theatres in this country, was that its projects would never have worked without public subsidy. I therefore hope that we shall not go down the road of cutting back. We put in enormous investment in 2000 and we have seen developments, but I hope that we will not see them start to slip away.

Let me just add to the point about the Olympics. I represent one of the five Olympic boroughs, so I shall see some development in my area, but I do not want that to happen at the expense of the arts and the theatre.

3.19 pm

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): Time is short, so I shall not go into detail on some of the issues that have already been raised by other hon. Members. Instead I turn directly to the issue of investment in audience development and diversity. I mention en route that theatre grants between 2001-02 and 2005-06 rose from £58 million to £96 million in addition to the lottery funding for theatre, and in the period from 2002-03 to 2007-08 arts funding as a whole in London has risen nearly fourfold, from £11.6 million to £43 million.

We must still guard against the cumulative effects of funding changes, however. There are issues about how the Arts Council of England puts Government decisions into action, and other parts of Government policy have an impact as well. I hope that the Minister will address those matters if he has time.

I am privileged to represent a borough with a strong reputation for supporting and fostering creativity, including

theatre. We have the Arcola theatre, which promotes Turkish and Kurdish theatre in particular and was founded in 2000. There is also Hoxton Hall, the Quicksilver Theatre Company, which I shall mention later, and the physical jewel in the crown of Hackney, the Hackney Empire. The Hackney Empire is a Frank Matcham building and was massively restored between 2001 and 2004, thanks to £17 million of lottery funding and a huge investment by Sir Alan Sugar—a local boy made good, and a benefactor.

The Hackney Empire has put its Arts Council funding of more than £250,000 to good use, but I want to talk mostly about what it is doing to reach new audiences. Hackney has a very diverse population, and it is important to remember that theatre should not be just about art for art's sake but about audiences and reaching everyone. Hackney Empire has succeeded because diversity is intrinsic to its programming, which includes a range of performances that meet the interests and aspirations of the different groups in Hackney and London. It is not a matter of having token shows written perhaps by a black writer, or of meeting the cultural interests of a Turkish group. The theatre's audiences number 140,000 a year in total, and 40 per cent. of that number comes from Hackney and reflects the borough's true diversity. That applies whatever is showing, whether it be opera, ballet, drama, music or comedy.

Ticket prices are always low. The pantomime is now lauded across London as one of the best. I highly recommend it, as do my children. Tickets for it cost from just £15 and are widely popular. That price is significantly lower than at the Old Vic, which I do not patronise as it is not in my constituency. I think that it is important to patronise the Hackney Empire and I enjoy doing so.

Chris Bryant: Ian McKellen is very good.

Meg Hillier: I have no doubt of that, but I recommend the Hackney Empire's performances.

Crucially, the theatre works with schools.

3.22 pm

Sitting suspended for a Division in the House.

3.38 pm

On resuming—

Meg Hillier: As I was saying before I was interrupted, crucially the Hackney Empire works with schools on workshops both in the theatre and by going out to schools. It is a fair bet that the 22 per cent. of Hackney's population who are under 16 make up a lot of its regular audience as well.

In addition to what is happening at the Hackney Empire, there are projects throughout London. One that particularly impresses me is Arts Inform, a project that works to develop theatre-going habits among secondary school children. In a project that it has been leading, 180 pupils aged 11 to 14 from six London comprehensives have been learning to go to the theatre. Each term, they choose a type of theatre. Two of the pupils go on a fact-finding mission and come back and teach the class. Then all the pupils go to the theatre to see a musical, a ballet or even an opera and they write reviews about it. That is doing a great deal to change the habits of a generation and to demystify theatre and performance art. Given the diversity of London schools, the project will, if it can continue to obtain funding, do a great deal to diversify theatre audiences in the long term.

I came across the Arts Inform project when I was investigating the Mayor of London's plan to subsidise ticket prices in the commercial west end, which was originally a response to the bombings in New York on 11 September 2001. He introduced that the following January. His aim then was to reinvigorate the London economy. A secondary aim was to diversify theatre audiences. The latter aim was highly criticised by the London assembly in a report that we published—I was then an assembly member—in March 2003. Happily, though, these things work out, including my relationship with the Mayor on some issues, and he took on board the criticisms and reshaped the subsidy that he offered, recognising that getting bums on seats in the west end as a form of subsidy to commercial theatre and diversifying audiences require different skills.

I am delighted that in 2006 the Mayor launched a £240,000 drive to increase the number of theatregoers with sensory disabilities, including a guide to assisted performances in London theatres called Access London Theatre. It is part of a three-year programme to increase theatre access for those people as well as for families and young people. The project also includes a kids' week in the west end for under-fives.

That brings me to the marvellous Quicksilver Theatre, a company of 30 years' standing based in my constituency that not only writes and performs plays for younger audiences but works to develop young people's understanding of the theatre. Its artistic director and chief executive Guy Holland says:

"The first 20 years was a story of survival. The last 10 is one of flowering".

He pays testament to the money that this Labour Government have put into theatre funding in the past 10 years.

Quicksilver Theatre's most recent project, which I had the chance to visit, was Primary Voices. It involved 600 schoolchildren aged 8 to 10 from 10 Hackney and Islington schools. The children wrote a play that was produced and performed by professional actors. Guy sums up the challenge:

"What I do know, of course, is that all of this is costing money. Much more than is currently provided through traditional channels. This is because of the nature and manner of engagement by children, moving us away from an occasional mass provision of art events towards specific targeting of individuals and groups of individuals who may reap disproportionately large benefits in relation to the investment. Frequently, these are people who do not have the economic resource to meet such engagement and participation objectives from their own purse."

That theatre company managed to get funding from Anne Currell of Currell Residential, a local estate agent personally committed to its work, but all of them struggle.

I do not have time for the schools' and pupils' comments about what they achieved, but as my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson) said, it is a mark of a prosperous nation to invest in the arts—particularly for people who do not get the chance to go to the theatre—and to make them available to all. We see the benefits in Hackney—the multicultural challenges that we have managed to address, the help that theatregoing and creativity give in dealing with the huge issues of

[Meg Hillier]

confidence and self-esteem, creative learning for our children and language development. For all of those we need investment, not just reliance on lottery money.

3.42 pm

John McDonnell (Hayes and Harlington) (Lab): By way of preface, I pay public penance for missing the performance of "42nd Street" by the Hayes and Harlington Operatic Society, now the Hayes and Harlington Musical Theatre Company. I place on record my grovelling apology. In mitigation, though, as the chair of the Barra hall regeneration committee I announce that last year, as a result of eight years' work, we renovated our derelict open-air theatre. We reopened it last season with a series of performances—children's plays and professional productions—and it is a thriving success. I congratulate my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson). She proves again that she can work with and without a script on every occasion.

To return to the issue raised by my hon. Friend the Member for Rhondda (Chris Bryant), I am a member of the performers' alliance parliamentary group, which was formed recently by three unions—Equity, the Musicians Union and the Writers Guild. They have raised with us the issue of poverty wages in the sector. My hon. Friend mentioned that actors are subsidising our theatres, but I did not realise until I received the details of the unions' briefings just how low the levels of pay are. If the conditions in which such people are having to live as a result of poverty pay were occurring in other sectors of our economy, we would be marching in the streets.

The true picture of actors' earnings is that in regional subsidised theatre the minimum wage is about £327 for a 36-hour week. That is just £9.08 an hour, which would not be that much even if it were earned for 52 weeks—it would come to just £17,000. But the reality is that most actors do not work for 52 weeks of the year. Most spend significant amounts of time between jobs. In subsidised repertory, the average wage is now only £383 a week. Due to limited work opportunities, the average annual earnings of a British actor are as little as £10,500. Only a tiny fraction of performers, 13 per cent., earn more than £20,000.

In 2004, the Select Committee on Culture, Media and Sport made its own statement about low pay in subsidised theatres:

> "It is a scandal that one of the nation's key cultural activities is in such a state that, at least in part, it relies on professional performers and technicians to pay such a high price by earning such low wages."

Those are my sentiments entirely. Of course actors undertake the work because it is the work that they love, but as a result of their commitment they are exploited. Research by Equity and the Arts Council of England in the late 1990s discovered that about half of UK actors are now choosing not to work in regional subsidised theatres. An out-of-London allowance is given to subsidise them, amounting to about £114 a week, but by working outside London they lose opportunities for a wide range of work that could be done elsewhere. We have discovered that even in west end theatres, 55 per cent. of actors do casual work during the day to supplement their earnings.

Much has been said about the Government's investment so far, and I agree. I congratulate the Government on what they did following the theatre review. My hon. Friend the Member for Walthamstow (Mr. Gerrard) mentioned the increase in the number attending performances, the number of young people participating and the number of plays being produced, but we are finding that as a result of low pay in the sector, many actors cannot travel out of London to work in regional theatre. If they do, they incur significant debts from other responsibilities and are unable to afford a decent standard of living.

I do not believe that we should rely on the exploitation of workers to subsidise the theatre. That is why, like others, I urge the Government to maintain the momentum of the funding that they have achieved and that has been so successful. I share some of the anxieties that the Olympics might draw away theatre funding, but I think that they can be addressed in discussions at the London and national level. However, we need stable and consistent funding, not only so that we can enjoy the theatre but so that actors can enjoy working in it again.

3.46 pm

Paul Holmes (Chesterfield) (LD): I join hon. Members in congratulating the hon. Member for Hampstead and Highgate (Glenda Jackson). During the opening remarks, I was looking at my notes, hearing what was being said rather than listening to the individual words. It reminded me of something that I realised to be the many impassioned passages that I heard the hon. Lady deliver in her previous career as an actress, for which I admired her greatly at the time.

We have heard eloquent accounts from all Members who have spoken of the value of the theatre to education and society, to the economy and to them personally because of how it moves people. We heard from the hon. Member for Hayes and Harlington (John McDonnell) about the appallingly low wages that are all too often the norm in the industry.

As we have heard, public subsidy to the theatre is £120 million, but £100 million of it comes back in VAT, so we are talking about not 0.02 per cent. of public spending but less—£20 million net, once the VAT return from the sale of theatre tickets is taken into account. It is a very small sum. What do we get for that small investment? We get a contribution to the UK economy of about £2.6 billion, 19 million theatre visits and the social, not just economic, enrichment of theatre activity.

Public funding is less in this country than in Europe but more than in the USA, where reliance on sponsors puts a dead hand on innovation and the theatre's ability to experiment. The balance in the UK might be seen as quite a good one. It is enough to encourage innovation and creativity and promote healthy, cutting-edge theatre without creating a complacent, overfunded public sector or imposing the dead hand of commercial sponsorship.

Public investment also enables the development of creative and technical skills on and off stage. It helps subsidised theatre to provide a training ground for many performers and technical staff who then go on to work in commercial theatre. Subsidised theatre is often the breeding ground for performances such as "The History Boys" and "Jerry Springer: The Opera" that go on later to the commercial world. It is the same sort of argument that we often hear, and that I have certainly made, for the BBC and funding through the licence fee, because of the knock-on value to the rest of the sector, although the theatre is much less well funded than the BBC.

The effect in not only felt in London and the west end theatre; there is council investment. Examples include the Sage in Gateshead or the Lowry in Salford Quays. At the other extreme we find groups such as the Kneehigh Theatre in Cornwall, which has developed over 20 years with Arts Council funding and has increased its audiences by 30 per cent. It tours extensively domestically and abroad and has an international reputation. It works with young people and helps local festivals, bringing a range of benefits.

Some local theatres such as the Pomegranate theatre in Chesterfield simply would not exist without the help of small authorities such as our local borough council. Without them, people who are interested in theatre would have almost no local access to theatre but for an excellent amateur group, the Hasland theatre company, which runs its own small theatre, and various other amateur groups that need venues at which to perform. Instead, people would have to drive some distance to places such as Sheffield or Nottingham.

There are problems across the board. The Arts Council does good work: it is putting £1.8 million into youth theatre and is increasing diversity with the Eclipse theatre that it supports. The fact that it is an arm's length body is valued, but there is a professional perception that that arm's length status is being eroded a little and that it has lost some expertise and has scrapped the peer review process when awarding grants. There is also a problem with having to choose between giving organisations some stability of funding and switching funding into new and innovative theatre groups, but that choice has to be made because public funds are so small.

Local authorities are also under pressure. As a result, Battersea arts centre and Northampton's theatres are under threat. Even in Chesterfield, the Labour Opposition group is arguing, in the local election campaign, that if Labour wins control of the council on 3 May, it will cut funding to the council theatre.

Touring theatre has had difficulty accessing Arts Council funding since the council cut its touring department, and there is a constant tension between funding core costs and funding performances. As we have heard, many theatres are historic, listed buildings that are expensive to maintain, but they are a crucial part of our culture and built heritage. However, there is no point in funding the buildings without enabling performances to take place within them.

Private funding and philanthropy will support a thriving sector that is stimulated by public investment, but, as we saw in the 1980s and 1990s, if public funding is cut, the private sector will not replace that funding. Since the heavy funding cuts of those decades, there has been a welcome reintroduction of funding back to pre-1980 levels. In the 2005-08 spending review, Arts Council grants were frozen by £34 million in real terms, and there is a threat of further cuts or freezes in the next round, up to 2011. Those dangers are made much worse by the threat of a smash-and-grab raid from the lottery, which will further undermine efforts.

In conclusion, the Government must maintain theatre investment. In surveys, 79 per cent. of the public say that they support the concept of public subsidy to the arts. The current subsidy is 0.02 per cent. or less of public spending, for which we get thriving, subsidised theatres that help to stimulate the rest of the sector and make an invaluable contribution to the economy. They also make an invaluable and immeasurable contribution to the social and cultural capital of our nation.

3.52 pm

Mr. Edward Vaizey (Wantage) (Con): I get the impression that the hon. Member for Hampstead and Highgate (Glenda Jackson) does not like being complimented, so I shall merely congratulate her on securing the debate. I shall not detain colleagues by praising the elegance, eloquence and passion of her wonderful speech. I was privileged to force a contribution from her in our December debate on British films, which was well worth hearing, as was her contribution today. At that time, I said on my blog that I hoped that the next Prime Minister, who is present in the Chamber, would include her in his ministerial team at the Department for Culture, Media and Sport, alongside my good friend the Minister with responsibility for the arts.

I thank the various organisations that have provided important briefings for today's debate: Equity, the actors association; the Theatrical Management Association; the National Campaign for the Arts; and the Society of London Theatre. The other day, my sister's neighbour, the theatre producer Matthew Byam Shaw, told her that I am not interested in the theatre, because I have not been to see "Frost/Nixon." In fact, I have been to see it, but my wife and I paid for our tickets—unlike other hon. Members, perhaps. I suspect that that is why I did not appear on his radar screen.

I saw that play a week before the birth of our first child Joseph, six months ago, and I have not been able to go the theatre since. When I was preparing for the debate, I made a list of the plays that I am desperate to see: "The Seagull", "Rock'n'Roll", "Whipping it Up", "Boeing-Boeing", "The Entertainer" and "A Midsummer Night's Dream" at the Roundhouse. That list gives a flavour of the cultural vibrancy in our theatres in London and around the country.

We keep talking about theatre being subsidised, which almost gives the impression that it is somehow a bit-part of our culture and society. The theatre is a mass market. There were 35,000 theatrical performances in the country last year, which is about 100 a day. Almost 20 million tickets were sold, bringing in nearly £500 million in ticket sales alone. The theatre is at the heart of British cultural life and, as many hon. Members have pointed out, boy, do we get bang for our investment buck. For the price of £120 million a year, we get back not only £100 million in VAT, but, it has been argued, almost a £2.6 billion contribution to the economy. On any argument, that is an investment worth making.

I am a friend of the arts lobby, and it upsets me that it seems to be forced on to the ground of its detractors and that it has to respond to the fatuous arguments against subsidising theatre. I expect that the £120 million subsidy is extremely well spent. Some newspapers will alight on a performance that did not work or to which only three people turned up and cite it as an example of waste in the arts, but we should compare that investment with the £1 billion spent on the dome, the tripling of the Olympics budget or the money that might be wasted on an NHS computer system. Compared with all the money spent on public sector organisations—I emphasise that I do not regard the theatre as a public sector organisation—we probably get extremely good value from the theatre.

When I was given the post of shadow Minister with responsibility for the arts, a Labour Member said to me, "Ah, you are representing entertainment that cannot pay its way." Why do we assume that sport, for example, is not subsidised? Of course it is at its grass roots. The premiership is subsidised by talented footballers who

[Mr. Edward Vaizey]

get subsidies as they start their careers, so why on earth is it wrong to subsidise the arts and theatre?

Now that I have got all that off my chest, I shall address some of the key arguments that hon. Members made in what I thought was an important outbreak of consensus. I hope that the consensus will continue to the next election and beyond. First, there is no room for complacency. The comprehensive spending review is of huge concern to the arts world and the theatre world. There are two main elements of concern, one of which is the date of the review. It sounds relatively unimportant—when the Chancellor will come to the House to announce the details of the review—but people who work in arts organisations rely on the ability to plan for the long term, and we do not even know the date of the review yet. A hint was given that it might be in the autumn, but arts organisations need to know so that they can plan for the long term.

The second concern about the comprehensive spending review, which is at the heart of the matter, concerns funding. We know that arts and theatre organisations are being told to plan for a 5 per cent. cut or a freeze. We do not know what will emerge, but I tell the House that freezing the arts budget now, after the freeze that began in 2005, will cause immense damage.

Meg Hillier: I hate to inject a partisan note into the consensus, but I want to quote the comments of Michael Lynch, the chief executive of the Southbank centre. He said of the Government's funding:

"The money has been a real achievement. The Government has played a pretty substantial role in these past seven or eight years."

Many others from the theatre world have congratulated the Government on their investment in theatre. We must guard against future problems, but will the hon. Gentleman acknowledge that this Government have put a lot more money into theatre than the Conservative Government took out?

Mr. Vaizey: I do not regard that comment from the hon. Lady, who is one of my oldest friends and who was a companion at university, as partisan. I agree with her, and I am happy to give the Government praise where praise is due. How nice it is to have a member of the Garrick club join our proceedings as we debate the theatre. I am happy to acknowledge praise where it is due, just as I hope that she will acknowledge criticism where it is due.

That situation explains why there is such concern about the comprehensive spending review. As was mentioned, increasing the arts budget in line with inflation would require a sum in the region of £3.5 million, which these days is the cost of about half a house in some of London's more affluent parts. Those of us who have read today's *Evening Standard* will know that houses in Kensington and Chelsea are now going for about £11 million, so we are talking about a tiny sum—*[Interruption.]* I am glad that I have stimulated some reaction from the hon. Member for Rhondda (Chris Bryant).

We are concerned about not only the comprehensive spending review but the continuing raid on the lottery. The hon. Member for Richmond Park (Susan Kramer), among others, pointed out that the Arts Council is to lose £112.5 million. The Heritage Lottery Fund, to which theatres can turn for some of their capital requirements, will also lose a substantial sum. I apologise for banging on about this, but the point of the lottery was to protect our cultural institutions from the rounds of cuts stimulated by political expediency. The lottery was supposed to be separate from all that. That is why it was created and why it is so galling that the lottery is continually raided for political purposes—that must stop.

I should make a couple of quick points before I conclude. I have had only a few minutes to speak; it is testament to the commitment of Members of this House to the theatre that so many hon. Members have spoken in this debate. The point made by the hon. Member for Chesterfield (Paul Holmes) about touring theatres was brought to my attention by the Theatrical Management Association too. There is real concern that the Arts Council has cut its touring unit, because touring theatres are a crucial aspect of the theatrical world.

My hon. Friend the Member for Mid-Worcestershire (Peter Luff), who is the co-chair of the all-party group on theatre and a great and passionate supporter in this House of the theatre, discussed the widespread concern among performing companies of all kinds about the digital dividend review and the potential loss of channel 69, on which so many of them rely.

The final issue that I shall raise was brought to my attention by the National Campaign for the Arts, and it relates to changes in immigration law. I would welcome the Minister's comments on this area. Many of our theatres rely on intercultural exchange and on visiting actors and actresses, so we must consider the rise in the cost of visas. There is also some concern in the arts world about the new points-based system.

I should leave hon. Members in no doubt about the commitment of Conservatives to our subsidised arts and subsidised theatre. In the great scheme of things, we are talking about small sums that are efficiently spent, and which generate an enormous amount of artistic and economic return. Theatre forms an essential part of our civilised society.

4.3 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. David Lammy): I join in the congratulations given to my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson) on securing this debate on public funding for theatre. The way in which she delivered her speech demonstrated what an asset she has been in her career both to this country and to this House. As an arts Minister, I am grateful to have her on my side. The breadth of her contribution indicated what it means to be a cultured and civilised society.

Culture is at the centre of so many of the issues that come before the House at this point in time. Whether we are considering antisocial behaviour, social cohesion, race, faith or environmental stewardship, culture—how we relate to one another—is central. It is obviously my great privilege to attend many of our theatre performances. There is no doubt that across their breadth they deal with some of the essential issues of our time.

Theatre in this country has an outstanding record of achievement. It is easy to forget that just 10 years ago, many of our theatres were struggling to survive and were caught in a downward spiral of deficits and underfunding. As of March 1999, English regional producing theatres carried forward a gross accumulated deficit of £4.4 million. Some 30 out of the top 50 such theatres were in deficit. Many were technically insolvent

and there was no sign that that trend would be reversed. The debilitating impact of the financial fragility placed major artistic constraints on theatres across the country.

So much of what has been achieved would not have been possible without additional investment by the Government, as my hon. Friend so rightly says. The Government are proud that they have doubled their investment in the arts since 1997—there has been a real terms increase of 73 per cent.—to £412 million this year.

It has been widely acknowledged in the debate that subsidised theatre in this country had been in crisis and that, in large part, the benefit that we have seen over the past few years has come because the Arts Council conducted a theatre review in response to the situation in 2000. Following the review, the Arts Council doubled its funding to theatre to £97.9 million in the past financial year; there are more than 230 regularly funded theatre organisations. That amounts to approximately 24 per cent. of the total grant in aid that the Arts Council funds.

The additional investment has produced results. Research from seven of England's biggest regional producing theatres compared the situations in 2000 and 2005. It found that in the latter year nearly 3 million people attended performances, which was an increase of almost 40 per cent.; 85 per cent. more new plays were produced in English theatres; nearly 6,000 performances were given at home and on tour; and more than 36,000 young people were involved in education programmes run by theatres, which is an increase of almost 60 per cent.

We are seeing a revival, not only in London, but at the Birmingham Rep, and in Chichester and Sheffield. Right across the country audiences are coming back, attendances have increased, there are quality productions and new work is being performed. Most importantly of all, young people are coming through and a new generation of young people is being exposed to theatre, providing the audiences, the technicians behind the theatre and the actors of the future.

Theatre is popular and people value it. The Department's taking part survey showed that nearly a quarter of the adult population in England attended a theatre performance in 2005. As I said, we are not just talking about London, because out of the top 10 regularly funded theatre organisations, two are in London and eight are in the regions.

My hon. Friends the Members for Luton, North (Kelvin Hopkins) and for Hackney, South and Shoreditch (Meg Hillier) wanted to illustrate the broader social role of theatre. It is able to reach out to children and young people and to contribute to education objectives. I am pleased to say that the Unicorn children's centre in Southwark is a great example of how that can be done if an organisation dedicates itself specifically to young people. Theatre is also reaching out in other areas. My hon. Friend the Member for Walthamstow (Mr. Gerrard) mentioned the Theatre Royal Stratford East.

Meg Hillier: Has my hon. Friend had discussions with his colleagues at the Department for Education and Skills about encouraging schools to use those good, professional children's theatre companies? If not, will he consider doing so?

Mr. Lammy: I am pleased that I have been able to continue discussions with Ministers in the Department for Education and Skills, specifically in relation to creative partnerships—they are, as my hon. Friend knows, joint projects with schools—and also in relation to the music manifesto. There are dimensions to the music manifesto and more recently, the dance review that affect theatre. Dance, and its impact on theatre, has been incredibly important.

The point that my hon. Friend the Member for Walthamstow makes about diversity is hugely important. In some of our central debates in society, we can connect with and reach out to some of the Muslim youth in this country and the sort of communities that occupy my constituency to enable them to tell their stories to a wider audience. That is hugely important. My hon. Friend the Member for Hampstead and Highgate has the Hampstead theatre in her constituency and will know that it is doing that through many of its productions in new facilities.

We have heard about the economic impact of theatre. Last year, total ticket revenues for the west end theatre broke through the £400 million mark for the first time. The total value of the west end theatre to the economy has been estimated at £1.5 billion, and of theatre beyond the west end an additional £1.1 million.

It is right to acknowledge local authorities' role—that came up in the debate—and the major contribution that success brings to this country. "The History Boys" is an outstanding example. It began at the National Theatre, won six Tony awards in New York, including best play and, for Nicholas Hytner, best director. It has brought earnings of £1 million to the National Theatre, which will be invested back into programming. The film director, Stephen Frears, said:

> "Many of us currently earning money for British cinema have spent our lives working within some form of the subsidized arts, and have benefited from the wise decision of the government to support the arts properly."

Our funding for the arts in this country is based on a mixed economy. We want institutions that can produce revenue, and we want to attract private and commercial investment, but public subsidy is vital to inspire innovation, and to produce core funding to encourage organisations to move forward, and we are committed to that. We are having this debate largely because hon. Members know that we are in a spending review period and they can be assured that we continue to have these discussions with colleagues in the Treasury.

Hon. Members referred to the national lottery. It is important that during its first 10 years more than £441 million of lottery funds were invested by the Arts Council in theatre and drama. We have seen real growth and success from lottery capital funds invested in the sector, with most of the capital projects now completed; for example, the Unicorn and the Young Vic. Throughout the country many of those capital projects have come through.

Existing lottery commitments will not be affected by the recent announcement of lottery contributions towards the Olympics. There will still be almost £500 million of new lottery money for the Arts Council between 2009 and 2012. The total contribution from lottery funds to the arts for the Olympics will be worth £28 million a year if taken over the four years, as we expect, notwithstanding the outcome of the spending review. The total combined Government and lottery investment for this year equates to just 5 per cent. The Olympics are exactly the sort of one-off national event that the lottery was intended to support and the arts will benefit as a result post-2012.

Asylum Seekers

4.15 pm

Jeremy Corbyn (Islington, North) (Lab): I am pleased to have this debate on the treatment of asylum seekers. The atmosphere in which asylum is normally discussed in this country has become deeply poisonous because of the role of much of the media in misreporting the plight of many asylum seekers. That in turn encourages politicians often to ignore their plight, and our feeling of humanity towards people less fortunate than ourselves is hardened and, to some extent, almost disappears. In this country, we are very good at exaggerating our role in history concerning people who are seeking asylum and a place of safety in this country, but when we consider how they are currently treated in this country and the delays and horrors that they go through, not just in this country but throughout Europe, we should take a slightly different view.

At the moment large numbers of people try to escape from poverty, oppression, difficulties and sheer misery in many very poor countries, mainly in Africa but also in parts of the middle east and south Asia. The reports one reads of the plight of people trying to get from the coast of west Africa to the Canary Islands from which they can gain entry to the European Union are horrific. An eye-witness account of what happened in October last year off the coast of the Canary Islands states that 20 migrants were missing after their inflatable boat sank off the Canary Islands on 5 October. Another report states that 17 people died after their boat went adrift off Sicily channel, among them five women and three children, on 7 September.

The reports go on. For example:

"Nineteen people died on August 11, after a gas cylinder exploded aboard a boat directed to Canary Islands",

and:

"Twelve died and 22 were missing after a pirogue heading for the Canary Islands sank".

So it goes on.

In March last year, a representative of the Red Crescent was asked to describe the situation, and said,

"they are prepared to commit suicide. For them it is like the Russian roulette game; I arrive or I die."

It was then believed that between 700 and 800 people, the majority from Mali, Gambia and Senegal, attempted to cross each day.

I mention that, not because it is the direct responsibility of the British Government or the House, but because it is a Europe-wide phenomenon and we are part of a Europe-wide border arrangement. The horrors of what is happening to many desperate and very poor people who are trying to get to the Canary Islands, Sicily and other southern European countries are very serious, and for the sake of humanity we should have some respect for the lives of those people and see what we can do to assist them.

The reports that are eventually published show the shocking desperation that some asylum seekers face. For example, on 19 March last week, the BBC website stated, and it was widely reported in the media, that:

"Uddhav Bhandari, 40, set himself alight in the Eagle Street Building, Bothwell Street, Glasgow, which is home to the Asylum and Immigration Tribunal."

He was clearly desperate. The report continued:

"The father-of-two had been living in Edinburgh for six years and worked as a volunteer, helping to recycle bicycles."

He set himself alight and died. Robina Qureshi, director of Positive Action in Housing, said:

"Uddhav Bhandari spent six years trying to seek refuge here and bring his wife and two kids over to this country....Forbidden to find paid work, he worked as a volunteer....Last night, he died alone in hospital a few days after setting fire to himself....He was a victim of an asylum policy that persecutes and tortures the victims of persecution and torture."

Tragically, that is not the only time that somebody has taken their own life, either in that dramatic setting or alone in cells in various detention centres.

Will the Government, when formulating policies to deal with asylum, immigration and detention, have greater regard for people's human feelings and sense of desperation? No Member in this room has ever had to seek asylum—that sense of having to give up everything to try to seek safety somewhere else.

Mr. Andrew Dismore (Hendon) (Lab): My hon. Friend's debate is timely, if a little premature, because on Friday, the Joint Committee on Human Rights, which I chair, will publish a full and detailed report on the treatment of asylum seekers. Although it remains confidential until it is published on Friday, the evidence that is already in the public domain clearly supports the horrific stories that we have heard about the way in which people are treated. It is a breach not only of the European convention on human rights and the Human Rights Act 1998, but of basic common humanity, which in far too many cases is not observed.

Jeremy Corbyn: I am pleased to hear that intervention from my friend, who is the chair of the Joint Committee on Human Rights. I look forward to the report, and I hope that it receives the widest possible publicity and debate, encouraging the Government where necessary to amend not only legislation, but above all, policy on the treatment of asylum seekers.

John McDonnell (Hayes and Harlington) (Lab): Does my hon. Friend recall that in the Glasgow *Herald*, the report of that same tragic suicide included the story of a family for whom the white vans appeared in the night? They were dragged out, the father was handcuffed in front of the children, and his children were detained in the same van before they were taken to a detention centre. It was equally brutal treatment.

Jeremy Corbyn: I thank my friend for drawing attention to that story; it is not, unfortunately, an isolated case. I assume from the remarks of the Chair of the Joint Committee, my hon. Friend the Member for Hendon (Mr. Dismore), that the Committee's report will take up such issues. Such treatment is a disfigurement of any civilised society. Those people have not committed any crime other than to seek a place of safety for themselves, their partners and their children, and we must mend our ways.

I represent a constituency in which a large of number of people have sought asylum; it has traditionally been such an area. Much of my casework relates either to local issues—housing problems and the other normal problems that MPs receive—or to asylum seekers, who

are often desperate simply to get answers from the Home Office to their letters. Sometimes, half the people whom I see at a Friday advice surgery come to me not with a problem, but with the question, "Why can't the Home Office answer the question, answer the case and respond to letters?" They laugh wryly when they read the part saying that a reply will be sent within 13 weeks. I say, "It didn't say the year in which the 13 weeks was up," at which point my comment is laboriously translated, and the humour is often lost in translation.

People who come to this country to seek a place of safety want to do a number of things, such as learn English and contribute to society, and they are keen to do their best. If we take away the opportunity for English lessons that are paid for by the public purse, what are we doing? We are not saving ourselves any money; we are preventing a great many people from learning English, which is not a sensible policy.

Although I realise that the Minister responding to the debate is not responsible for that issue, he knows that I have entered into correspondence with the Minister for Higher Education and Lifelong Learning about concerns raised by City and Islington college in my constituency. I imagine that other Members from other constituencies would raise similar points about the need for English for speakers of other languages—ESOL—teaching.

The absence of any access to legal aid, and, when people are eligible for it, the shortage of legal aid solicitors to represent them, is also stressful for many people. Many strong cases are lost, forgotten or badly represented, because the applicant receives poor advice and poor representation. Once poor representations are made, it is hard to retrieve a case. I hope that the Minister present realises that justice means not only the provision of a judicial system, but the right to be represented within it. Legal aid is an important part of that system.

I have constituents who receive National Asylum Support Service vouchers and accommodation. The plethora of companies and agencies that are meant to be responsible for the administration of the vouchers and accommodation is quite bewildering. The administration is often inefficient, grossly incompetent and quite cruel to the individuals concerned. I shall not name them, because it would be embarrassing to them.

However, I can think of an elderly man in my constituency from west Africa who relies entirely on those vouchers for his existence. There is no way—I hope—that he would ever be deported, because of his age and condition. He does not find walking or getting around very easy, and the vouchers often do not arrive, or they are late, or they are for the wrong amount. However, what are his options? He cannot draw money out of a cash machine; he does not have any. We should think about the sort of lives that people have to endure.

NASS often changes the accommodation arrangements for people whom it has housed, moving them from an area where they have relations, the same community, and linguistic and community support. Such areas are important to them: if one comes from a war-torn society or a place of political oppression, having people from a similar background nearby is important for building up one's self-esteem and sense of connections. Unfortunately, NASS has great difficulty in recognising that factor, and it looks around for yet another accommodation agency to place an applicant. They are shunted outside London, if they previously lived there, or to somewhere miles away. All that community support is lost, and a sense of isolation and depression takes over, or worse, they suffer racist attacks. I hope that those concerns will be understood when the Joint Committee's report is considered—and indeed in the Minister's response today.

The Government have been keen on getting tough on asylum seekers. I shall make two points about that issue. First, section 9 of the Asylum and Immigration (Treatment of Claimants, etc.) Act 2004 is used to withdraw benefits from people, which forces them into poverty. Kate Allen, director of Amnesty International, provided a strong quotation to *The Guardian* on 7 November 2006, when she said:

> "Forcing people into destitution as an attempt to drive them out of the country is backfiring badly and vulnerable people are suffering. Refused asylum seekers are being reduced to penniless poverty—forced to sleep in parks, public toilets and phone boxes, to go without vital medicines even after suffering torture, and to rely on the charity of friends or drop-in shelters to survive."

In my constituency, I know of situations in which a poor family—perhaps surviving on income support—have come from another country, gained status legally in this country, and then taken in another family who have no income whatever. The very poor are looking after the desperately poor. I am sure that my colleagues have similar stories. We must be far more reasonable about the issue. Around London, the people who one sees begging are, increasingly, asylum seekers who are exercising their legitimate right to appeal, but who are not allowed to gain any support in the meantime.

Secondly, there is the question of detention, which sits with that issue. My hon. Friend the Member for Hayes and Harlington (John McDonnell) will be well aware of the lack of safety in Harmondsworth detention centre. Anne Owers last year described the centre, which holds 500 men facing deportation at any time, as having slipped into

> "a culture wholly at odds with its stated purpose"

since a riot took place there in 2004. She went on to describe the centre's conditions, of which my friend will be well aware.

John McDonnell: My hon. Friend will remember that in Anne Owers's report, she undertook a survey of the residents at Harmondsworth detention centre. A high percentage were fearful for their very safety and extremely concerned by the bullying that was undertaken by the private company running the centre.

Jeremy Corbyn: That is absolutely so, and I thank my friend for that intervention. The way in which that place has been run is a disgrace, and I assume that the Joint Committee report will deal with those issues.

Mr. Dismore: The Joint Committee's visit to Yarl's Wood detention centre is also in the public domain. We were all disturbed when we saw the way in which children were detained, and the impact that it had on them. They are often very young children, and often they are not detained for a short period.

Jeremy Corbyn: I, too, visited Yarl's Wood with my hon. Friend the Member for Hackney, North and Stoke Newington (Ms Abbott) last year. There is something deeply shocking about children being locked up in prison conditions. I am not talking about the food, the play

[Jeremy Corbyn]

facilities or that sort of thing; the reality is that they are locked in a prison, as far as they are concerned, and no society should be imprisoning children. Neither those children nor their parents have committed any crime. All that those people have sought is a place of safety in this country, but they are threatened with deportation and, in the meantime, put in detention. That is simply not acceptable and that policy should be ended.

There is also the issue of deportation and removal from this country to countries that are not signatories to any of the appropriate conventions. I am talking about Somalia, Sudan, Iraq, Democratic Republic of the Congo and Algeria. Monitoring the people who are deported to those countries is impossible, and they are not safe when they return there. The first of the two countries that currently concern me a great deal is Algeria. I have a substantial Algerian community in my constituency. The Prime Minister apparently received an undertaking from the Algerian Government last year that they would not torture people who were removed to Algeria from this country. The Algerian authorities seem either not to have understood that undertaking or to have decided to take people into custody for offences other than those from which they had sought asylum. I understand that no removals to Algeria are taking place currently, but I should like the Minister to give a clear undertaking that no one will be removed to Algeria or any non-convention country. If we believe in the international conventions on torture and all the other conventions, we should not deport people to places where they would face such problems.

John McDonnell: Does my hon. Friend not look on almost with incredulity, as every day we hear the numbers of deaths in Iraq—50 people have been bloodily murdered today as a result of terrorist activity—and yet we as a Government still forcibly deport large numbers of people to Iraq from Brize Norton?

Jeremy Corbyn: I find it incredible, particularly when one hears daily of the carnage in Iraq. Indeed, I understand that two days ago 13 asylum seekers from Darfur in Sudan who had been refused asylum in this country were being held at Oakington removal centre. Three of them have removal directions through British Airways to Darfur, where they will face all the horrors of the conflict there.

The situation is desperate and a number of things must be considered. The Institute of Race Relations report, "They are Children Too" by Liz Fekete, is a newly published study of Europe's deportation policies, and an excellent document it is too. The document describes how asylum seekers have been badly treated throughout Europe. It also gives chapter and verse on the details of what has happened to a number of families in Scotland, and what has happened in Yarl's Wood detention centre and a number of other places. I hope that the Minister will read this newly published document and will take on board its points about the Europe-wide treatment of people. Although we are not responsible for every other country's immigration or asylum policies, we are part of the European Union. We have a voice and we can influence what happens there. I hope that, instead of being the country most ramping up anti-asylum policy, we can become a force for good and inspire a more liberal approach to such matters there.

So that the Minister has sufficient time to reply, I should like to finish with two points that have been put to me. First, I have received a brief from a new group, the Just Fair campaign, which makes three simple proposals that would do a great deal to alleviate the problems from which many asylum-seeking families suffer. First, the group suggests that we

> "Continue financial support and accommodation to refused asylum seekers as provided during the asylum process".

In other words, asylum seekers should stay on benefits if they would be eligible for them throughout the asylum process. Secondly and importantly, the group says that we should

> "grant permission to work until such a time as they have left the UK or have been granted leave to remain."

It is absurd that skilled people such as doctors, nurses, teachers, engineers, carpenters, plumbers and gardeners are absolutely forbidden from working, even in a voluntary capacity, and it is frustrating for them. The situation is ludicrous. Who is it helping and who is it harming? The third proposal is:

> "Continue to provide full access to health care and education throughout the same period."

Denying health care to people is obviously cruel to the individual, but it is also counter-productive to the interests of public health.

Finally, I should like to quote from the memorandum that the Save the Children Fund submitted to the Joint Committee when it was investigating asylum seekers. The charity's key recommendations were:

> "The UK government should withdraw its reservation to article 22 of the UN Convention on the Rights of the Child…The government should address the particular situation of children in the reform of the immigration and asylum system to bring it into line with the principles and provisions of the UNCRC…We urge the JCHR to investigate the compliance of the draft Unaccompanied Asylum Seeking Children…Reform Programme with the Human Rights Act".

Serious allegations have been made against this country in its treatment of asylum seekers. I hope that the publication of the Committee's report will mark the beginnings of a greater understanding of the plight of asylum seekers, what they have faced, why they come here, and the positive contribution that they want to continue making to this country. I hope that that will be the start of a change of approach and a change of attitude. We do not need to enter an auction with the *Daily Mail* and the *Daily Express* about how we treat asylum seekers. We need to use humanity as the basis of our treatment of people.

4.36 pm

The Minister for Immigration, Citizenship and Nationality (Mr. Liam Byrne): It is a privilege, which I do not believe I have had before, to serve under your chairmanship, Mr. Caton. It is also a pleasure to respond to the debate that my hon. Friend the Member for Islington, North (Jeremy Corbyn) initiated. I am not sure whether he will remember this, but I was a constituent of his for some time. Indeed, I was a ward secretary in his constituency party for a brief period in the late 1990s, so it is a privilege to respond to this debate.

I should like to say how much I appreciated my hon. Friend's starting point. Very often in debates about asylum, particularly in certain parts of the media, there is a conflation of the issues of humanitarian protection, the need to protect refugees, how we treat those seeking asylum and how we treat those who have failed in their asylum claims with those issues concerning people who come here to work, to study or, sometimes, to visit. There is a conflation of the whole issue of migration with that of those who are seeking asylum. That is extremely dangerous and has the potential to jeopardise this country's proud tradition of offering humanitarian protection, refugee status and asylum to those fleeing persecution, torture or worse in different parts of the world.

In a sense, it is not an enormous surprise that we have run into that conflation. Since the 1960s, the pattern of global migration has transformed beyond all recognition. Migration has approximately doubled since the 1960s. There has been a marked increase in the annual rate of migration since the mid-1980s. There has also been a surge in the number of people seeking asylum, particularly since the mid to late 1990s, not just in this country but in different parts of Europe, too. The question that that left us with from 1997 onwards was: how do we create a system that can identify those who are in genuine need of asylum as opposed to those who are not? Asylum is an extremely important and time-honoured status, but the challenge that we have faced is that, as the statistics over the past seven or eight years show, some 70 per cent. of asylum claims have been deemed to be unfounded. That is problematic, because it has put an enormous amount of pressure on the system. The integrity of the system is important, because it must work effectively, in order to grant asylum to those who are genuinely in need of it.

The modernisation of the past few years is important, because we see the issue in even sharper relief when we think of what is still to come. World Bank and International Monetary Fund estimates show that the number of young people coming into the labour market in the developing world is projected to total some 1 billion extra between now and 2020. When we consider the difference between take-home pay in the developed world and that in the developing world, we see that there may well be strong economic incentives, mentioned by my hon. Friend at the start of his comments, for people to come to developed countries. There is therefore the risk that if the asylum system is not made to work effectively, it will be abused.

Obviously, the system that we inherited in 1997 was designed for a different era—it took not eight weeks, but about 22 months to make an initial decision. As a result of the time that it took to modernise that system, considerable backlogs of asylum claims built up. Last May, my right hon. Friend the Home Secretary was extremely honest, forthright and ambitious in his desire to get all the information about the backlogs looked after by the immigration and nationality directorate. In July, we said that there were about 465,000 cases—case files, not individuals—sitting with the IND. The director general of the IND is reporting regularly to the House on our progress. A large number of the cases have already been dealt with or relate to people who have left the country, passed away or regularised their status in different ways. None the less, my right hon. Friend estimates that it will take four or five years and considerable investment for the cases to be processed.

A number of changes have been made that address some of my hon. Friend's points, particularly those about administrative reform. By next month, we will have achieved our target of setting up different kinds of asylum teams in different parts of the country. There will be a single case owner for an individual claiming asylum, rather than the bureaucratic run-around of cases being passed for different kinds of decisions to different sorts of people in different parts of the country. All that has now been swept away. Instead, single case owners will look after a single file and, most importantly, a single individual. They will make all the relevant decisions. That is an important step forward because it means that the case owner will be able to build up a much more sophisticated, nuanced understanding of the individual case. Frankly, that will unlock a great deal of the humanity that my hon. Friend seeks and ensure that decisions are made much faster than they are today. When decisions are long and drawn out, I fear that there is scope for injustice to creep in.

Jeremy Corbyn: Is any priority given to long-standing cases in respect of which there has simply been a bureaucratic run-around and no answers have been given to anybody? Such cases lead to the most incredible tensions in families.

Mr. Byrne: My hon. Friend is absolutely right. When my right hon. Friend the Home Secretary set out our proposals on the issue, he said that we would prioritise cases that we were concerned posed a risk of harm to the public. We were also clear that cases in which there has been mishandling or maladministration must be prioritised too.

I shall deal quickly with some of the points that my hon. Friend raised. The one point that I want to stress is that when the treatment of people who have failed in their asylum claims is debated, something is often forgotten—the work that we do to encourage people to go home voluntarily. We work closely with the International Organisation for Migration and are extremely grateful for its assistance in putting together what it says is a world-leading scheme, which helps people, with up to £3,500 of support, to build a life back in their home countries.

The issue of legal aid is extremely important; as my hon. Friend knows, different procedures have been put in place to make sure that resources are targeted at meritorious claims with the greatest chance of success. As the number of asylum seekers—now at its lowest since 1993—comes down, it is incumbent on the Legal Services Commission to make sure that there is no distortion in the market, or, if you like, drying-up of supply. It is vital that the commission should keep that under constant review.

We have also debated the question of detention. I am anxious to explore alternatives to detaining children. Sometimes, parents have a responsibility too; when I sign off cases of children who have been in detention for some time, I often find out that that has been because their parents have been disruptive or abusive or have exhibited dangerous behaviour towards staff—

Mr. Martin Caton (in the Chair): Order. We must now move on to our next debate.

Prisons (Crime Reduction)

4.45 pm

Philip Davies (Shipley) (Con): I am grateful for the opportunity to debate the effectiveness of prisons in reducing crime, an issue of great importance in many areas. Indeed, in all the surveys that I carry out in my constituency of Shipley, crime always features as the issue about which my constituents are most concerned. I am also grateful to the Under-Secretary of State for the Home Department, the hon. Member for Bradford, South (Mr. Sutcliffe), for taking the time to respond to this debate.

For far too long in this country, the small band of trendy, left-wing, liberal, *Guardian*-reading, sandal-wearing, politically correct do-gooders has had a disproportionate sway over the debate on law and order. "Prison doesn't work," they say. "We lock up more people than any other civilised country," they add, working on the basis that if they repeat such mantras often enough, people will start believing them.

Unfortunately, the age-old political tip about repeating a lie often enough and people believing it appears to have worked. I therefore wish to focus on and try to explode two myths in particular: that we have a high prison population and that prison does not work. I also wish to touch on the prison regime in this country.

I start with the familiar myth that we have a very high prison population. Only recently, the Minister himself was quoted in our local paper, the *Bradford Telegraph and Argus*, as saying that we lock up more people than any other country in Europe and that we have to look for alternatives.

Let us look at the facts. In terms of absolute numbers, we do have a relatively high prison population. However, we are a relatively highly populated country. If we consider the number of prisoners that we have for each 100,000 of population, we are nearer the average, but still quite high. However, those figures are meaningless; surely the only meaningful measure of the size of the prison population is how many prisoners there are in relation to the number of crimes committed. On that measure, the evidence is startling: we do not have the highest prison population in the western world, but the lowest. Compared with the US, Canada, Australia and the other EU countries as a whole, the UK has the lowest prison population of all. For every 1,000 crimes committed in the UK, we have approximately 13 prisoners, compared with approximately 15 in Canada and Australia, well over 20 in the rest of the EU as a whole and a whopping 166 in the US. The Minister has recently been to the United States. I hope that he has been learning about its prison regime, which is much more effective than that in this country. Those figures clearly expose the myth that we have a high prison population. Will the Minister confirm that, on the measure that I have used, we have a low prison population? Will he clarify which measure of prison population he thinks the most relevant?

Then we are told that prison does not work. I am the first to concede that the prison regime is far too lax and cushy—something I will return to shortly—but even with such a soft regime, the evidence shows that prison does work in reducing crime. The fact is that the country with the lowest prison rate, the UK, has the highest crime rate—more than 10,000 crimes for every 100,000 of population. The country with the highest prison rate, the USA, has the lowest crime rate: about 4,400 crimes for every 100,000 of population. Canada, the country with the second lowest prison rate of the western countries that I looked at, has the second highest crime rate. The EU has the second highest prison rate and the second lowest crime rate. Is all that a coincidence? I do not believe so. Indeed, it seems blindingly obvious to me that the more criminals who are locked up in prison, the fewer there will be out on the streets to commit crimes. Does the Minister accept that blindingly obvious statement?

We should always beware of politicians who tell us that things are far more complicated than they really are. The issue is actually quite simple, but the simple fact appears not to have reached the Home Office. I hope that the Minister will clarify where he stands on the issue.

Then we are told that prison does not prevent people reoffending and actually makes it worse. However, just before Christmas, the Home Office sneaked out a report that blew that hypothesis apart. The report clearly demonstrated that the longer people stay in prison, the less likely they are to reoffend. It might be presumed that the people with the longest prison sentences are the most hardened criminals and are therefore the most likely to reoffend. However, a Home Office report showed that that was clearly not the case. The "Re-offending of adults" report, published in November 2006, concluded that

> "re-offending rates are lower among offenders discharged from a custodial sentence of at least a year (49 per cent) than among those discharged from a shorter custodial sentence (70 per cent)...This suggests that custodial sentences of at least a year are more effective in reducing re-offending."

It is worth repeating those figures. Sentences of up to one year had a reoffending rate of 70 per cent. while in cases of sentences of more than two years, the reoffending rate dropped to 49 per cent. The report showed that for people who had spent more than four years in prison, the reoffending rate was merely 35 per cent.

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): I do not want to stunt the hon. Gentleman's speech, but I want to be clear about his argument. Is he arguing for longer sentencing? Is he saying that people who go to prison should be in prison for more than 12 months, and that that should be the starting point?

Philip Davies: The Minister has looked accurately into his crystal ball. I certainly am saying that prison sentences should be longer, and I shall explore that in more detail in a few minutes.

The reason why prisoners reoffend has nothing to do with prison. The Minister has been very perceptive; it is largely due to the fact that people do not spend long enough in prison. As the Home Office report suggested, most prisoners go to jail via the magistrates courts, and many have a drug addiction, too. The maximum prison sentence that a magistrate can impose is six months. If a criminal pleads guilty, they are likely to get a third knocked off. That reduces the sentence to four months. They are then likely to serve only half of the remaining time. In effect, that means that in many cases magistrates can send people to prison for only two months. They go into prison as drug addicts, and we should not be surprised that they come out as drug addicts to start their crime spree all over again. They need to be in prison longer, not only to be punished properly for their crime—or crimes, as few are sent to prison for their first offence—but to have time to kick their addiction.

Given that since 1997 alone, more than 7,000 crimes were committed by people who were tagged or were released before the end of the jail sentences handed down by the courts, ensuring that prisoners served the full sentence handed down by the courts would help to reduce crime, too. The public have no faith in the criminal justice system, and honesty in sentencing would do a great deal to reassure them as well as to reduce reoffending. Prisoners should not be let out of prison early for good behaviour; they should be left in prison longer for bad behaviour. When I was at school, if I behaved properly that was what was expected of me and I was allowed to leave school on time. If I misbehaved, I was kept back for detention. Can the Minister explain to the British people why he thinks that that should not apply to prisoners, too, and why they should not serve the sentence handed down by the courts in full?

The public know that that all makes sense. Surveys that I have conducted in my constituency show that 84 per cent. of people believe that prisoners should serve the sentence handed down by the courts in full. The police know that that makes sense, too. In my time on the parliamentary police scheme, working with my local Keighley division of West Yorkshire police, many police officers told me that if their top 10 persistent criminals were in prison, crime would be reduced by about half. If the top 20 persistent offenders were in prison, crime would be reduced by about 90 per cent. Does the Minister agree with that analysis by the police?

The Government are at sixes and sevens. They started off knowing that to be tough on crime they needed to send more people to prison. However, because the Chancellor has consistently refused to invest in building more prisons, that has resulted in their being full. The Government now have to pretend that prison does not work after all, and that it is tougher not to send people to prison and to give them some so-called tough community sentence. We saw pictures in the papers this week of such sentences, with people lying on benches instead of doing any work. That seems a laughable position for the Government to hold. Will the Minister make clear whether he believes that prison works or not? If he does, will he commit to not letting dangerous criminals out early and to abandoning the plans that we have read about this week to avoid sending people to prison at all costs?

I want to touch on the prison regime in this country, which I believe is far too lax. The fact that more than 1,500 prisoners have Sky TV in their cells—not in a communal area but in their cells—will disgust most decent people. I am sure that many people in my constituency wish they had Sky TV and could watch premiership football, but they cannot afford it. Why should they have to pay through their taxes for a regime that allows prisoners to enjoy such a luxury? It has also recently emerged that roughly 60 per cent. of prisoners have keys to their own cells. Most people could be forgiven for believing that that is just typical of the Government's determination to put the human rights of criminals and prisoners above the rights of victims and decent, hard-working, law-abiding people in this country.

Successive chief inspectors of prisons and judges are parts of the establishment with a lot to answer for in respect of prison life. Those people leave their luxury, idyllic homes to visit prisons and report back on what an awful place they are. They do not consider the environment from which many people in prison come: not luxury homes in idyllic locations, but drug and crime-ridden estates. During my time on the parliamentary police scheme, a custody sergeant said to me that in her experience the biggest deterrent to crime was the prospect of being sent to prison for the first time. People were genuinely afraid of that. However, she said that once they had been sent to prison, they found that many of their friends and associates were there, they got three square meals a day, they had access to a gym, which most of us would have to pay for, and other facilities, and their quality of life was higher in prison than on the outside. That cannot be right.

Mr. Philip Hollobone (Kettering) (Con): I congratulate my hon. Friend on securing the debate. I re-emphasise the point that he has just made. Like him, I took part in the parliamentary police scheme and officers in my constituency told me that, after having served time in jail, criminals saw further time in jail as a career break before they went out burgling, stealing and so on again.

Philip Davies: As usual, my hon. Friend is absolutely right. That is an experience that police officers have across the country.

Once somebody has been sent to prison they should never want to go again. The fact that many people feel that it is not as bad as they expected is not only offensive but counter-productive. The Minister will no doubt use the word "rehabilitation" at some point in his speech—that is my crystal ball gazing for the afternoon. Of course we want people to be rehabilitated, but in my experience the word "rehabilitation" is simply used by the liberal left to excuse making life as luxurious as possible for prisoners. Can the Minister explain how giving prisoners Sky TV in their own cells rehabilitates them?

The Minister might wish to read about Sheriff Joe Arpaio in Phoenix, Arizona, who has introduced a tough regime in prisons in his state and has a public approval rating of 85 per cent. Oh, what Home Office Ministers would give for a public approval rating of 85 per cent. Prison does work. We just do not have enough prisoners, they do not spend enough time in prison and the prisons too often resemble hotels or holiday camps rather than prisons. The Home Office blueprint should be to double the number of prisoners, to ensure that they serve the sentence handed down by the courts in full, to make prison more austere and to halve the crime rate. Is that a vision that the Minister shares?

4.58 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): I am delighted to have the opportunity to respond to the hon. Member for Shipley (Philip Davies), and, like the hon. Member for Kettering (Mr. Hollobone), I congratulate him on securing the debate.

In his own unique way the hon. Member for Shipley has raised some interesting points about the importance of prison and, in his view, reducing crime. I notice that there is no one from the Opposition Front Bench in today's debate. We have had many debates about prisons and what is going on with prison capacity, so perhaps he has to convince not only me but his Front-Bench colleagues of his views on prisons. I do not minimise the seriousness with which he has approached the issue. There is a need for a debate about what is going on in our prisons.

The hon. Gentleman has painted a picture of our prisons as almost like holiday camps. I was in Belmarsh yesterday, and if he went there he would not see the

[Mr. Gerry Sutcliffe]

regime as anything like a holiday camp because of the high security aspect of that prison. Clearly, we need to strike a balance on the matter of punishment. That aspect needs to be there for dangerous and serious offenders, and it is quite right that we have prison places for those people. However, I take issue with the hon. Gentleman on some of the other points that he has raised, and I shall try to go through some of them in the time that we have. As usual, one can only set the scene in a half hour debate. I know that on several occasions the hon. Gentleman asked questions of the Home Office but was not able to get answers because of the time it takes to provide them. There was no deliberate move by me to make sure that we did not get to his questions.

This Government are proud of their record on tackling crime. It is a success story that has been independently commented on by bodies such as the British crime survey, which shows that, compared with 1997, all crime is down by 35 per cent., burglary is down by 55 per cent. and violence, as measured by the British crime survey, is down by 34 per cent. The survey estimates that there are 5.8 million fewer offences overall than in 1997. The crime rate, particularly for householders, is at a historically low level: 24 per cent., down from 35 per cent. in 1997.

We aim to build on that success. Hon. Members will know that yesterday we published "Building on progress: Security, crime and justice", which sets out the vision for confronting crime and criminals over the next 10 years. It endorses the direction that we have been taking in rebalancing the criminal justice system, including putting more time and effort into dealing with serious and persistent crime and offenders, improving early intervention and mental health care, and strengthening both non-custodial sentences and prison programmes in order to cut reoffending. I believe that prisons play an essential part in that vision.

Yes, there must be punishment that protects the public. The hon. Gentleman is arguing for longer prison sentences and more prison capacity, but that comes at a cost. He will know that we have brought into play 19,000 extra spaces since 1997, and that we have announced a further 8,000 places. He talks about prison capacity. Clearly, there is a problem with prison capacity. The prison population, which is nearly 80,000, is at a record high.

Philip Davies: I agree that building more prisons comes at a cost, but will the Minister clarify whether he accepts that the crime rate would be reduced if we had more prisons and more prisoners serving longer sentences, irrespective of the cost?

Mr. Sutcliffe: I understand the hon. Gentleman's argument, but I do not accept it. One must think about the offenders and the types of crime that people are in prison for. It is clear that serious and dangerous criminals must be locked up in prison to protect the public, and that is why in 2003 the Government introduced the indeterminate sentence, under which the Parole Board must determine whether somebody is safe to release back into society. That is an appropriate sentence, and I am pleased that the figures are increasing.

Yes, prison has to be there for dangerous offenders, but we must consider how we deal with and view offenders. As the hon. Gentleman knows, I was a councillor in Bradford before I became an MP. The reality is that, as elected representatives—in my case, as a councillor and then as an MP—our view of people who enter the criminal justice system must be different from that of the rest of the community. Offenders come from our communities. Yes, the punishment must fit the crime, but we must try to find out why people are committing crimes and try to rehabilitate them back into society.

Prisons are austere places. The hon. Gentleman makes a point about televisions in prison cells. Prisoners do not get Sky TV. They have to pay £1 a week for television sets, and not everybody gets them. The hon. Gentleman raised the issue of keys. I am sure that he will have read this morning's *Daily Express*, in which the right hon. Member for Maidstone and The Weald (Miss Widdecombe) sets out her view that it is appropriate for prisoners to have keys on the basis of protection of an individual's property and, in some circumstances, because of some of the bullying that goes on in prison, on the basis of protection of individuals in dangerous situations. Keys are given out in an attempt to get people to become responsible, and to be part of society when they come out. The weakness in the hon. Gentleman's argument is that people should be kept in prison longer and then they should be released, but we must consider that old process of offender management.

Philip Davies: I do not wish to interrupt the Minister unnecessarily, but can he clarify what he said about prisoners having Sky TV in their cells? I asked a parliamentary question about the matter last year and was told that more than 1,500 prisoners had Sky TV in their cells. Is the Minister telling me that the answer to my question was wrong, or that the practice has now ceased? Or did I mishear him?

Mr. Sutcliffe: Let me read the briefing note that I have on the issue. I am sure that it is in line with the answer to the hon. Gentleman's parliamentary question. If it is not, I shall be asking questions as well. Prisoners can have televisions in their cells as part of the incentives and earned privilege scheme. TVs must be earned and can be withdrawn if a prisoner fails to comply with the prison regime or breaches discipline. A small number of prisoners have access to freeview in their cell. Like the rest of the country, the Prison Service must prepare for the switchover to digital TV, and that will mean that prisoners who have earned the right to have a TV will have access to additional channels, because everybody will have that access with the move to digital TV. As I said, prisoners pay £1 per week to rent a TV from the Prison Service. That is a million miles away from the hon. Gentleman's comments about watching Sky TV or Sky Sport on television in prison.

The hon. Gentleman's argument trivialises the tremendous work that is being done in prison. There are different types of prisons. For example, there are local prisons, where people are sent immediately. There is one close to his constituency and mine—Armley prison in Leeds—which he may have visited. I do not know whether he has. If he has not, he should visit it. It may change his view about prisons being holiday camps. They are about making sure that offenders are managed properly.

I read out the figures for where we are nationally in trying to reduce reoffending. The rates are far too high, and the hon. Gentleman makes a serious point when he talks about drugs in prisons and people entering prison with a problem. They may enter detoxification, but the solution involves not just what prisons do but what society does. The Government have involved primary

care trusts in health provision in prisons because we need to consider how to manage offenders from end to end.

From the minute someone is arrested, we try to find out what caused the offence—why have they offended? We must consider the different types of offenders. As I said, the prison population is at a record level of 80,000. Of those, fewer than 4,000 are women. We must try to find out what causes offenders to offend and do something about it, but something must be done by society, not just the prison regime. We must try to find education and work solutions so that people come out of prison not to reoffend but to find sustainable work or education. That is the way to stop reoffending.

That is why the National Offender Management Bill is important. The hon. Gentleman voted against it, as did the hon. Member for Kettering, and I am concerned about that. They must think through the issues. Yes, the public must be protected, and we must lock up dangerous and serious offenders, but not everybody in prison is a dangerous or serious offender. We must look at ways to reduce reoffending.

One way to deal with the problem is by involving a wider range of people. One of the problems is that when people are released from prison, there is no proper resettlement plan to help them avoid going back to what they were doing before. Offenders need housing and educational support. I believe that alternatives to custody are important, and that the public will understand and accept that they are not soft options.

I refer the hon. Member for Shipley to the north-west, where community justice is taking place. Communities identify projects that need to be carried out in their communities. Magistrates sentence against those projects and everybody wins: the communities see the work being done and that it is not a soft option, and they benefit from what is taking place, and the offender's skills are developed.

We must consider alternatives to custody. I was pleased by the comments of Lord Phillips, the Lord Chief Justice, that we need to look at alternative custody as a way not of dampening down the prison population but of offering up an alternative to try to cut reoffending rates. We have been working with the youth justice scheme. I know that the hon. Gentleman was on the police scheme, so he will know how many youngsters are involved in crime. We must try to nip that in the bud by supporting those young people, and ensuring that that they do not end up in a warehouse situation in prison as that can lead to a vicious cycle. We have to consider those alternatives.

I have just received further information on Sky TV. The hon. Gentleman is right on the figures; there were 1,500 Sky sets in cells and the parliamentary answer was correct. As I said, we changed the system in relation to the digital position.

We have an ambitious target of reducing reoffending by 10 per cent. by the end of the decade. Adult prison places cost £40,000 a year, and young offender places cost £50,000. That cannot be the right way to progress. We need to consider the alternatives and find ways of ensuring that people understand what prison is about. Elements of punishment are quite right when the punishment fits the crime, but so is rehabilitation and trying to bring people back into society by using the expertise of a number of bodies that work with prisoners.

This is an important debate, because we need to understand that prison is only part of the solution. The hon. Gentleman was right to raise the subject of public confidence in the criminal justice system. That was one of the things that the Home Secretary brought about when we took over as a new ministerial team. We were concerned that people did not understand existing sentencing policies. It is important that we have an independent judiciary, and that judges base their decisions on what is before them. However, it is also important to ensure that the public understand and have confidence in sentencing. We are embarking on that through consultation to ensure that people understand that reductions in sentences can sometimes be about the witness and the victims not having to go through the court procedure, and that it can be a benefit if someone pleads guilty. Nevertheless, such a process must be carried out in a good spirit and should not become the norm; it has to be appropriate and proper.

We will ensure that prison places are provided for serious offenders, but we need to drill further to find out what motivates people to offend. We estimate that offending is often drugs-related, and we are trying to deal with it by a 974 per cent. increase in drugs spending in prisons. It is not about addressing that problem only in prison; it is about ensuring end-to-end offender management so that people are supported in the community when they come out. Whether it is an educational matter or a drugs issue that needs to be addressed, rehabilitation should be a continuous process. I believe that the public will accept that.

There was a recent poll on women in prison. The hon. Gentleman will know about the work that Baroness Corston has done on vulnerable women, which indicated that prison should be the last alternative for women. The impact on women prisoners who have families often means that those families then have problems with crime. There are other problems associated with dysfunctional families.

It is important that the people who offer alternatives to prison are not seen as left-wing liberals, as described by the hon. Gentleman. Such people have witnessed what has happened to the prison system over many years.

Philip Davies: Before he winds up, I would like the Minister to touch on the report from November on the reoffending of adults, which shows that the reoffending rate for those serving sentences for up to a year was 70 per cent., for those serving over two years it was 49 per cent. and for those serving over four years it was 35 per cent. Does he agree that that demonstrates that the longer people spend in prison, the less likely they are to reoffend?

Mr. Sutcliffe: That is an easy set of figures, but we must consider the complexity of what takes place in terms of reoffending rates. That is why I asked the hon. Gentleman for his view on that. He is arguing for longer prison sentences after which, in his terms, people would magically turn into well-formed residents for whom, when they come out of prison, everything is okay. That is not how the system operates. The different reoffending rates are about the different types of sentences that are passed. My fundamental point is that there are people in prison who should not be there and should be offered alternatives. That is the complete opposite of what the hon. Gentleman is saying in the sense that he believes in longer sentences, more people in prison and therefore—

It being quarter past Five o'clock, the motion for the Adjournment of the sitting lapsed, without Question put.